Interim Statement as at 30 September 2020

This is an English translation of the original Italian document "Resoconto Intermedio al 30 settembre 2020". In cases of conflict between the English language document and the Italian document, the interpretation of the Italian language document prevails. The Italian original is available on group.intesasanpaolo.com.

This document 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 statement, 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.

Interim Statement as at 30 September 2020

Intesa Sanpaolo S.p.A. Registered Office: Piazza S. Carlo, 156 10121 Torino Italy Secondary Registered Office: Via Monte di Pietà, 8 20121 Milano Italy Share Capital Euro 10,084,445,147.92 Torino Company Register and Fiscal Code No. 00799960158 "Intesa Sanpaolo" VAT Group representative Vat Code No. 11991500015 (IT11991500015) Included in the National Register of Banks No. 5361 ABI Code 3069.2 Member of the National Interbank Deposit Guarantee Fund and of the National Guarantee Fund and Parent Company of the banking group "Intesa Sanpaolo" included in the National Register of Banking Groups.

Contents

THE INTESA SANPAOLO GROUP

The Intesa Sanpaolo Group: presence in Italy (*)

Banks

INTESA SANPAOLO

BANCA 5 LA BANCA A PORTATA DI MANO Gruppo INTESA SANPAOLO — FIDEURAM INTESA SANPAOLO PRIVATE BANKING — IWBank PRIVATE INVESTMENTS — UBI Banca

NORTH WEST

INTESA SANPAOLO	Subsidiaries	
Branches	Company	Branches
974	Fideuram	96
	Banca 5	1
	IWBank	9
	UBI Banca	856

NORTH EAST

INTESA SANPAOLO	Subsidiaries	
Branches	Company	Branches
837	Fideuram	56
	UBI Banca	101

CENTRE

INTESA SANPAOLO	Subsidiaries	
Branches	Company	Branches
710	Fideuram	40
	IWBank	6
	UBI Banca	486

SOUTH

INTESA SANPAOLO	Subsidiaries	
Branches	Company	Branches
618	Fideuram	26
	IWBank	7
	UBI Banca	302

ISLANDS

INTESA SANPAOLO	Subsidiaries	
Branches	Company	Branches
220	Fideuram	10
	UBI Banca	1

Figures as at 30 September 2020
(*) Including the branches of the going concern to be sold to BPER Banca

Product Companies

BAP ASSICURAZIONI — FIDEURAM VITA — INTESA SANPAOLO ASSICURA — INTESA SANPAOLO RBM SALUTE — INTESA SANPAOLO VITA

Bancassurance and Pension Funds

PRESTITALIA — UBI Factor — UBI Leasing

Factoring, Leasing and Consumer Credit (**)

EURIZON ASSET MANAGEMENT — Pramerica

Asset Management

SIREF FIDUCIARIA

Fiduciary Services

(**) Factoring, Leasing and Consumer Credit activities are also carried out directly by Intesa Sanpaolo S.p.A., the Parent Company

The Intesa Sanpaolo Group: international presence

Banks, Branches and Representative Offices

INTESA SANPAOLO

ALEXBANK | بنك الإسكندرية
BANCA INTESA
BANCA INTESA Beograd
CIB BANK
EXIMBANK
FIDEURAM BANK LUXEMBOURG
FIDEURAM INTESA SANPAOLO PRIVATE BANKING
INTESA SANPAOLO BANK Albania
INTESA SANPAOLO BANK LUXEMBOURG
INTESA SANPAOLO BANK Romania
INTESA SANPAOLO BANK
INTESA SANPAOLO BANKA Bosna i Hercegovina
INTESA SANPAOLO BANK IRELAND
INTESA SANPAOLO BRASIL SA
INTESA SANPAOLO PRIVATE BANK SUISSE Morval
PRAVEX BANK
PRIVREDNA BANKA ZAGREB
UBI Banca
VÚB BANKA

AMERICA

Direct Branches	Representative Offices
New York	Washington D.C.
	New York(3)

Country	Subsidiaries	Branches	Representative Offices
Brazil	Intesa Sanpaolo Brasil	1	São Paulo(3)

OCEANIA

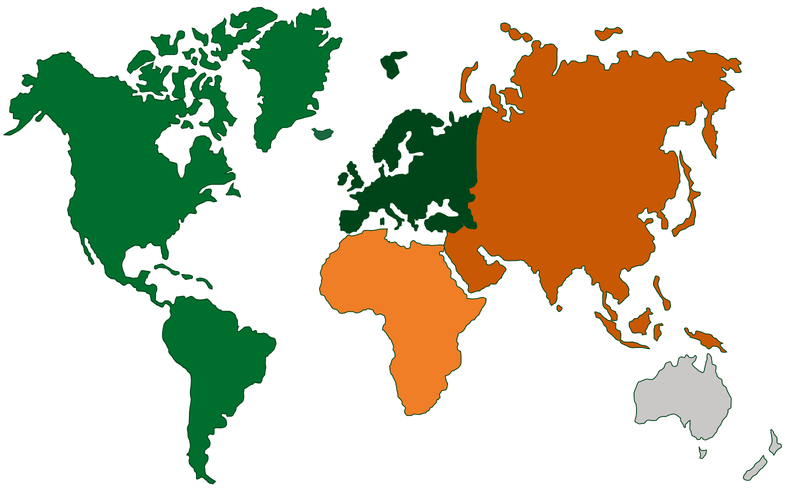
Representative Offices
Sydney

ASIA

Direct Branches	Representative Offices
Abu Dhabi	Beijing
Doha	Beirut
Dubai	Dubai(3)
Hong Kong	Ho Chi Minh City
Shanghai	Hong Kong(3)
Singapore	Jakarta
Tokyo	Mumbai(4)
	Seoul
	Shanghai(3)
	Singapore(3)

EUROPA

Direct Branches	Representative Offices
Frankfurt	Brussels(1)
Istanbul	Moscow(4)
London	
Madrid	
Nice(2)	
Paris	
Warsaw	



Country	Subsidiaries	Branches
Albania	Intesa Sanpaolo Bank Albania	35
Bosnia and Herzegovina	Intesa Sanpaolo Banka Bosna i Hercegovina	48
Croatia	Privredna Banka Zagreb	165
Czech Republic	VUB Banka	1
Hungary	CIB Bank	63
Ireland	Intesa Sanpaolo Bank Ireland	1
Luxembourg	Fideuram Bank Luxembourg	1
	Intesa Sanpaolo Bank Luxembourg	1
Moldova	Eximbank	17
Romania	Intesa Sanpaolo Bank Romania	32
Russian Federation	Banca Intesa	28
Serbia	Banca Intesa Beograd	155
Slovakia	VUB Banka	187
Slovenia	Intesa Sanpaolo Bank	46
Switzerland	Intesa Sanpaolo Private Bank (Suisse) Morval	2
The Netherlands	Intesa Sanpaolo Bank Luxembourg	1
Ukraine	Pravex Bank	45
United Kingdom	Intesa Sanpaolo Private Bank (Suisse) Morval	1

AFRICA

Representative Offices	Country	Subsidiaries	Branches
Casablanca(3)			
Cairo	Egypt	Bank of Alexandria	176

Figures as at 30 September 2020
(1) European Regulatory & Public Affairs
(2) UBI Banca branch
(3) UBI Banca Representative Office
(4) The Group is also present through the UBI Banca Representative Office

Product Companies

PBZ CARD

E-money and Payment Systems

CIB LEASING
INTESA LEASING Beograd
PBZ LEASING
VÚB LEASING

Leasing

EURIZON ASSET MANAGEMENT
FIDEURAM ASSET MANAGEMENT IRELAND
INTESA INVEST Beograd
INTESA SANPAOLO LIFE
意才 YI TSAI
Pramerica

Wealth Management

Board of Directors, Manager responsible for preparing the Company's financial reports and Independent Auditors

Board of Directors

Chairman	Gian Maria GROS-PIETRO
Deputy Chairperson	Paolo Andrea COLOMBO
Managing Director and Chief Executive Officer	Carlo MESSINA [(a)]
Directors	Franco CERUTI Roberto FRANCHINI [(1)] [(*)] Anna GATTI Rossella LOCATELLI Maria MAZZARELLA Fabrizio MOSCA [(*)] Milena Teresa MOTTA [(*)] Luciano NEBBIA Bruno PICCA Alberto Maria PISANI [(**)] Livia POMODORO Andrea SIRONI [(2)] Maria Alessandra STEFANELLI Guglielmo WEBER Daniele ZAMBONI Maria Cristina ZOPPO [(*)]
Manager responsible for preparing the company's financial reports	Fabrizio DABBENE
Independent Auditors	KPMG S.p.A.

(a) General Manager
(*) Member of the Management Control Committee
(**) Chairman of the Management Control Committee
(1) Was appointed as a Director at the Shareholders' Meeting of 27 April 2020 replacing Corrado Gatti who had ceased to hold office
(2) Was appointed as a Director at the Shareholders' Meeting of 27 April 2020, following co-option by the Board of Directors on 2 December 2019

Introduction

As is known, Legislative Decree 25 of 15 February 2016, which implemented the Transparency Directive (2013/50/EU), eliminated the obligation to publish interim statements and gave Consob the option of establishing any additional disclosure obligations with respect to the annual and half-yearly reports. By Resolution 19770 dated 26 October 2016, Consob, pursuant to regulatory delegation provided for in said Decree, approved the changes to the Issuers' Regulation on periodic additional financial disclosure, which have applied since 2 January 2017.
Under these regulations, listed companies have the right to select whether or not to publish periodic additional financial disclosure.
When it announced its 2020 financial calendar to the market, Intesa Sanpaolo confirmed that, pursuant to Art. 65-Bis and Art. 82-ter of the Issuers' Regulation, it intends to publish financial information – on a voluntary basis – as at 31 March and 30 September of each financial year, in addition to the annual report and half-yearly reports. This information consists of interim statements approved by the Board of Directors.
As illustrated in detail in the chapter "Criteria for the preparation of the Interim Statement", the Interim Statement as at 30 September 2020 has been prepared, in consolidated form, in compliance with the recognition and measurement criteria required by the IAS/IFRS issued by the International Accounting Standards Board (IASB) and the relative interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and endorsed by the European Commission as provided for by Community Regulation 1606 of 19 July 2002.
The Interim Statement contains the Balance sheet, the Income statement, the Statement of comprehensive income for the period, the Changes in shareholders' equity, and the Report on operations. It is also complemented by information on significant events which occurred during the period.
In support of the comments on the results, the Interim Statement also presents and illustrates reclassified income statement and balance sheet schedules. The reconciliation with the financial statements, as required by Consob in its communication 6064293 of 28 July 2006, is included in the Attachments. The Interim Statement also contains other financial information taken from or attributable to the financial statements, as well as other information – for example, figures on quarterly trends, and other alternative performance measures – not taken from or directly attributable to the financial statements.
In this regard, see the chapter Alternative Performance Measures in the Report on operations accompanying the 2019 consolidated financial statements for a detailed description. In the aftermath of the COVID-19 epidemic, no new measures have been added to this Interim Statement, nor have any changes been made to the measures normally used.
The consolidated financial statements are subject to a limited review by the Independent Auditors KPMG for the sole purpose of issuing the certification required by Art. 26 (2) of European Union Regulation 575/2013 and European Central Bank Decision 2015/656.

The Consolidated Interim Statement of the Intesa Sanpaolo Group as at 30 September 2020 reflects the effects of the acquisition of UBI Banca and its subsidiaries, subject to consolidation from the date of acquisition. In this regard, it is noted – as indicated in detail below in this report – that the consolidated income statement includes the positive effect connected with recognition of the negative goodwill relating to the acquisition of UBI Banca for 3,264 million euro. This amount is to be considered absolutely provisional, and will be redetermined at the time of preparation of the 2020 financial statements following the outcome of the PPA (Purchase Price Allocation) procedure through the exact calculation, as at the date of acquisition, of the fair value of identifiable assets acquired and liabilities assumed of the UBI Group.
Moreover, the 2020 Financial Statements will recognise the charges currently being determined, related to the integration and improvement of the operating efficiency and to the de-risking.

E-MARKET
SDIR
CERTIFIED

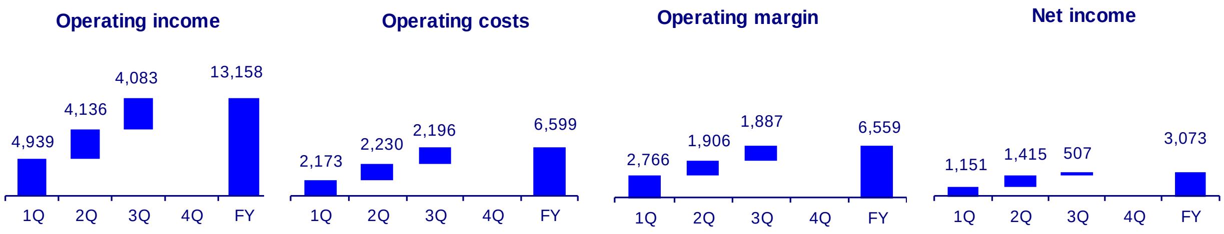
Overview of the nine months of 2020

Income statement figures and Alternative Performance Measures

Consolidated income statement figures (millions of euro)	30.09.2020 (Consolidated figure net of UBI Group)	30.09.2020 (Figure of UBI Group)	30.09.2019 (Consolidated figure)	Changes (Net of UBI Group) amount	Changes (Net of UBI Group) %
Net interest income	5,315	281	5,258	57	1.1
Net fee and commission income	5,449	272	5,796	-347	-6.0
Income from insurance business	1,031	3	948	83	8.8
Profits (Losses) on financial assets and liabilities designated at fair value	1,378	5	1,572	-194	-12.3
Operating income	13,158	575	13,588	-430	-3.2
Operating costs	-6,599	-360	-6,851	-252	-3.7
Operating margin	6,559	215	6,737	-178	-2.6
Net adjustments to loans	-2,654	-85	-1,396	1,258	90.1
Income (Loss) from discontinued operations	1,163	-	63	1,100	
Net income (loss)	3,073	3,303	3,310	-237	-7.2

Figures restated, where necessary and material, considering the changes in the scope of consolidation. The figures concerning UBI Group have not been restated.

Quarterly development of main consolidated income statement figures (millions of euro)

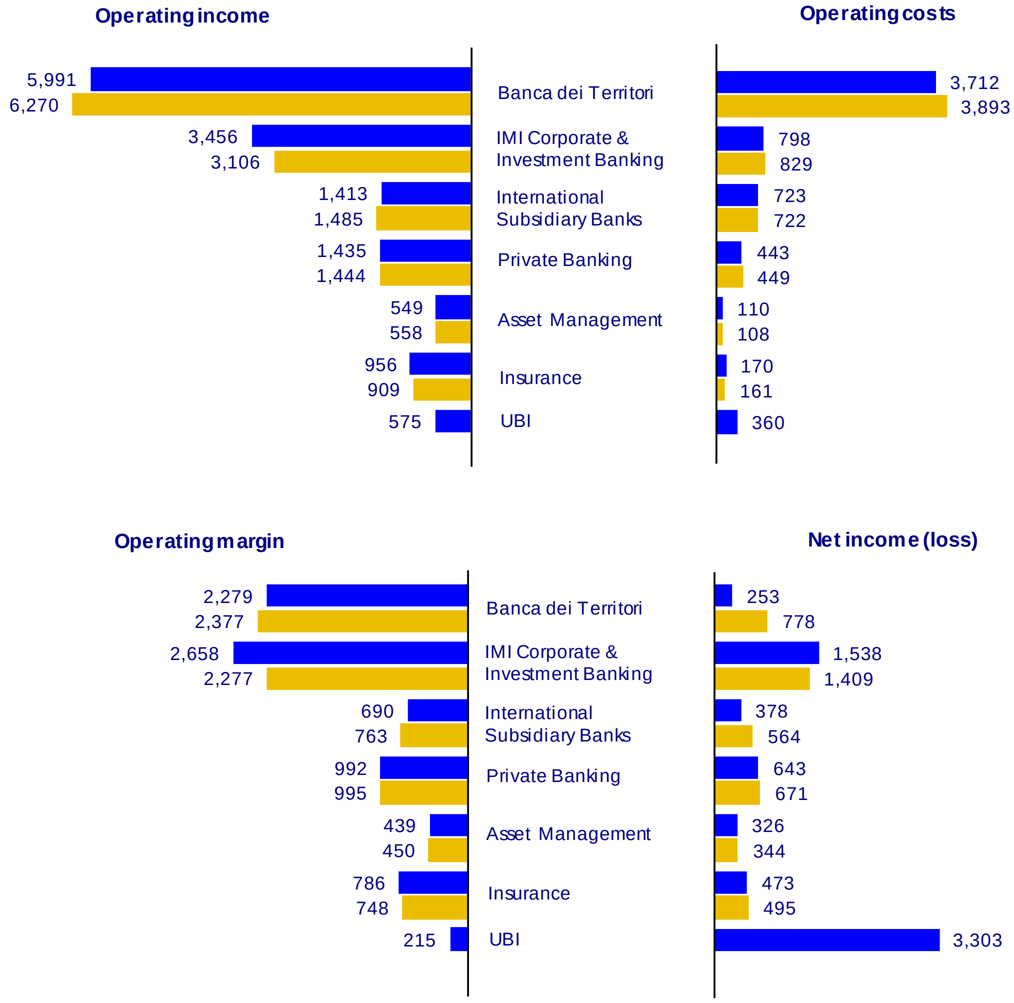


30.09.2020 (Consolidated figure net of UBI Group)

30.09.2020 (Figure of UBI Group)

30.09.2019 (Consolidated figure)

Main income statement figures by business area (*) (millions of euro)



(*) Excluding Corporate Centre

Figures restated, where necessary and material, considering the changes in the scope of consolidation and in business unit constituents. The figures concerning UBI Group - relating to 30.09.2020 only - have not been restated.

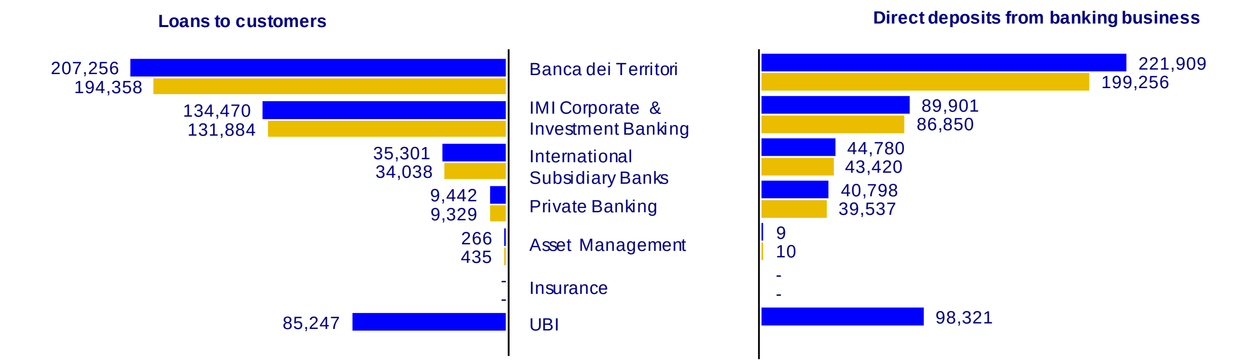
Balance sheet figures and Alternative Performance Measures

Consolidated balance sheet figures (millions of euro)

	30.09.2020 (Consolidated figure net of UBI Group)	30.09.2020 (Figure of UBI Group)	31.12.2019 (Consolidated figure)	Changes (Net of UBI Group) amount	Changes (Net of UBI Group) %
Financial assets	164,980	20,411	146,570	18,410	12.6
Financial assets pertaining to insurance companies measured pursuant to IAS 39	168,827	2,694	168,882	-55	-
Loans to customers	403,901	85,247	395,229	8,672	2.2
Total assets	863,441	133,407	816,570	46,871	5.7
Direct deposits from banking business	449,007	98,321	425,512	23,495	5.5
Direct deposits from insurance business and technical res	167,099	2,591	165,945	1,154	0.7
Indirect deposits:	531,857	99,169	534,456	-2,599	-0.5
of which: Assets under management	356,481	73,749	358,105	*-1,624*	*-0.5*
Shareholders' equity	64,636	3,728	55,968	8,668	15.5

30.09.2020 (Consolidated figure net of UBI Group)
30.09.2020 (Figure of UBI Group)
31.12.2019 (Consolidated figure)

Main balance sheet figures by business area (*) (millions of euro)



(*) Excluding Corporate Centre

Figures restated, where necessary and material, considering the changes in the scope of consolidation and in business unit constituents and discontinued operations. The figures concerning UBI Group - relating to 30.09.2020 only - have not been restated.

30.09.2020
31.12.2019

Alternative Performance Measures and other measures

Consolidated capital ratios (%)

	30.09.2020	31.12.2019
Common Equity Tier 1 capital (CET1) net of regulatory adjustments/Risk-weighted assets (Common Equity Tier 1 capital ratio)	14.7%	13.9%
TIER 1 Capital / Risk-weighted assets	16.9%	15.3%
Total own funds / Risk-weighted assets	19.6%	17.7%
Risk-weighted assets (millions of euro)	342,251	298,524
Absorbed capital (millions of euro)	32,536	28,271

	Risk-weighted assets by business area (*) (millions of euro)		**Absorbed capital by business area (*)** (millions of euro)	
	30.09.2020	31.12.2019	30.09.2020	31.12.2019
Banca dei Territori	80,107	86,829	6,881	7,459
IMI Corporate & Invest. Banking	99,011	100,274	8,508	8,617
International Subsidiary Banks	32,542	32,916	3,390	3,441
Private Banking	9,418	9,184	860	798
Asset Management	1,362	1,446	155	146
Insurance	-	-	4,164	3,821
UBI	56,476		4,851	

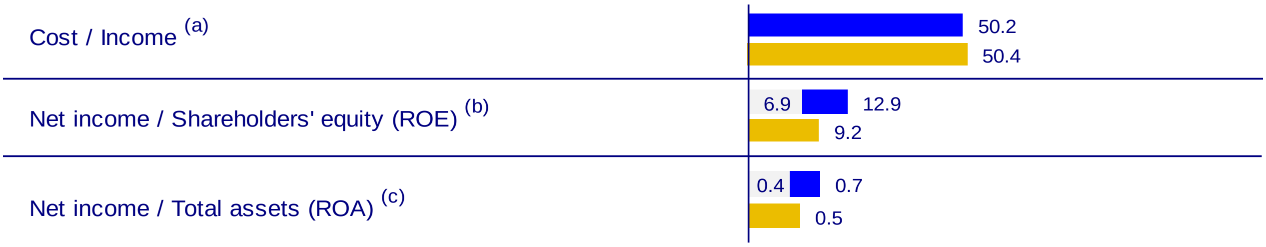
(*) Excluding Corporate Centre

Figures restated, where necessary and material, considering the changes in the scope of consolidation and in business unit constituents and discontinued operations. The figures concerning UBI Group - relating to 30.09.2020 only - have not been restated.

30.09.2020

31.12.2019

Consolidated profitability ratios (%)



Figures restated, where necessary and material, considering the changes in the scope of consolidation and discontinued operations. The figures concerning UBI Group have not been restated.

(a) Consolidated figures net of UBI Group.

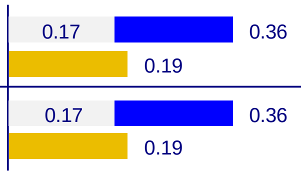
(b) Ratio of net income to shareholders' equity at the end of the period. Shareholders' equity does not take account of AT 1 capital instruments and the income for the period. The figure as at 30.09.2020 is presented considering both the consolidated net income and considering the latter net of the provisional amount of negative goodwill deriving from the acquisition of UBI. The figure for the period has been annualised, except for the income components of 2020 attributable to the business line consisting of the acquiring activities transferred to Nexi during the first half of 2020 and, where the consolidated net income was considered, for the provisional amount of negative goodwill deriving from the acquisition of UBI.

(c) Ratio between net income and total assets. The figure as at 30.09.2020 is presented considering both the consolidated net income and considering the latter net of the provisional amount of negative goodwill deriving from the acquisition of UBI. The figure for the period has been annualised, except for the income components of 2020 attributable to the business line consisting of the acquiring activities transferred to Nexi during the first half of 2020 and, where the consolidated net income was considered, for the provisional amount of negative goodwill deriving from the acquisition of UBI.

Earnings per share (euro)

Basic earnings per share (basic EPS) (d)

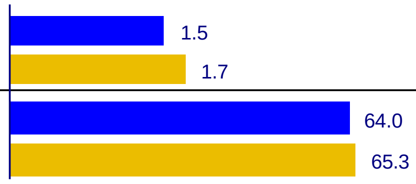
Diluted earnings per share (diluted EPS) (e)



Consolidated risk ratios (%) (f)

Net bad loans / Loans to customers

Cumulated adjustments to bad loans / Gross bad loans to customers



Figures restated, where necessary and material, considering the changes in the scope of consolidation and discontinued operations. The figures concerning UBI Group have not been restated.

(d) Net income (loss) attributable to holders of ordinary shares compared to the weighted average number of outstanding ordinary shares. The figure for comparison is not restated. The figure as at 30.09.2020 is presented considering both the consolidated net income and considering the latter net of the provisional amount of negative goodwill deriving from the acquisition of UBI.
(e) The dilutive effect is calculated with reference to the programmed issues of new ordinary shares. The figure as at 30.09.2020 is presented considering both the consolidated net income and considering the latter net of the provisional amount of negative goodwill deriving from the acquisition of UBI.

(f) Consolidated figures net of UBI Group.

Operating structure	30.09.2020	31.12.2019	Changes amount
Number of employees (g)	**106,107**	**89,102**	**17,005**
Italy	83,067	65,705	17,362
Abroad	23,040	23,397	-357
Number of financial advisors	**5,669**	**4,972**	**697**
Number of branches (h)	**6,377**	**4,799**	**1,578**
Italy	5,356	3,752	1,604
Abroad	1,021	1,047	-26

Figures restated, where necessary and material, considering the changes in the scope of consolidation and discontinued operations. The table sets out the consolidated figures, including the UBI Group. The figures relating to the UBI Group were not restated.

(g) The workforce indicated refers to the exact number of employees at the end of the period, counting part-time workers as equal to 1 unit. The figures as at 30.09.2020 include 19,666 employees of UBI (19,653 in Italy, 13 abroad, 7 atypical contracts) and 712 financial advisors of IWBank.

(h) The figure includes Retail Branches, Non-Profit Sector Branches, SME Branches and Corporate Branches. The branches of the going concern to be sold to BPER Banca are included. The figures as at 30.09.2020 include 1,768 branches of UBI in Italy and 1 branch abroad.

30.09.2020

30.09.2020 (net of provisional negative goodwill)

30.09.2019 (Income statement figures)
31.12.2019 (Balance sheet figures)

The nine months of 2020

The aftermath of the COVID-19 epidemic

Details are provided below regarding the aftermath of the public health emergency in the third quarter of 2020. Detailed information regarding the first half of the year can be found in the Half-yearly Report as at 30 June 2020.

Economic trends

In the third quarter, the global economy continued the rebound connected to the easing of the restrictive measures introduced to contain the pandemic. Economic surveys and industrial production continued to improve during the quarter, although the speed of recovery subsequently weakened. The rebound, aided by the timely and strong economic policy response, was driven by household consumption and the reopening of sectors that had been closed due to the measures taken to control the spread of the virus. In Europe, GDP growth was higher than the forecasts. Nevertheless, the economic activity will not be able to reach its pre-crisis level until 2021 at global level, and later in several European countries, including Italy. Some sectors, such as tourism and air transport, will not see their pre-crisis levels before 2022.
In Europe, the public health emergency resurfaced again menacingly from August, first in Spain and then in France and several Central and Eastern European countries. By September, the second wave of the pandemic was already sweeping across the entire continent, although at different speeds. The containment measures were generally not as strict as those adopted in the spring and, as a result, the impact on business activities was limited to services, which suffered a sharp slowdown in many countries in the area – more severe in Spain and less so in Germany and Italy. The wave reached Italy later in the year, which meant that the tertiary sector only recorded a small slowdown at the end of the summer quarter.
The monetary policy of the European Central Bank remained unchanged. The execution of securities purchases under the APP (Asset Purchase Programme) and PEPP (Pandemic Emergency Purchase Programme), accompanied by the impact of the TLTRO III long-term refinancing auctions, created an exceptional excess of reserves, which compressed the level of monetary interest rates and credit risk premiums, amplifying the effect of the fiscal stimulus measures taken by governments. The monetary policy stance continues to be expansionary and the Central Bank is not ruling out new stimulus measures if expected inflation diverges further from its target.
In July, the European Council reached an important agreement for the launch of a multi-year spending programme financed by common debt issues. This programme includes an expenditure allocation mechanism that favours low-income countries most affected by the pandemic, which will be the beneficiaries of significant transfers. The European funds will finance investment projects and reforms from 2021 onwards, which will help to partially offset the fiscal consolidation measures that will be needed after the pandemic crisis.
In the Italian credit market, loans to businesses continued to improve, reaching a growth rate of 6.8% year-on-year in September. The recovery was driven by the disbursements of loans with public guarantees. Those granted to small and medium enterprises increased by around 40 billion euro in the third quarter, reaching a cumulative volume of 74 billion euro in mid-October. Deposits also continued to grow, at a rate of 8% year-on-year in September, as a result of cash deposited into current accounts. The rise in deposits was driven by an increased saving rate and by the uncertainty and greater risk aversion, which resulted in a strong preference for liquidity. In particular, balances on company accounts were fuelled by the increase in loans resulting from access to temporary liquidity and credit support measures.
In the Italian asset management market, the quarter saw continued net inflows into mutual funds, driven by substantial volumes directed towards the equity and bond funds. Inflows for portfolio management schemes were also positive. In the life insurance segment, overall new business was still down.

Business continuity and the actions taken in relation to the Group’s stakeholders

From the very beginning of the dramatic public health and social emergency that swept Italy, Intesa Sanpaolo has been fully committed to tackling the situation effectively, whilst ensuring the continuity of its processes and services. In view of the worsening risk scenario and to strengthen its preventive countermeasures, Intesa Sanpaolo immediately set up its own Emergency Unit to identify specific mitigation strategies and related lines of action, as well as ensuring ongoing monitoring of the situation, at the level of the individual Group Legal Entity, both in Italy and abroad.
From September, the Emergency Unit enhanced its coverage of the UBI Group, extending the strategies, mitigation actions and monitoring of the epidemic to all the UBI structures.
With regard to the level of maturity of the operational model for the handling of the pandemic, in September Intesa Sanpaolo obtained the DNV “MY Care” certification, which underlined the validity and effectiveness of the model implemented, distinguished by the excellent risk mitigation approach adopted, aligned to the best national and international good practices, not only within the finance industry.
The activities coordinated by the Emergency Unit also include the close collaboration initiated with the Sacco Hospital in Milan for scientific research on the virus, which has enabled the creation of a joint project for the genome sequencing and geographical mapping in Italy of SARS-CoV-2, the agent of COVID-19, and the reconstruction of the origin and the methods of the spread of the virus within the Italian population.
A contagion risk model has been developed, to implement the personnel protection strategies, that supports the decision-making for the measures to be adopted at the Group’s premises (branch operations by appointment, branch closures,

reduction of occupancy in company premises, etc.) in line with the evolution of the epidemiological risk in the regions and provinces. With a view to prevention, an operational plan has also been drawn up to respond to possible evolution scenarios, prioritised based on impact and probability of occurrence, with the related containment measures.
As a result, guidelines have been established for the gradual return of employees to the bank's headquarters in compliance with the safety regulations. To this end, a medical screening questionnaire has been developed, to be completed by employees before returning to their offices, together with a new attendance planning tool that provides centralised monitoring of the occupancy of the premises where the Group operates.

As regards the actions taken towards the Group's stakeholders, the Intesa Sanpaolo Group and the UBI Group, in the knowledge of their responsibilities as banks in this long, severe, and in many ways unknown emergency situation, have put in place numerous measures to support the efforts of institutions and society to combat the COVID-19 pandemic. Details of the changes that occurred in the third quarter are provided below, while the details of the initiatives planned and implemented in the first half of the year can be found in the Consolidated Half-yearly Reports of Intesa Sanpaolo and UBI Banca as at 30 June 2020.

"Rinascimento Firenze" Programme

The Group is continuing to implement a series of actions and initiatives to support the economic and social recovery of the communities where it operates. In particular, the third quarter saw the launch of the "*Rinascimento Firenze*" Programme, similar to the previous initiative implemented in the City of Bergamo, aimed at supporting the revival of the city's economy through impact loans, a new lending instrument within the banking industry, dedicated to activities with high social impact for the business ecosystem.
This is a project for the civil economy with a high social value, developed and promoted in collaboration with Fondazione CR Firenze, which provides 60 million euro – through grants and impact loans – to support small and medium enterprises operating in the sectors of arts and crafts, tourism and culture, fashion and lifestyle, start-ups and agro-industry in the metropolitan area of the city of Florence. It is aimed at businesses that were healthy before the pandemic, which have suffered in recent months and intend to relaunch their operations by investing in projects that have a measurable social impact, such as stabilising or increasing their staff numbers, making investments under the new health regulations, and promoting forms of networking between competing businesses to increase the network's resilience.

Support to the Autonomous Region of Sardinia

With regard to the Autonomous Region of Sardinia, Intesa Sanpaolo has been awarded the international tender, launched by the European Investment Bank, for the management of a share of an EFSI (European Fund for Strategic Investments) fund with a total budget of 100 million euro. The share managed by Intesa Sanpaolo amounts to 33 million euro and the Bank intends to use these funds to promote economic recovery, by enhancing financial solidity and counteracting the effects on the Region produced by the containment measures connected to the COVID-19 epidemiological emergency. The tourism services sector will be allocated 40% of the funds available.

Extension of the moratoria for Italian tourism companies to UBI Banca customers

To help ensure continuity of production, in the face of the slowdown in domestic and international demand caused by the current crisis, Intesa Sanpaolo, as already mentioned in the Half-yearly Report, has also set aside a plafond of 2 billion euro for companies operating in the tourism sector to support liquidity and investment. The possibility of suspending outstanding loan instalments has also been increased up to two years and this moratorium for Italian tourism companies was also extended to the UBI Banca network in the third quarter. The measures to support liquidity and investments have also been made available to UBI's customers in the tourism sector.

The main accounting aspects and the approach adopted by the Intesa Sanpaolo Group

The first nine months of 2020 were dominated at European level by the spread of the COVID-19 pandemic. After the progressive containment of the virus starting from the end of May, an uneven picture now appears to be emerging, with increasingly alarming situations. Despite the obvious uncertainty linked to the developments in the public health situation described above, the general consensus regarding possible future macroeconomic scenarios is that the major government interventions implemented in most countries and at EU level will enable a significant recovery in economic activities, or in any case contain the negative effects of a resurgence of the virus, and that, consequently, the effect on business will be highly negative primarily in the short-term. The recovery of several macroeconomic aggregates in the summer months has given comfort in this regard. It therefore seems reasonable – at the present time – to continue to agree with the expectations of the various authorities, which have recently published their forecasts (in particular the ECB on 10 September this year), confirming that the current highly adverse period for the real economy will be followed by a significant recovery in production on the back of the government measures adopted to support the economy.

In this scenario, the various European Regulators (in line with the US, UK and Canadian authorities) issued a series of measures, essentially in the first half of 2020, aimed at providing intermediaries flexibility in managing this period of stress. This consisted – primarily – of providing their support to the measures adopted by national governments to deal with the systemic economic impact of the COVID-19 pandemic, in the form of legislative payment moratoria, in addition to similar initiatives introduced independently by banks. Banks have also been encouraged to apply their judgment in IFRS 9 forward-looking credit assessments to better capture the specifics of this very exceptional situation. In light of the current uncertainty, the documents published by the authorities and standard setters suggest that existing approaches should not be applied mechanically when determining the Expected Credit Loss (ECL) according to IFRS 9 and remind banks of the need to use appropriate judgment. In particular, banks have been reminded that IFRS 9 also requires and allows the accounting approach to be modified to suit different circumstances.

The documents issued by the various regulators and standard setters, in terms of the accounting aspects, concentrated on a few specific issues:

- guidance on the classification of loans, issued by the IASB, ECB, and EBA, which provide guidelines for the treatment of moratoria;
- determination of the Expected Credit Loss (ECL) according to IFRS 9 from a forward-looking perspective, in particular the use of future macroeconomic scenarios (a subject addressed by the IFRS Foundation in general and, in more detail, by the ECB);
- transparency and market disclosure, on which guidance has been provided in the statements of ESMA, IOSCO, and CONSOB.

The regulations did not undergo any significant changes in the third quarter and were limited to updates of the economic scenarios for the Eurozone and confirmation of the deadline of 30 September for the granting of moratoria on payments on the basis of the simplified prudential treatment envisaged by the special EBA guidelines – "*Guidelines on legislative and non-legislative moratoria on loan repayments applied in the light of the COVID-19 crisis*", partly announced in advance in the ECB's letter "*Operational capacity to deal with distressed debtors in the context of the coronavirus (COVID-19) pandemic*" [1].
The key aspects of the new ECB and EBA documents are presented below, while a description of the main content of the provisions already issued can be found in the Half-yearly Report.

ECB: Eurosystem staff macroeconomic projections for the euro area (10 September)

The ECB, in its Communication of 20 March "*ECB Banking Supervision provides further flexibility to banks in reaction to coronavirus*" and its letter of 1 April "*IFRS 9 in the context of the coronavirus (COVID-19) pandemic*", had provided banks guidance on how to determine the expected credit losses for the March and June closures, suggesting that the macroeconomic forecasts published quarterly on the ECB website should be used as anchor points. These forecasts are published four times a year:

- March and September – forecasts solely for the Eurozone produced by ECB staff;
- June and December – forecasts produced by the ECB staff with the contribution of the Eurosystem; projections for the individual Eurozone countries that are published by the individual central banks.

In preparing the Half-yearly Report as at 30 June 2020, the Group therefore followed the guidance from the regulators, by including the scenarios provided by them at the beginning of June in its models for the determination of the expected credit losses, using the national macroeconomic forecasts published by the Bank of Italy on 5 June in the document "Macroeconomic projections for the Italian economy - Eurosystem staff macroeconomic projections" and the ECB projections of 4 June.
On 10 September, the ECB published the periodic update of the macroeconomic projections for the Eurozone prepared by its staff (and therefore without the contribution of the individual national central banks, as per usual practice), which contained minimal deviations from the previous June forecasts and identified minor revisions for the purposes of improvement. The substantial uniformity of the two scenarios was also confirmed by the statements made by the Chairman of the ECB Supervisory Board, Andrea Enria[2].
More specifically, as shown in the table below, the Baseline scenario envisages a lower decline in GDP for the Eurozone in 2020, expected to fall by 8.0% (compared to -8.7% forecast in June), followed by a rebound for 2021, now expected to be +5.0% (+5.2% in June). The Mild and Severe alternative scenarios also contain minor revisions with respect to the June forecast, essentially consisting of a change in the distribution of the recovery over the three-year forecast period.

June and September 2020 "Eurosystem staff macroeconomic projections for the euro area"

	September 2020 projections									June 2020 projections								
	Mild scenario			Baseline			Severe scenario			Mild scenario			Baseline			Severe scenario		
	2020	2021	2022	2020	2021	2022	2020	2021	2022	2020	2021	2022	2020	2021	2022	2020	2021	2022
Real GDP	-7.2	8.9	3.5	-8	5	3.2	-10	0.5	3.4	-5.9	6.8	2.2	-8.7	5.2	3.3	-12.6	3.3	3.8
HICP inflation	0.3	1.2	1.8	0.3	1	1.3	0.3	0.7	0.7	0.4	1.1	1.7	0.3	0.8	1.3	0.2	0.4	0.9
Unemployment rate	8.3	7.8	6.6	8.5	9.5	8.8	8.9	11.4	11.2	8.8	8.5	8	9.8	10.1	9.1	11.3	12.5	11.2

The remarks made above regarding the Eurozone also apply to the amendments to the consensus forecasts for Italy, with the changes for 2020 and 2021 offsetting each other and a sharp fall in the dispersion.
Moreover, for Italy, although there are currently no official updated estimates available comparable to those provided by the Bank of Italy in the joint exercise with the Eurosystem in June, the Governor of the Bank of Italy, Ignazio Visco, in his speech of 16 September this year envisaged "*trends [...] broadly in line with the result for the year forecast in that scenario*".

[1] In its letter "*Operational capacity to deal with distressed debtors in the context of the coronavirus (COVID-19) pandemic*", published last summer, the ECB called for banks to put in place appropriate measures to address the specific context of the current pandemic. Although the letter does not directly address the accounting aspects, it clarifies that the suspension of payments measures cannot be managed on an exceptional basis beyond the necessarily short emergency period. This involves calling on banks to identify and continue to support sustainable customers that are only temporarily impacted by the effects of the pandemic. Consequently, it urges banks to put in place appropriate credit risk management tools and IT resources to address the new scenario in order to better identify the effects of the crisis in the different sectors.

[2] Andrea Enria, speech to the European Banking Federation on 1 October: "*The September 2020 ECB staff macroeconomic projections do not show a worsening with respect to the June projections and provide broadly comparable results, including in terms of overarching uncertainty around the outcomes. Economic activity remains far below pre-pandemic levels and the recovery is asymmetric across sectors and countries. The economic, financial and social costs associated with a severe scenario remain very high. At the same time, consumer spending and business investment have rebounded somewhat over the summer.*"

EBA: EBA phases out its Guidelines on legislative and non-legislative loan repayments moratoria

While acknowledging that its Guidelines on moratoria had helped banks to deal effectively with large amounts of requests from customers wishing to participate in those moratorium schemes, the EBA did not consider it appropriate to further extend this exceptional measure beyond 30 September (a deadline that had already been extended by three months from the original 30 June and which many institutions had requested to be further extended). The Authority therefore decided, for the moratoria linked to the COVID-19 crisis, to return to the practice where any loan renegotiation must adopt a case-by-case approach, in contrast to the situation under the rules expiring on 30 September where, as explained in more detail below, the payment moratoria, when compliant with the "*Guidelines on legislative and non-legislative moratoria on loan repayments applied in the light of the COVID-19 crisis*", did not automatically trigger their classification as forborne and it was not necessary to verify whether they should be considered a distressed restructuring.

The favourable regulatory treatment established in the Guidelines will therefore only continue to apply to measures granted by banks (in accordance with those Guidelines) up to 30 September 2020. According to the EBA, banks will still be able to continue to support their customers with extended payment moratoria after 30 September 2020[3], but these loans will have to be classified on a case-by-case basis according to the usual prudential rules, i.e. with an analysis of whether the measure is to be considered a forbearance and/or a default event.

With regard to default, the Guidelines established specific requirements that the moratoria had to meet in order to be considered EBA compliant:

- being offered by the bank to a large group of borrowers or following and in accordance with legislative provisions – this stops the count of the past due for the purposes of identifying the default (with classification as non-performing past due) according to the EBA Guidelines on Default;
- no waiver of interest or principal but solely a deferral/extension of payments – the absence of loss for the bank means that it is not necessary to calculate the diminished financial obligation to identify the distressed restructuring and the consequent classification as unlikely to pay.

Since these requirements also apply for moratoria granted after the deadline of 30 September, the situation has not changed and therefore these positions are not automatically considered in default, but instead specific analyses are carried out on the counterparty's credit quality.

With regard, on the other hand, to the fact that the moratorium should not automatically be considered as a forborne measure and therefore does not also constitute a trigger for a significant increase in credit risk with consequent transition to Stage 2 (for Stage 1 positions), the deadline of 30 September results in a strengthening of the measures that banks will be required to take in assessing whether the customer's difficulty is temporary (case-by-case analysis).

In this regard, it is reminded that up to 30 September, the Group, solely for positions towards companies with a higher risk (identified through their rating) where the Bank had decided to grant a moratorium, already carried out specific assessments to verify whether to consider the renegotiation as a forbearance measure. From 1 October, this treatment was extended to all new measures towards companies and individuals (regardless of rating and type of moratorium), thereby returning to the standard used prior to the outbreak of the pandemic, that is the verification of the possible financial difficulty of the customer for the purpose of veryfing the possible trigger of the forborne status.

* * *

The minor regulatory changes described above did not change the overall regulatory framework that was in place during the preparation of the Half-yearly Report. Consequently, for the Report as at 30 September, the Group has decided to continue to use the approach adopted for the period-end accounts as at 30 June for the measurement of the loans as at 30 September 2020.

This regulatory framework may be summarised as follows:

- macroeconomic scenario for the calculation of the ECL (measurement of loans), in line with the guidance provided by the ECB and the Bank of Italy in June, also in view of the substantial uniformity (except for minor changes) of the June and September forecast scenarios published by the ECB;
- adoption of management overlays to include ad hoc corrective measures, not captured by the models, to better reflect the particularities of the COVID-19 impacts in the measurement of loans. The reasons underlying the introduction of these approaches still apply and the Group has therefore continued to use the adjustments identified in the Half-yearly Report as at 30 June, details of which can be found in that report. In summary:
    - treatments to provide more granularity in the inclusion of the impacts of the current scenario on the microsectors, by developing a management overlay to incorporate several ad hoc corrective measures based on bottom-up analyses deriving from the Credit Risk Appetite and taking into account the scenario's sensitivity to the prospective financial statements of the counterparties within the various microsectors;
    - adopting a corrective factor on default rates to include the expected benefits of major economic support initiatives such as moratoria and government guarantees, not captured by satellite models.

In addition, with regard to credit risk management, since the beginning of the pandemic all the Bank's functions have been involved in an extensive and complex set of actions aimed at supporting all the types of customers, also through the creation of dedicated task forces to ensure timely responses from both a commercial and lending perspective. All the initiatives have been planned in accordance with the principles of sound and prudent management and based on the Group's credit risk appetite. During the emergency phase, the Group promptly adapted its Credit Risk Appetite framework for the Italian and international operations to include forward-looking elements designed to capture the specific impacts of the COVID crisis on the various sectors. The revision of the strategy for the Italian operations involved:

- updating the risk and resilience factors to include micro-sector analyses, designed to capture the impact of the crisis on the different economic sectors, and analysis of the repayment capacity of companies in the face of the liquidity needs generated by the COVID crisis, by establishing a specific vulnerability indicator;

[3] In this regard, it should be noted that Article 65 of Law Decree no. 104 of August 2020 provided for the extension of the legislative moratoria for SMEs initially introduced by "Cura Italia" Law Decree no. 18 of March 2020, extending the deadline for access to the extraordinary support measures to 31 January 2021, from the initial deadline of 30 September 2020.

- increasing approval options for counterparties most vulnerable in the current environment;
- identifying specific solutions based on the borrower's situation and the bank's risk appetite by jointly assessing the risk indicators, lending product and presence of guarantees.

With regard to the Group's International Subsidiary Banks, the approach adopted for the management of the crisis was in line with that already described for the Italian operations. Initiatives were immediately implemented to support the most impacted customers, in accordance with the Credit Risk Appetite framework. In particular, like for the Italian operations, the CRA framework was revised during the COVID-19 emergency to include forward-looking factors together with elements relating to the different sectors and the vulnerability of the counterparties in terms of repayment capacity.
Based on the above, the Credit Risk Appetite limits were revised using a prudent approach, based on the estimated portfolio impacts of the COVID-19 emergency.
Development has also begun of a new shared analysis tool (the Sector Analysis Framework) for the timely management of the impacts of the emergency through the collaboration of all the Bank's areas. A specific re-rating exercise has been initiated for the Corporate/Large Corporate segments to correctly consider the impacts of the current economic situation using a through-the-crisis approach that provides a more stable credit rating assessment, by giving greater weight to the medium/long-term effects. Specific guidelines have been provided to the network to ensure the adoption of a common approach by the Bank's analysts. The 2020 re-rating exercise will be monitored centrally to ensure that the updated risk profiles of the Bank's loan portfolios are properly covered.
With specific regard to the management of the portfolio, the Group has implemented several initiatives aimed at managing any cliff edge effects as the support measures granted begin to reach their expiry dates, including through specific restructuring or refinancing initiatives for selected sets of counterparties based on analyses verifying the sustainability of the debt and the COVID impacts. Lastly, the Group is working on identifying new solutions and products, including rescheduling solutions that can support customers when the legislative measures end.
The initiatives in Italy are coordinated within a structured Action Plan involving the lending functions of the Regional Governance Centre and have been supported by a significant strengthening of the credit monitoring system, which has been enhanced with new dimensions of analysis and forward-looking and sector drivers in line with those developed in the Credit Risk Appetite. The latter are considered more important in the current phase of the economic cycle in order to proactively identify and contact potentially distressed borrowers before the measures expire. The above is accompanied by the current systems (Early Warning System) and processes (Proactive Management Processes) already in place for the proactive management of potentially troubled debtors.
Risk management is also supported by the structural characteristics of the portfolio, which, in Italy, is well diversified by customer segment and has a significant proportion of customers with an Investment Grade rating (over 65% of the credit exposures, net of UBI Banca), by the Group's international presence, which favours geographical diversification, and by the significant share of credit risk of the Capital Markets & Financial Institutions and Global Corporate & Structured Finance business areas (around 30% of the credit exposures, net of UBI Banca), which operate mainly with low default counterparties.

The economic scenario – and therefore the impact on the loan measurements – is obviously strongly influenced by the evolution of the public health situation and the pandemic and the resulting measures required. The evolution of this situation will be carefully monitored in the fourth quarter of the year and will be taken into account in the preparation of the 2020 Annual Report, also with the support of the macroeconomic data to be published by the various Authorities by the end of the year.

Impacts of the epidemic on the operating results, business activities and risk profile

As stated in the Half-yearly Report as at 30 June, from the last week of February, the public health emergency generated by the pandemic that is still underway has affected both the performance of the markets and business operations, with the latter penalised by the increasingly severe containment measures imposed, which have led to the suspension of many production activities in Italy and around the world. Intesa Sanpaolo responded very promptly to the emergency, immediately implementing a wide range of initiatives aimed at protecting the health of the Group's people and customers, in order to ensure business continuity and counter the social and economic effects of COVID-19.
The main impacts on operations and the effects on the business operations and the operating results, as well as the risk profile, are detailed below.
The actions taken to protect public health, together with the business continuity measures, had an impact on operating costs and the capital budget, mainly in connection with the following lines of action:

- <u>prevention of workplace hazards</u>, with the adoption of the personal and collective protection measures required to respond effectively to the continuous evolution of the public health requirements at national, local and sector level in relation to the spread of the pandemic;
- <u>wide-scale adoption of smart working</u>, with the associated investments in IT equipment, development of operational processes and strengthening of the corporate information technology network to permit simultaneous access by a growing number of users;
- <u>implementation of measures to facilitate digital interaction with customers</u>, by improving the remote offering and expanding the contract dematerialisation and digital signature processes, with consequent investments to enhance the channels for remote contact with customers (call centres and digital apps) and strengthen cybersecurity to reduce the risk of fraud attempts against customers.

Additional costs were incurred to strengthen the effectiveness of the risk management model for the different types of impact: consolidation of internal emergency management processes, enhancement of information analysis capabilities, assessment of the future implications in terms of credit disbursement and management, and review of rating models. New projects have been initiated to capture the potential impacts connected to the evolution of the operating models, in particular in relation to smart working, not only for the optimal management of the emergency but also with a view to restructuring the way work is performed to enable better work-life balance. These are extensive and far-reaching projects that reflect the historical significance of the impact of the pandemic.

An important signal in this regard is the rapid growth in the number of users enabled for remote working: from around 19,000 to more than 63,000, representing around 74% of the staff of the Intesa Sanpaolo Group and from around 2,000 to around 13,500, representing around 70% of the staff of the UBI Group.
Work has also been carried out aimed at supporting internal and external communications. At internal level, all available channels have been used to meet requests for clarification from staff, particularly in relation to conduct to be adopted, and to provide appropriate support in cases of acute psychological distress.
With regard to external communications, the Group opted to carry out actions that could combine the effectiveness and recognition of the support with its social role in the local communities it serves. This involved urgent funding measures for medical equipment and materials – provided to selected health facilities in the areas most affected by the epidemic – and the sponsorship of various initiatives aimed at managing the social effects of the crisis.

In terms of the impacts on the business, the following have been observed:

- the extraordinary measures to support the Italian economy and its businesses and households implemented by Intesa Sanpaolo. In fact, it was the first bank in Italy to suspend mortgage and loan instalments, before the specific regulations came into force, and the first bank in Italy to sign the collaboration protocol with SACE, thus providing immediate support to enterprises under the "Liquidity" Law Decree no. 23 of 8 April 2020.
  At the end of September, over 522,000 suspension applications had been processed, for a volume of over 59.7 billion euro, mainly related to the "Cura Italia" measures provided for in Article 56 of Law Decree 18/2020. Applications from business customers accounted for around 58% in terms of number and 78% in terms of volume. Over 53% of the suspension applications and 59% of the volumes were concentrated in Northern Italy.
  With regard to the measures to support the production system, as already stated in the Half-yearly Report, the Intesa Sanpaolo Group has provided an overall credit line of 50 billion euro dedicated to loans for businesses. Through this instrument, around 27 billion euro of loans had been granted by September, including almost 24 billion euro under the "Liquidity" Decree. Almost 211,000 loan applications have been processed (including loans of up to 30,000 euro, with a 100% guarantee from the Central Guarantee Fund, and loans for a higher amount, with a 90% guarantee from the Central Guarantee Fund) that were eligible for the acquisition of the guarantee from the Central Guarantee Fund for SMEs, for an amount of almost 16 billion euro. Around 150 transactions using the SACE Guarantee were also completed, for a total amount granted of around 8 billion euro.
  Around 15,000 bank transfers were also made for advances on furlough payments, for a total of 16 million euro, which enabled current account holders to receive an advance on ordinary income support and indemnities for temporary layoffs, as provided for by the "Cura Italia" Law Decree, while awaiting payment from the Italian National Social Security Institute.
  In addition, the August Decree established the possibility of the automatic extension to 31 January 2021, without additional charges and unless not taken up by the customer, of the suspensions provided for by the "Cura Italia" Decree, expiring on 30 September 2020. The Group has extended around 130,000 loans for a remaining debt of 20 billion euro under this option. This decree also established the possibility of extending the transitional and isolated non-instalment credit lines expiring on 30 September 2020. The Group has applied this provision, extending around 17,000 positions for a total amount of around 2 billion euro.
  Lastly, the "Rilancio" Decree introduced a measure to support the relaunch of the construction sector and aimed at renovating real estate in terms of energy efficiency and seismic resistance (so-called 110% Superbonus). Specifically, the provision provides for the accrual of a tax credit of 110% for individual house owners and apartment building residents that carry out energy efficiency and seismic resistance renovation work. The novel feature of this provision is that this tax credit can be assigned directly by the commissioner or the executor of the work to a financial intermediary. The Group has set up specific solutions both for individual house owners and apartment building residents, as well as businesses that use invoice discounts for the purchase of tax credits and the related settlement, with predefined prices and a dedicated advisory service through a partnership with the company Deloitte. The commercial offering was launched from 13 August, the date when the Italian Revenue Agency defined the operating procedures.
  The UBI Group also immediately launched initiatives to support the economy and the areas most affected, by granting moratoria/suspension of payments (both in accordance with legislative provisions and at the Bank's own initiative), loans – both with a Central Guarantee Fund guarantee (up to 30,000 euro and over 30,000 euro) and with a SACE guarantee – advances on furlough payments.
  Since the beginning of the year, Intesa Sanpaolo has processed suspension applications – including renewals – for around 66 billion euro, in addition to around 17 billion euro relating to UBI Banca.
  With regard to the past-due moratoria, there was no increase in risk for almost all the exposures.
  As at 30 September, the Group (including UBI) had new liquidity provided under public guarantee schemes – for which the process has been completed for both the acquisition of the guarantees and the disbursement, which may also not be concluded at the same time – amounting to around 24.7 billion euro.
  The Intesa Sanpaolo Group also supported the legislative and non-legislative measures adopted in the various countries where it operates in order to combat the crisis generated by the pandemic.
  The above initiatives – which resulted in a significant increase in volumes – together with the positive contribution from the TLTROs with the ECB had a positive impact on net interest income;
- the dynamics of the asset management business have been affected both by the depreciation in the value of financial assets and by the way relations with customers are managed, due to social distancing measures.
  The Group's response to mitigate these effects has been immediate and extensive. We immediately began an intensive communication campaign with customers to manage emotionally-driven responses that could lead to impulsive and detrimental behaviour, such as panic selling. We also continued the development of new investment solutions for retail, private and institutional customers, aimed at taking advantage of the opportunities offered by the current situation. With regard to the control of risk, we focused in particular on the management of the liquidity of the open-ended UCIs, by setting up daily monitoring of the liquidity situation of each fund and the related redemption rates.

The back-office processes, which manage the instruments that can be activated for liquidity management, have also been strengthened.
Thanks in part to these measures, there were no particular pressures in terms of redemptions/repayments of managed products or strains relating to the level of liquidity of the assets. As a result, the fall in assets under management was mainly limited to the impacts resulting from the performance of the stock indices and interest rates, which came under pressure, especially during March 2020, and then gradually climbed back, in the following months, towards the levels of the beginning of the year.
At the end of the first quarter of 2020, the assets under management of the Asset Management Division of Intesa Sanpaolo had declined by 6.7% compared to the end of December 2019, but this decline had fallen to 0.9% at the end of September 2020. For Pramerica SGR (UBI Banca Group), the changes in assets under management compared to the end of 2019 amounted to -7.4% in March and +1.2% as at 30 September 2020 (excluding the Master classes of the SICAVs);

- <u>the management of proprietary financial investments</u>, which continued using the approach adopted since March 2020. In particular, to preserve the functionality of its liquidity and investment portfolios, in terms of maintaining an appropriate risk, diversification and earnings profile, in the third quarter the Intesa Sanpaolo Group continued the portfolio de-risking and diversification, although to a lesser extent than in the initial months of the pandemic, thanks to the lower volatility in the financial markets.
  With regard to the effects of the completion of the Public Offer for UBI Banca, the Financial and Market Risks Head Office Department estimated the managerial market risk of the HTCS securities portfolio (and related interest rate derivatives) at 30 September 2020, using a customised calculation in accordance with the methodologies used by Intesa Sanpaolo. The estimate, in terms of Managerial Value-at-Risk, indicates a risk for this segment of around 80 million euro and this exposure will be managed in accordance with the company policies.

With regard to the most significant impacts of the COVID-19 pandemic on the operating income of the ISP Group, the increases in intermediated volumes related to the legislative and non-legislative measures implemented to combat crisis situations connected with the pandemic – together with the contribution from the TLTROs with the ECB, which amounted to around 70.9 billion euro as at 30 September 2020 (excluding the contribution of 12 billion euro from UBI Banca) – had a positive impact on net interest income, as already mentioned above, which amounted to 5,315 million euro over the nine months (net of 281 million euro relating to UBI Banca), an increase of 1.1% compared to the like-for-like figure of 5,258 million euro for the nine months of 2019.
In contrast, net fee and commission income was particularly hard hit, falling to 5,449 million euro in the first nine months of 2020 (net, for like-for-like comparison, of 272 million euro relating to UBI), compared to 5,796 million euro in the same period of 2019 (-6%, amounting to -347 million euro). The decline was particularly sharp in the second quarter, coinciding with the adoption of stricter containment measures, while the gradual easing of restrictions, starting in May, enabled a considerable recovery in net fee and commission income in the third quarter of 2020, despite the usual summer slowdown (+117 million euro, up 6.7% compared to the previous three months). In terms of operating costs, the costs incurred by the Intesa Sanpaolo Group as at 30 September 2020 for measures related to the pandemic amounted to around 43 million euro in current expenses (in addition to 55 million euro in investments), while the costs relating to UBI in the August-September period amounted to around 4 million euro of current expenses. This was however accompanied by measures adopted to further strengthen the control of operating costs, which resulted in a 7.7% decrease in the Group's administrative expenses (net of UBI), amounting to savings of 143 million euro compared to the same period in 2019 (-3.7%, or -252 million euro, for total operating expenses), with the cost/income ratio down to 50.2% from 50.4% for the first nine months of 2019.

However, the most significant effect related to the considerable increase in the annualised cost of risk, which rose to 88 basis points in September 2020 from 53 basis points at the end of 2019, due to the adoption within the projection models of the ECB – Bank of Italy scenarios and the managerial overlays, which led to an increase in ECL and macro-scenario add-ons, despite default rates still remaining low.
Net adjustments to loans for the first nine months totalled 2,654 million euro (2,739 million euro including the results of the UBI Group) compared to 1,396 million euro for the same period of 2019. Of these, around 1.3 billion euro were related to the "COVID-19" effects, 820 million euro for macro hedges of performing loans and the remainder for specific coverage of non-performing loans. These impacts resulted from both the effect on the ECL and the significant migration of positions to Stage 2 as a result of a Significant Credit Risk Increase. Non-performing loans were also affected by the slowdown in recovery activities (due for example to court closures) and the resulting increase in the vintage of the non-performing portfolio.

With regard to the risk dynamics, details regarding credit risk can be found in the Half-yearly Report and in the paragraph "The main accounting aspects and the approach adopted by the Intesa Sanpaolo Group" above, while the main impacts on the Group in the quarter in the situation resulting from the COVID-19 epidemic for the other types of risk are described below:

- for market risk, there was a reduction in managerial VaR compared to the previous quarter, from 363.5 million euro (second quarter average) to 277.6 million euro, mainly attributable to the "rolling scenario" effects as well as the merger by incorporation into the Parent Company of Banca IMI, which resulted in a diversification of the Group managerial VaR (including the HTCS book) attributable to the different method of calculation of the managerial VaR at Group level before and after the merger. In contrast, the risk measure increased in the first nine months of 2020 from 161.8 million euro (like-for-like figure for 2019) to 273.1 million euro due to "scenario effects" generated by the exceptional increase in volatility as a result of the COVID-19 epidemic.
  In line with the second quarter of 2020, the implementation continued of the management elements put in place from the beginning in March, consisting of:
  - *trading portfolio*: transactions relating to assets that are "uncompressable" since they derive from risk management, primarily relating to the debt valuation adjustment (DVA) and market-making activity;
  - *hold-to-collect-and-sell portfolio*: the portfolio de-risking and diversification continued for the HTCS portfolio of the IMI C&IB Division, although to a lesser extent than the first half as a result of lower volatility in the financial markets.

  As of Market Risk capital absorption, despite the increase in volatility, the trading book recorded a slight decrease in its prudential requirement. Although an inevitable increase in the cyclical measure (VaR), the hedging strategies have

limited the exposure to the risk factors most affected by the pandemic (sovereign and financial spreads). In detail, the Intesa Sanpaolo Group's market risk weighted assets at 30 September 2020, calculated according to the internal model, amounted to 15.7 billion euro, in reduction respect to the second quarter (17.2 billion euro), the benefits derive from the incorporation of Banca IMI's trading book into the Parent Company's trading book;
- at the level of liquidity risk, since the outbreak of the emergency the Group has preventively adopted all necessary management and monitoring measures to mitigate the potential exacerbation of systemic liquidity conditions. The liquidity position has always remained solid due to ample access to liquidity reserves and the high stability of customer deposits. In the first nine months of 2020, both the regulatory indicators (Liquidity Coverage Ratio – LCR – and Net Stable Funding Ratio – NSFR) were well above the minimum requirements;
- at the level of the interest rate risk generated by the banking book, the value shift sensitivity for a rate shock of +100 bps amounted to -1,815 million euro at the end of September 2020, compared to +394 million euro at the end of December 2019. The change in the exposure was due to banking book management measures such as the hedging of fixed-rate funding and the merger of UBI;
- at the level of counterparty risk, the pandemic crisis entailed an initial increase in exposures, mainly due to the decline in Euro Area interest rates and the general, significant increase in the volatility of the main risk factors. However, no critical issues were encountered in the margining process with market counterparties, despite the sharp increase in collateral calls, by both number and volume, during the weeks of greatest stress on the markets. Margin processes with central counterparties also did not generate any operating issues. The situation on the financial markets gradually stabilised, although interest rates remain at record lows, resulting in high levels of exposure to customers. With regard to the customers of the Banca dei Territori Division, the Bank implemented the "Cura Italia" Decree (Law Decree 18 of 17 March 2020, an ad hoc Italian governmental measure) for derivatives as well: in particular, customers in the SME segments in good standing that submitted moratorium applications for their loans may also apply for a moratorium on any hedging derivatives until the end of September, with extension to the end of January 2021 (under Law Decree 104 of 14 August 2020). At the end of September, 160 applications for suspension of OTC derivative payments had been received, relating to an outstanding amount of 316.4 million euro and payments suspended until 31 January 2021 of around 4.3 million euro. The most significant transaction had an outstanding amount of 22 million euro and suspended payments of 275 thousand euro;
- with regard to operational risks, from the outset of the emergency the Group decided to adopt preventive initiatives to ensure business continuity, while also maintaining the maximum level of safety for its customers and employees. This was also done in the light of the rapid development seen in the realm of cyber-threats, which seek to exploit for fraudulent purposes the fears and sense of urgency of individuals and the opportunities offered by the remote-banking solutions adopted by financial institutions. In particular, the business continuity plan was activated and additional actions were immediately identified to respond effectively to the extensive spread of the pandemic (e.g., extension of remote working and enhancement of IT infrastructure for remote connectivity), the digital transformation process was expedited, moving forward significant investments intended to develop methods of interaction with customers (e.g., expansion of the services offered via Internet and mobile banking), security infrastructure for access to the company network and data and information protection measures were progressively enhanced to increase the ability to respond to the sharp rise in cyber-threats and attacks (e.g., distributed denial of service and malware), and numerous training and communications initiatives were launched to raise awareness amongst customers and employees of growing social-engineering and phishing campaigns. The long-term sustainability of the business continuity solutions of the most critical suppliers was also verified.

  With regard to measures to protect the health of employees and customers, protective devices such as masks and gloves were purchased and distributed, sanitising gel was supplied and company premises were periodically sanitised. Among the various mitigation measures described above, only this latter component was considered for the purposes of calculating the operational risk capital requirement.

Overall, during the nine months the Group preserved its sound capital base: while risk-weighted assets increased by around 44 billion euro as a result of the consolidation of the UBI Group, Common Equity Tier 1 capital increased by around 9 billion euro, bringing the transitional Core Tier 1 Ratio to 14.7% from 13.9% at the end of 2019.
In general, in terms of impacts on the Group's risks, it should be noted that, in view of the tension seen in the early months of the year some indicators already reflected the negative effects of the COVID-19 scenario, whereas for others, such as certain metrics related to credit risk, for now the negative impacts have not yet fully manifested themselves also thanks to the effects of the extraordinary measures adopted. The extent of the impacts for the Group and any improvements or deterioration in the coming months, will be closely related to the actual development of the macroeconomic environment, and in particular to the evolution of the COVID-19 situation and any new tensions that may arise.
The Intesa Sanpaolo Group is carefully monitoring the development of the situation, including through specific scenario and stress analyses used to assess the related impacts in terms of profitability and capital adequacy. These analyses have shown that, even considering more severe scenarios than the market consensus and considered most probable by the Central Banks, the Group would nonetheless have been able to ensure – including through specific actions – compliance with regulatory requirements and its own stricter internally set limits.

The Intesa Sanpaolo Group in the nine months of 2020

Consolidated results

As described in detail below, the Consolidated Interim Statement of the Intesa Sanpaolo Group as at 30 September 2020 reflects the effects of the acquisition of UBI Banca and its subsidiaries, subject to consolidation from the date of acquisition. Given the particular case in question, no adjustments have been made to the historic reclassified income statement and balance sheet data in order to retroactively reflect the effects of the acquisition. Consequently, unless otherwise indicated, the comments in the Report on operations refer to the income statement components (for the months of August and September, after the acquisition date) and balance sheet components net of the UBI Group's data, in order to ensure a consistent comparison. However, in order to improve the reader's understanding, in the chapters of the Interim Statement analysing the income statement figures and the balance sheet aggregates, the main amounts referring to the Group acquired and the consolidated figure including said amounts are highlighted in the tables.

The consolidated income statement for the nine months of 2020 posted net income of 6,376 million euro. The significant amount of net income figure for the period was mainly attributable to the recognition of the provisional amount of negative goodwill of 3,264 million euro resulting from the business combination of UBI Banca and its subsidiaries. In this regard, we note here that this amount, as permitted by IFRS 3, will be definitively restated in the 2020 Financial Statements following the completion of the purchase price allocation process, while more details are provided in the paragraph "Accounting treatment of the acquisition" below.
Without taking into account the income statement effects of the consolidation and integration of UBI Banca and its subsidiaries, including the above-mentioned provisional amount of negative goodwill, consolidated net income would have been 3,073 million euro compared to a like-for-like figure of 3,310 million euro for the nine months of 2019 (-7.2%). This slight decrease was attributable to the significant impact of the greater adjustments to loans – largely offset by the consideration from the sale to Nexi of the business line consisting of the acquiring activities within the payment systems area, completed at the end of the first half – and the decrease in net fee and commission income in the aftermath of the COVID-19 epidemic.
Looking at the cost and revenue components, net – for like-for-like comparison – of the contributions from the UBI Group included in the consolidated income statement from the acquisition date (August-September period), the operating income was down slightly on the first nine months of 2019, because the above-mentioned fall in net fee and commission income, the fall in profits (losses) on financial assets and liabilities designated at fair value and the net operating costs were only partially offset by the positive performance of the income from insurance business and the modest growth in net interest income.
More specifically, net interest income, amounting to 5,315 million euro (net of 281 million euro for UBI), increased overall (+1.1%), due to the higher contribution from customer dealing and, within other net interest income, the higher contributions from the TLTRO programmes. These changes fully offset lower contributions from financial assets, accounts with banks and non-performing assets, the latter as a result of the progressive reduction in NPLs.
The significant fall in net fee and commission income (-6% to 5,449 million euro, net of 272 million euro for UBI), which represented over 40% of the Group's operating income, was attributable to the effects of the contraction in operations due to the situation generated by the COVID-19 epidemic. The performance of this caption reflected the fall in all the areas of operations: commercial banking (-7.6%), management, dealing and financial consultancy (-3.3%) and other net fee and commission income (-16.9%).
Income from insurance business – which includes the cost and revenue captions of the insurance business of the Group's life and non-life companies, and also includes the results of Intesa Sanpaolo RBM Salute – recorded an increase compared to the like-for-like figure for the first nine months of 2019 (+8.8% to 1,031 million euro, net of 3 million euro for UBI), due to the increase in the technical margin. This caption also benefited from the performance of the recently acquired company in the healthcare segment.
In contrast, profits (losses) on financial assets and liabilities designated at fair value, which include profits (losses) on trading and the fair value adjustments in hedge accounting were down (around -12% to 1,378 million euro, net of 5 million euro for the UBI Group), due to the lower contribution from transactions in instruments designated at fair value through other comprehensive income and financial liabilities as a result of lower capital gains realised, which fully offset the higher contribution from profits (losses) on financial assets and liabilities designated at fair value that benefited from the valuation effects from the debt value adjustment related to the liabilities in the form of certificates and credit derivatives.
Other operating income (expenses) – a caption which comprises profits on investments carried at equity and other income and expenses from continuing operations – recorded a net negative balance (net expenses of 15 million euro compared to net income of 14 million euro in the first nine months of 2019), partly due to the lower contribution from the investments carried at equity.
As a result of the above changes, operating income for the first nine months of 2020 amounted to 13,158 million euro (net of a contribution of 575 million euro relating to UBI), slightly down – as already mentioned – on the first nine months of 2019 (-3.2%).
Operating costs continued to fall (-3.7% to 6,599 million euro, net of 360 million euro relating to UBI) both for personnel expenses (-3.2%), as a result of the downsizing of the workforce – which more than offset the effect of the increase linked to the renewal of the National Collective Bargaining Agreement – and for administrative expenses (-7.7%). The latter recorded decreases in all the main items of expenditure, also due to the additional control measures adopted. The trend in operating costs also reflected the lower direct and indirect personnel costs, influenced by the widespread use of remote work in the situation generated by the public health emergency.
In contrast, amortisation and depreciation, which in accordance with IFRS 16 also include the amount relating to rights of use acquired under operating leases, increased (+3.4%) as a result of the greater IT investments.
The cost/income ratio for the period, which benefited from the careful cost management, stood at 50.2% (50.4% in the first nine months of 2019). With the costs and revenues of UBI included, the ratio was 50.7%.
As a result of these revenue and cost trends, the operating margin amounted to 6,559 million euro (net of a contribution of 215 million euro from UBI), down by 2.6% on the like-for-like figure for the previous year.

As already mentioned, net adjustments to loans increased significantly (around +90% to 2,654 million euro, net of 85 million euro relating to UBI). This was due to the revision of the scenario following the outbreak of the epidemic, with the application of the usual methods developed by the Group and taking into account the projections made by the ECB and the Bank of Italy with the recognition of around 1.3 billion euro of adjustments, of which around 820 million euro on performing loans. The annualised cost of risk, expressed as the ratio of net adjustments to net loans, rose to 88 basis points (compared to 53 basis points at the end of 2019) as a result of the above-mentioned scenario revision. Excluding the extraordinary component represented by the scenario revision, the annualised cost of risk fell to 44 basis points.
Other net provisions and net impairment losses on other assets were up (217 million euro, net of 7 million euro relating to UBI, compared to 86 million euro for the first nine months of 2019), due to the higher net provisions for legal disputes.
Other income (expenses), which include realised profits (losses) on investments and income and expenses not strictly linked to operations, had a small net positive balance (5 million euro) equal to the amount for the first nine months 2019.
Income from discontinued operations, amounting to 1,163 million euro (63 million euro in the nine months of 2019), included the contribution of the business line consisting of the acquiring activities within the payment systems area transferred to Nexi and, in particular, the capital gain recognised at the end of the first half on completion of the sale (1,110 million euro, of which 315 million euro consisting of the day-one profit on the purchase of the Nexi shares) and the income for the first half of the year from the business line sold (53 million euro).
As a result of the trends illustrated above, gross income amounted to 4,856 million euro (-8.8%), net of 123 million euro relating to UBI.
Taxes on income for the period amounted to 1,163 million euro (net of 31 million euro relating to UBI), with a tax rate of 23.9%, which was particularly low due to the presence of the above-mentioned capital gain on the sale of the acquiring business line subject to a specific tax regime. With the income components relating to UBI included, the tax rate was 24%.
Net of tax, charges for integration and exit incentives were recorded of 77 million euro, as well as the effects of purchase price allocation of a further 77 million euro. The latter were net of the already mentioned provisional amount (3,264 million euro) relating to the negative goodwill resulting from the business combination of UBI Banca and its subsidiaries.
The charges aimed at maintaining the stability of the banking industry were up on the first nine months of the previous year, to a total of 425 million euro after tax (338 million euro in the same period of 2019), corresponding to 612 million euro before tax, consisting of ordinary and additional contributions to the resolution fund, the estimate of the contributions for the full year to the deposit guarantee schemes and the levies incurred by international subsidiary banks. These amounts do not include the charges relating to UBI, which amounted to 49 million euro after tax.
After allocating the income attributable to minority interests of 41 million euro (net of the income attributable to minority interests 4 million euro relating to UBI), the income statement for the first nine months closed, as stated, with net income of 3,073 million euro (6,376 million euro taking into account the overall income statement effects of the combination of UBI Banca), compared to 3,310 million euro in the same period of 2019.

The income statement for the third quarter of 2020 showed net income of 3,810 million euro compared to 1,415 million euro for the previous three months. The significant amount of net income figure for the period was attributable to the above mentioned recognition of the provisional amount of negative goodwill of 3,264 million euro resulting from the business combination of UBI Banca and its subsidiaries. Without taking into account the income statement effects of the consolidation and integration of UBI Banca and its subsidiaries, including the above-mentioned provisional amount of negative goodwill, net income would have been 507 million euro, down on the previous quarter, which however had benefited from the contribution of the business line consisting of the acquiring activities transferred to Nexi (capital gain and net income of the business line transfer totalling 1,115 million euro after tax).
Looking in detail at the cost and revenue components, net – for like-for-like comparison – of the contributions from the UBI Group included in the consolidated income statement from the acquisition date (August-September period), the operating income for the third quarter was down slightly on the second quarter (-1.3% to 4,083 million euro, net of 575 million euro relating to UBI Banca).
Specifically, the contribution from net interest income increased (+3.9%), together with the contribution from net fee and commission income (+6.7%), driven by the management, dealing and consultancy activities (+8.7%), which had been heavily impacted in the previous three months by the negative effects of the market trends and the restrictive measures adopted in the wake of the pandemic. However, this positive performance was entirely offset by the decline in income from insurance business (around -20%), mainly due to the lower technical margin and the lower contribution from the profits (losses) on financial assets and liabilities designated at fair value (-54%), due to the lower capital gains on securities and the reduction in the debt value adjustment related to certificates issued.
Operating costs were down on the previous quarter (-1.5% to 2,196 million euro, net of 360 million euro relating to UBI Banca), attributable both to personnel expenses (-1.6%) and administrative expenses (-2.2%).
In relation to revenue and cost trends, the operating margin for the third quarter was essentially in line with the second quarter (around -1% to 1,887 million euro, net of 215 million euro relating to UBI Banca).
Net adjustments to loans (853 million euro), despite being lower than in the previous quarter (-545 million euro) when substantial provisions were made, were still significantly influenced by the situation generated by the public health emergency.
Other net provisions and net impairment losses on other assets showed a negative balance in the second quarter (-60 million euro) compared to a positive balance (262 million euro) for the previous quarter, which had been generated by the reversal of the precautionary provision recognised in the first quarter (312 million euro) in advance against an initial estimate of the effects of the pandemic on performing loans. Other income (expenses) showed income of 23 million euro in the third quarter, compared to an expense of 21 million euro in the previous three months.
The absence of income from discontinued operations in the quarter – which amounted to 1,134 million euro in the second quarter, resulting from the contribution of the business line consisting of the acquiring activities transferred to Nexi – resulted in a fall in gross income (around -47% to 997 million euro, net of 123 million euro relating to UBI).
After the recognition of income tax (-289 million euro), charges for integration and exit incentives (-27 million euro), the effects of purchase price allocation (-27 million euro net of the already mentioned provisional amount of 3,264 million euro relating to the negative goodwill resulting from the business combination of UBI Banca and its subsidiaries), levies and other charges

concerning the banking industry (148 million euro), as well as losses attributable to minority interests (1 million euro), the income statement for the second quarter closed with net income of 507 million euro (3,810 million euro taking into account the overall income statement effects of the combination of UBI Banca, including the already mentioned provisional amount of negative goodwill), compared to 1,415 million euro for the previous three months (300 million euro net of the contribution from the business line consisting of the acquiring activities transferred to Nexi).

With regard to the balance sheet figures, as at 30 September 2020 loans to customers totalled around 404 billion euro (net of 85 billion euro relating to the UBI Group), up on the end of 2019 (+8.7 billion euro, or +2.2%), due to the varying trends in the components that make up the aggregate. Specifically, commercial banking loans were up overall (+6.2%), due to the positive performance of mortgages and other medium-/long-term loans (+27.9 billion euro, or around +16%), which reflect the Group's support for the Italian economy, including in relation to the extraordinary measures taken by the government, in the aftermath of the COVID-19 epidemic. The increases in this component offset the much smaller decrease in advances and other loans (-5.2 billion euro, or -3.5%) and current accounts (-1.4 billion euro, or -6.8%). The decrease in non-performing loans (-1 billion euro, or -7.2%) was offset by the increase in loans represented by securities (+0.7 billion euro, or +11.5%). Lastly, the financial component of the repurchase agreements was down sharply (-12.3 billion euro, or around -42%).
On the funding side, direct deposits from banking business amounted to 449 billion euro at the end of September 2020 (net of 98 billion euro relating to the UBI Group), up on the like-for-like figure at the end of 2019 (+23.5 billion euro, or +5.5%), driven by current accounts and deposits (+34.1 billion euro, or around +11%), which continued the performance posted during the year, owing to customer appetite for maintaining a high level of liquidity also in the environment generated by the COVID-19 epidemic. There were also increases in other forms of funding (+3.6 billion euro, or around +15%, mainly consisting of certificates and commercial paper), subordinated liabilities (+0.2 billion euro, or +2%) and certificates of deposit (+0.3 billion euro, or +6.7%). In contrast, bonds were down (-11.7 billion euro, or around -18%). With regard to the financial component, there was a decrease in repurchase agreements (-3.1 billion euro, or around -68%), largely due to transactions with institutional counterparties.
Direct deposits from insurance business – which also include the technical reserves that constitute the amounts owed to customers taking out traditional policies or policies with significant insurance risk – were up slightly at 167 billion euro (net of 2.6 billion euro relating to the UBI Group) at the end of September compared to the end of 2019 (+1.2 billion euro, or +0.7%). This performance was driven by the increase in technical reserves (around +3 million euro, or +3.3%) and in other deposits (+0.4 billion euro, or around +53%), which fully offset the decrease in financial assets measured at fair value (-2.2 billion euro, -2.9%), consisting entirely of unit-linked products.
Indirect deposits of the Group at the end of September amounted to 532 billion euro (net of 99 billion euro relating to the UBI Group), in line with the figures at the end of 2019 (-2.6 billion euro, or -0.5%), both for assets under management and assets under administration. Specifically, assets under management, which account for two-thirds of the total aggregate, were stable overall (around -1.6 billion euro, or -0.5%), essentially due to the negative performance of mutual funds (-2.2%), offset by increases for portfolio management schemes (+0.9%), pension funds (+4.1%) and relations with institutional customers (+5.1%). Assets under administration, mainly consisting of third party securities and products held in custody, were also down (-1 billion euro, or -0.6%).

For an illustration of the income statement results and the balance sheet aggregates broken down by Group business segment, please refer to the specific chapter of this Report.

Highlights

The highlights of the third quarter of 2020 are illustrated below. Reference is made to the Half-yearly Report as at 30 June 2020 for the events that occurred in the first half of the year.

Integration of the UBI Group

Completion of the transaction

As stated in the Half-yearly Report in relation to the subsequent events, the acceptance period for the Voluntary Public Purchase and Exchange Offer (below "Offer" or "Public Offer") launched by Intesa Sanpaolo for a maximum of 1,144,285,146 ordinary shares of Unione di Banche Italiane S.p.A. (below "UBI Banca"), representing all subscribed and paid-in share capital, ended on 30 July 2020. The Private Placement of UBI Banca shares reserved for "qualified institutional buyers" launched by Intesa Sanpaolo in the United States also ended on that date.

Detailed information about the Offer is provided in the Offer Document, the Information Document and all the legally-required documentation made available, together with the individual announcements made regarding the progress of the Offer and its outcome. Here you are reminded that the Offer was amended on 17 July 2020 following the increase in the consideration per share, through the establishment of a cash consideration of 0.57 euro for each UBI share tendered in acceptance, and that the acceptance period was extended ex officio by CONSOB from 28 July 2020 to 30 July 2020, pursuant to Article 40, paragraph 4, of the Issuers' Regulation, through Resolution No. 21460 of 27 July 2020.

Furthermore, to prevent possible antitrust concerns, on 17 February 2020 Intesa Sanpaolo and BPER Banca (below also "BPER") entered into a binding agreement, conditional on the success of the Public Offer ("BPER Agreement"), which provides for the purchase by BPER of a going concern consisting of a pool of branches of the entity resulting from the combination of Intesa Sanpaolo with UBI Banca. The original agreement provided for the sale of around 400/500 branches of the combined entity and the related assets and liabilities for a consideration equal to a multiple of 0.55 times the CET 1 of UBI Banca allocated to the branches identified as being subject of the sale. Subsequently, to take appropriate account of the economic situation generated by the outbreak of the COVID-19 pandemic, and following discussions held between Intesa Sanpaolo and BPER, the pricing mechanism described above was modified by establishing a consideration for the above-mentioned going concern equal to 0.38 times the value of the fully-loaded CET 1 at the reference date allocated to the risk-weighted assets of the branches to be sold. In order to remove the specific antitrust concerns raised by the Italian Antitrust Authority ("AGCM"), on 15 June 2020 Intesa Sanpaolo negotiated and signed an agreement supplementing the BPER Agreement under which the number of branches to be transferred was increased (from 400/500 to 532, of which 501 of UBI Banca and 31 of Intesa Sanpaolo) with the precise identification of the details and consequent redefinition of the estimated values. By decision adopted at the meeting of 14 July 2020 and notified to Intesa Sanpaolo on 16 July 2020, AGCM approved the transaction for the acquisition of control of UBI Banca subject to the execution of structural sales in accordance with the BPER Agreement and the commitments made by Intesa Sanpaolo. Through a specific press release on 30 September 2020, it was announced that the parties had identified as the period currently envisaged for the closing of the sale to BPER the second half of February 2021 with regard to the UBI Banca branches and the second quarter of 2021 with regard to the Intesa Sanpaolo branches.

Based on the final results – announced to the market on 3 August 2020 – a total of 1,031,958,027 UBI shares were tendered in acceptance of the Offer during the acceptance period (including those tendered in acceptance through the Private Placement), equal to approximately 90.184% of the share capital of UBI Banca. As a result of the settlement of the Offer (and of the Private Placement) and on the basis of the results of the Offer (and of the Private Placement), the Offeror came to hold a total of 1,041,458,904 UBI Banca shares, representing approximately 91.0139% of the share capital of UBI Banca, given that (i) the Offeror Intesa Sanpaolo held, directly and indirectly (including through fiduciary companies or nominees) a total of 249,077 ordinary shares of the Issuer, equal to 0.0218% and (ii) UBI Banca held 9,251,800 own shares equal to 0.8085% of the share capital of the Issuer.

Lastly, acceptances "with reserves" were also received in respect of a total number of 334,454 UBI Banca shares from 103 acceptors. These acceptances have not been counted for determining the percent acceptance of the Offer. Based on the final results indicated above, the Percentage Threshold Condition (i.e. the condition that the Offeror comes to hold an overall interest at least equal to 66.67% of the Issuer's share capital) was fulfilled and all the other conditions precedent of the Offer were fulfilled or, as the case may be, waived by Intesa Sanpaolo. As a result, the Offer was effective and was able to be completed.

On 5 August 2020, in exchange for the transfer of the ownership of the UBI Banca shares, Intesa Sanpaolo issued and assigned the acceptors of the Offer a total of 1,754,328,645 new Intesa Sanpaolo shares, representing 9.107% of the share capital of Intesa Sanpaolo, based on the ratio of 1.7000 Intesa Sanpaolo shares to 1 UBI share. In addition, on 19 August 2020, Intesa Sanpaolo paid the entitled parties the cash consideration (i.e. 0.57 euro for each UBI share tendered in acceptance) which amounted to a total of 588,216,075.39 euro.

The interest held directly or indirectly by Intesa Sanpaolo in the share capital of UBI Banca at the end of the acceptance period was more than 90%, but less than 95%, which meant that the conditions were met for the compulsory squeeze-out pursuant to Article 108, paragraph 2, of the Consolidated Law on Finance, with Intesa Sanpaolo having already declared in the Offer Document that it would not implement measures to restore the minimum free float conditions for normal trading of the UBI Banca ordinary shares. Therefore, pursuant to Article 108, paragraph 2, of the Consolidated Law on Finance, Intesa Sanpaolo was required to purchase the remaining ordinary shares from the shareholders of UBI Banca who requested it, for a total amount of 112,327,119 UBI shares and representing 9.8163% of the share capital. The consideration per remaining share, identified in accordance with the provisions of Article 108, paragraphs 3 and 5, of the Consolidated Law on Finance, was determined as follows:

i. a consideration equal to that offered to the acceptors of the Public Purchase and Exchange Offer, namely 1.7000 newly issued Intesa Sanpaolo ordinary shares and 0.57 euro for each UBI Banca share tendered in acceptance; or, alternatively,

ii. only to the shareholders so requesting, a cash consideration in full whose amount for each UBI Banca share, calculated in accordance with Article 50-ter, paragraph 1, letter a) of the Issuers' Regulations, was equal to the sum of (x) the weighted average of the official prices of the ISP shares recorded on the Mercato Telematico Azionario (electronic stock exchange) during the five trading days prior to the payment date (i.e. on 29, 30 and 31 July, and 3 and 4 August 2020) multiplied by the exchange ratio (2.969 euro) and (y) 0.57 euro, for a total consideration of 3.539 euro per remaining share.

The compulsory squeeze-out procedure, pursuant to Article 108, paragraph 2, of the Consolidated Law on Finance, which was carried out between 24 August and 11 September 2020, resulted in sale requests for a total of 90,691,202 remaining shares, representing 7.9256% of the share capital of UBI Banca and 80.7385% of the remaining shares. With reference to the 90,691,202 remaining shares:

(i) for 87,853,597 remaining shares, the owners have requested the consideration established for the Public Offer; and
(ii) for the other 2,837,605 remaining shares, the owners have requested the cash consideration in full, i.e. 3.539 per remaining share.

Taking into account (a) the 1,031,958,027 shares tendered in acceptance of the Offer, (b) the 90,691,202 remaining shares purchased through the procedure pursuant to Article 108, paragraph 2, of the Consolidated Law on Finance, (c) the 131,645 ordinary shares of the Issuer held directly or indirectly by Intesa Sanpaolo and (d) the 8,903,302 own shares held by UBI Banca, Intesa Sanpaolo, following the procedure pursuant to Article 108, paragraph 2, of the Consolidated Law on Finance, came to hold a total of 1,131,684,176 UBI Banca shares, equal to 98.8988% of the share capital of UBI Banca. Intesa Sanpaolo made the payment of the consideration for the compulsory squeeze-out pursuant to Article 108 paragraph 2 of the Consolidated Law on Finance on 17 September 2020 through:

i. the issuance of 149,351,114 new Intesa Sanpaolo shares, representing 0.77% of the bank's share capital, and the payment of a consideration of 50,076,550.29 euro to the accepting shareholders who chose the consideration established for the Offer;
ii. the payment of 10,042,284.10 euro for the accepting shareholders that requested the cash consideration in full.

Subsequent to the procedure pursuant to Article 108, paragraph 2 of the Consolidated Law on Finance, Intesa Sanpaolo, having come to hold more than 95% of the share capital of UBI Banca, exercised its right of squeeze-out pursuant to Article 111 of the Consolidated Law on Finance and, at the same time, carried out the compulsory squeeze-out pursuant to Article 108, paragraph 1 of the Consolidated Law on Finance for the shareholders of UBI Banca that requested it, through a specific joint procedure that, as agreed with CONSOB and Borsa Italiana (the "Joint Procedure"), was carried out in the period 18 - 29 September 2020. The Joint Procedure targeted a maximum of 21,635,917 UBI residual shares. The consideration established in the Joint Procedure was the same as that paid for the shares purchased in the procedure pursuant to Article 108, paragraph 2 of the Consolidated Law on Finance. During the Joint Procedure, sale requests were submitted for a total of 3,013,070 remaining shares, i.e. 13.9262% of the shares subject to the procedure. More specifically:

(i) for 408,474 shares, the owners requested the consideration established for the Public Offer; and
(ii) for the other 2,604,596 shares, the owners requested the cash consideration in full, i.e. 3.539 per remaining share.

No sale requests were submitted by the owners of the 18,622,847 remaining shares. Such residual shares also include 8,877,911 own shares (representing 0.7758% of the Issuer's share capital) held by UBI Banca and 120,985 UBI Banca ordinary shares held on own account by Intesa Sanpaolo before 17 February 2020, the announcement date of the Offer. The UBI Banca own shares and UBI Banca ordinary shares held on own account by Intesa Sanpaolo were not transferred to Intesa Sanpaolo under the Joint Procedure. Intesa Sanpaolo made the payment of the consideration for the Joint Procedure on 5 October 2020 through:

i. the issuance of 17,055,121 new Intesa Sanpaolo shares, representing 0.09% of the bank's share capital and the payment of a consideration of 5,718,482.25 euro to the accepting shareholders who chose the consideration established for the Offer and to the shareholders that did not submit any sale requests;
ii. the payment of 9,217,655.24 euro for the accepting shareholders that requested the cash consideration in full.

Following the conclusion of the Joint Procedure, Intesa Sanpaolo came to hold 100% of the share capital of UBI Banca.
Lastly, with resolution no. 8693 of 17 September 2020, Borsa Italiana ordered the delisting of UBI Banca shares from trading on the Mercato Telematico Azionario (electronic stock exchange) as of 5 October 2020 (settlement date of the Joint Procedure), subject to suspension of the share during the sessions of 1 and 2 October 2020.

Start of the integration activities

The integration between Intesa Sanpaolo and UBI Banca has three main objectives: i) creating value through a rapid and successful business integration, able to achieve significant synergies; ii) harnessing the talents of the two Groups (people, skills, distinctive assets); and iii) creating a European-scale champion that can play a leading role in the evolution of the post-Covid banking sector.

The integration programme was launched in September, involving more than 400 Intesa Sanpaolo and UBI managers and with robust governance ensured through guidance by Programme Managers and periodic dedicated meetings at both project and programme level (Steering Committee, Programme Progress Updates, Strategic Coordination Committee, Project Progress Updates).

The Programme is also organised on a granular basis with 4 "staff" and 24 "vertical" projects, over 100 sub-projects and over 2,400 finished products monitored biweekly. The 4 "staff" projects include:

- "Harnessing synergies, cost control and analytical support": to estimate and harness the synergies resulting from the integration, monitor the Programme costs and investments, and provide analytical support to the projects for the main strategic initiatives;
- "Programme Coordination": to coordinate and monitor the progress of the Programme and the individual projects;
- "Communications": to manage internal, external and investor communications related to the Integration Programme;
- "Supporting structures": to direct specific issues on-demand (e.g. legal and compliance) to the references already identified within the individual projects.

The other "vertical" projects cover the following areas:

- "Founding values of the integration": to define the main founding values of the integration (local areas and community, customers and people) and identify specific initiatives to be implemented;

- “ESG-Impact: Social and Environmental Responsibility” to map existing the ESG/Impact banking activities and draw up a roadmap for sustainability and for the commitment to local areas and communities;
- “Corporate compliance and mandatory communications” to ensure the fulfilment of all the corporate obligations towards the supervisory authorities and to prepare the documentation for the institutional bodies;
- “Mandatory, operational and functioning requirements” to map and ensure the implementation of all the mandatory requirements and the interim choices for each Governance Area;
- “Organisational Model and HR” to identify and address the organisational impacts resulting from the integration (also in the transitional period) and develop the target organisational model, to devise the talent enhancement strategy and the related initiatives and launch a change management plan, to identify and address the HR impacts resulting from the integration and develop the target HR model, and to ensure effective management of procedures and trade union agreements (both upon full implementation and during the transitional period);
- “IT and Processes Integration” to manage the interventions for the migration of UBI to Intesa Sanpaolo’s IT and operational platform, addressing the IT and process impacts resulting from all the projects of the Integration Programme;
- “Sales” to define the strategy, methods and timing of the sales in line with the Programme’s objectives and to manage the IT, governance and business interventions to effectively and efficiently complete the planned sales according to the timing established (ISP branches to BPER, UBI branches to BPER, insurance operations to Unipol SAI Assicurazioni, and additional ISP branches to be sold);
- “Business and Operational Integration Choices” to map, prioritise and address the main interim business choices necessary for the integration during the transitional phase (e.g., developing policies for interim pricing decisions).

The Programme has drawn up a joint work plan whose main milestones concern the sale of the UBI branches to BPER, scheduled for February 2021, and the merger of UBI into ISP (and completion of the related IT migration), scheduled for April 2021.
All the activities envisaged by the plan have been started and are being implemented under the Programme.
Specifically, on 30 September Intesa Sanpaolo signed an agreement with trade unions which aims at enabling generational change at no social cost while continuing to ensure an alternative to the possible paths for staff reskilling and redeployment as well as the enhancement of the skills of the people of the Intesa Sanpaolo Group resulting from the acquisition of UBI Banca.
The agreement identifies ways and criteria to reach the target of at least 5,000 exits on a voluntary basis by 2023, with Group’s people either to retire or access the Solidarity Fund. Furthermore, by 2023, indefinite-term employment contracts will be signed according to the proportion of one hire for each two voluntary exits, up to 2,500 hires, against a minimum of 5,000 envisaged voluntary exits, a calculation which does not include the exits of people who will be moved due to the transfers of business lines. The new hires will support the Group’s growth and its new activities, with a focus on the branch Network and on the disadvantaged areas of the country, including through the “stabilisation” of people currently on fixed-term contracts. The Group envisages that at least half of the hires will concern the provinces in which UBI Banca has its historical roots (Bergamo, Brescia, Cuneo and Pavia) and the South of Italy.
The agreement has been signed well ahead of the deadline originally planned for year-end, thus highlighting the effective progress of the integration process.
Specifically, the agreement provides that:

- the offer relating to the voluntary exits is addressed to all the people of the Intesa Sanpaolo Group’s Italian companies which apply the *CCNL Credito* (bank employees National Collective Labour Contract), including the managers;
- people who meet the retirement requirements by 31 December 2026, including by applying the so-called calculation rules “Quota 100” and “Opzione donna”, may subscribe to the offer by November 2020 in accordance with the ways communicated by the Group;
- people who subscribed to the Intesa Sanpaolo 29 May 2019 Agreement or the UBI 14 January 2020 Agreement but were not included in the lists can submit requests for voluntary exit under defined terms;
- in the event that applications for retirement or access to the Solidarity Fund are in excess of the number of 5,000, a single list will be drawn up at Group level based on the date when the retirement requirement is met. The list will give priority to those people who have previously subscribed to the former Intesa Sanpaolo Group 29 May 2019 agreement or to the former UBI Group 14 January 2020 agreement and have not been included among the envisaged exits, as well as to people entitled to provisions under art. 3, paragraph 3 of Law 104/1992 for themselves, and to disabled people with a disability of at least 67%.

Accounting treatment of the acquisition

The Public Purchase and Exchange Offer (below “Offer” or “Public Offer”), which allowed Intesa Sanpaolo to obtain control of UBI Banca, is a business combination that must be accounted for in accordance with International Financial Reporting Standard (IFRS) 3, which requires the application of the acquisition method. According to this method, on the acquisition date, identified as the settlement date of the Offer (5 August 2020), the acquirer is, in short, required to allocate the cost of the combination (Purchase Price Allocation – PPA) to the identifiable assets acquired and liabilities assumed, both measured at their fair values. Any excess of the unallocated cost of the combination must be recognised as goodwill; alternatively the negative difference, resulting from the recognition of the combination at favourable prices, is recognised in the income statement as negative goodwill.
IFRS 3 allows the initial recognition of a business combination to be provisional and gives the acquirer a period of 12 months to obtain the information necessary to identify and assess the items required for the final recognition of the business combination and, therefore, adjusting the provisional amounts retroactively from the acquisition date. Using this option provided by the standard, a provisional amount of the negative goodwill arising from the business combination has been determined for this Interim Statement as at 30 September 2020. This amount will be restated for the 2020 financial statements following the completion of the PPA.
IFRS 3 establishes that the consideration transferred in a business combination must be determined on the basis of the acquisition-date fair values of the assets transferred by the acquirer and the liabilities incurred by the acquirer to former owners of the acquiree and the equity interests issued by the acquirer. In the present case, the consideration transferred consists of the sum of (i) 3,445 million euro, equal to the fair value of the shares issued by Intesa Sanpaolo under the capital

increase and assigned to the shareholders of UBI Banca (1,920,734,880), and (ii) 663 million euro, equal to the cash consideration transferred to them. The valuation of the Intesa Sanpaolo shares issued was based, in accordance with Intesa Sanpaolo's fair value policy, on the reference price of the Intesa Sanpaolo shares on 4 August 2020 (1.7936 euro per share), corresponding to the last available price before the transaction that allowed Intesa Sanpaolo to acquire control of UBI Banca.
Lastly, IFRS 3 states that in a business combination achieved in stages, the acquirer must remeasure its previously held equity interest in the acquiree at its acquisition-date fair value. The 120,985 UBI shares already held by Intesa Sanpaolo were therefore measured at the listing price of UBI Banca on 4 August 2020 (3.709 euro per share), for a total value of 1 million euro and that value was also recognised in the calculation of the cost of the acquisition. Based on the above, the total cost of the business combination was 4,109 million euro.
For the calculation of the provisional negative goodwill, the cost of the combination (4,109 million euro) was compared first of all with the consolidated shareholders' equity of UBI Banca as at 31 July 2020 given that, as already mentioned, the acquisition took place on 4 August 2020. Therefore, for the purposes of this Interim Statement, the income statement of UBI Banca has been consolidated from 1 August 2020. The Additional Tier 1 instruments issued by UBI Banca have been removed from its consolidated shareholders' equity as at 31 July 2020, because – although these instruments are considered capital instruments in accordance with IAS 32 in the shareholders' equity of UBI Banca – they are subscribed by third parties and were not subject of the Public Purchase and Exchange Offer, which means they must not be included in the calculation and will continue to be shown as capital instruments also in Intesa Sanpaolo's consolidated financial statements. The consolidated shareholders' equity of UBI Banca for the PPA for the consolidated financial statements of Intesa Sanpaolo amounted to 9,883 million euro. The following preliminary effects of the PPA were also considered for the calculation of the provisional negative goodwill, again with regard to the consolidated shareholders' equity of the UBI Group considered for the first consolidation within Intesa Sanpaolo and the PPA:

- derecognition of the consolidated goodwill of the UBI Banca Group: the implicit price of the Offer was lower than the UBI Banca's tangible equity and consequently the conditions were no longer met for the acquiring entity to maintain that goodwill in the balance sheet, also considering that the overall acquisition transaction generated negative goodwill;
- derecognition of the intangible assets recognised as a result of previous PPAs of the UBI Banca Group: these were derecognised because new intangible assets will be recognised under the PPA, representing the value of the relationships and assets of the entire UBI Banca Group;
- capital gain on the sale of several properties by UBI Banca recognised in the third quarter of 2020, after the acquisition: this amount will be recognised in the fair value of the properties at the acquisition date under the PPA, which in this case will be the realised amount; accordingly, in the consolidated financial statements these properties are considered to have been sold at book value without having realised any capital gain.

These items, after tax, amounted to a total of -1,465 million euro. The comparison between the cost of the overall business combination and the consolidated shareholders' equity of UBI Banca as at 31 July 2020, net of the preliminary effects of the PPA described above, therefore results in a provisional negative goodwill of 4,310 million euro.
Part of this negative goodwill must however be allocated to the capital loss relating to the going concern consisting of the branches that will be sold to BPER. In this regard, the precise identification of the assets and liabilities relating to the going concern to be sold to BPER is currently underway and, therefore, in the Interim Statement as at 30 September 2020 it was not possible to reclassify the above mentioned going concern to assets held for sale in accordance with IFRS 5 whereby "an entity shall classify a non-current asset (or disposal group) as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use". This reclassification will be made for the year-end financial statements and will be recognised in the consolidated financial statements of Intesa Sanpaolo solely for the UBI Banca branches, under the PPA pursuant to IFRS 3.
Although the going concern had not yet been reclassified to assets held for sale, UBI Banca and Intesa Sanpaolo – in consideration of the commitment made for the sale of a going concern at a price that, under the contractual provisions, is calculated as a multiple of less than a unit (in this case 0.38x) of the regulatory capital of the going concern and is therefore lower than the carrying amount of the going concern – recognised a specific provision as at 30 September 2020 for the amount of the capital loss, estimated based on the figures currently available for the going concern. This amount is to be considered provisional, pending the availability of precise accounting data and the resulting risk weighted assets (RWAs). Specifically, UBI Banca and Intesa Sanpaolo made separate provisions for the capital loss on the sale of their branches, respectively amounting to 945 million euro, after tax, and 71 million euro, after tax. The capital loss related to the branches is strictly related to the acquisition of UBI Banca, because AGCM approved the acquisition of control of UBI Banca by Intesa Sanpaolo subject to the execution of structural sales in line with the provisions of the agreement with BPER. Consequently, the capital loss related to the alignment of the carrying amount of the going concern to the sale price was recognised, after tax, as a reduction in the negative goodwill in the consolidated income statement, solely for the amount attributable to the UBI Banca branches, because the PPA pursuant to IFRS 3, which gives rise to the negative goodwill, only concerns the assets and liabilities of the acquired entity (in this case UBI Banca).
Consequently, the provisional negative goodwill recognised in the consolidated income statement as at 30 September 2020, which takes into account both the provisional effects of the acquisition (4,310 million euro) and the capital loss on the related sale of the UBI Banca branches (945 million euro, after tax), amounted to 3,365 million euro.
In addition, as already noted, the income statement also includes the capital loss on the sale of Intesa Sanpaolo branches to BPER, amounting to 71 million euro, after tax.
Lastly, the accounting effects of the acquisition also include the expenses related to the Public Offer totalling 142 million euro, with the part directly attributable to the capital increase and the corresponding issue of shares (112 million euro) recognised as a reduction in shareholders' equity reserves and the remainder (30 million euro) recognised in the income statement.
The overall income statement effects of the transaction recognised as at 30 September 2020 therefore amounted to 3,264 million euro, and are reported in the reclassified income statement under the caption "Effect of purchase price allocation (net of tax)". Specifically, this caption comprises the negative goodwill, net of the capital loss on the sale of the UBI Banca branches to BPER plus related tax for a total of 3,365 million euro recognised under caption 230. "Other operating expenses (income)", the part of the expenses related to the Public Purchase and Exchange Offer not allocated to shareholders' equity and recognised under caption 50. "Fee and commission expense" in the amount of 9 million euro and under caption 190.b) "Other administrative expenses" in the amount of 21 million euro, the capital loss on the sale of the Intesa Sanpaolo branches

to BPER of 90 million euro recognised under caption 200.b) “Other net provisions”, and the tax of 19 million euro related to the latter item recognised under caption 300. “Taxes on income from continuing operations”.
The above-mentioned overall amount of 3,264 million euro is – as already mentioned – to be considered absolutely provisional, and will be redetermined at the time of preparation of the 2020 financial statements following the outcome of the PPA procedure through the exact calculation, as at the date of acquisition, of the fair value of the identifiable assets acquired and liabilities assumed of the UBI Group.
Specifically, the main accounting items that are currently expected to be affected by the measurement of the fair values for the PPA are performing loans, non-performing loans, intangible assets not previously recognised by the UBI Group and liabilities at amortised cost. Moreover, the 2020 Financial Statements will recognise the charges currently being determined, related to the integration and improvement of the operating efficiency and to the de-risking.

Other highlights

As already stated in the Half-yearly Report as at 30 June 2020 of the Intesa Sanpaolo Group, the merger by incorporation of Banca IMI into the Parent Company Intesa Sanpaolo, closed in accordance with the Shareholders’ Meeting and Board of Directors’ resolutions passed by the two companies and the provisions of the deed of merger dated 19 June 2020, entered into effect on 20 July 2020. The integration of Banca IMI into the Parent Company, with the consequent creation of the new IMI Corporate & Investment Banking Division, is part of Intesa Sanpaolo’s 2018-21 Business Plan, as a key driver for its implementation.
The new Division maintains a clear reference to Banca IMI, including at the level of its brand, to emphasise that the integration represents the continuation of a process of excellence that began several years ago and has been further reinforced in order to be optimally positioned to face the challenges that only organisations focused on the future, but with a wealth of solid history behind them, will be capable of overcoming.
The creation of the new IMI Corporate & Investment Banking Division allows the Intesa Sanpaolo Group to serve its corporate, public administration and financial institution customers even more effectively by drawing on a unique business model, specialist expertise and top-tier professionalism, in addition to a brand that represents Italian excellence in capital markets and investment banking and tells a story of essential values and lasting successes. This is in addition to the further reinforcement of an international structure consolidated over the years, based on a network of corporate hubs and branches located in 25 countries worldwide, capable of supporting and assisting customers in their activities outside Italy's borders.

With regard to subsequent events, on 5 October 2020 Fideuram - Intesa Sanpaolo Private Banking (Fideuram – ISP PB), the Private Banking Division of the Intesa Sanpaolo Group and REYL & Cie SA (REYL), an independent and diversified banking group headquartered in Geneva, announced they have agreed on the terms of a strategic partnership: Fideuram – ISP PB will acquire a 69% stake in REYL and will contribute its Swiss banking subsidiary, Intesa Sanpaolo Private Bank (Suisse) Morval (ISPBM), to REYL. Following the closing of the transaction – which is subject to the customary regulatory approvals and is expected to be completed by the first half of 2021 – ISPBM will be merged into REYL, creating a sizeable international private banking group, headquartered in Geneva, with close to 400 employees, assets under management of over CHF 18 billion and regulatory shareholders’ equity of around CHF 250 million. In addition to Switzerland, the Bank will also be present in the European Union, Latin America, the Middle East and the Far East.
The partnership will enable Fideuram – ISP PB to strengthen its international private banking activities, particularly in promising growth areas, and to continue playing a leading role in the ongoing consolidation of the Swiss financial sector. It also confirms the choice of Switzerland as the headquarter for Fideuram – ISB PB’s international private banking operations and adds significant scale to its existing presence in the country. With its distinctive track record, leading domestic private banking footprint and overall financial strength, Fideuram – ISP PB offers REYL a strong cultural fit and multiple growth catalysts whilst safeguarding its entrepreneurial DNA and its innovative business model.
REYL will continue to guide its successful 360° organic growth strategy, centred on delivering innovative solutions to its customers across its five business lines: Wealth Management, Entrepreneur & Family Office Services, Corporate Advisory & Structuring, Asset Services and Asset Management.
Fideuram – ISP PB’s and REYL’s management have jointly defined a long-term strategic plan, that will provide a robust foundation on which to build a leading business in the coming years. The transaction will bring numerous benefits, including strengthened governance and capitalisation, cross-referrals over all business segments, seeding capital for new product initiatives, and placement, syndication and co-advisory opportunities, in addition to a vastly expanded distribution network.

On 13 October, Intesa Sanpaolo, in cooperation with the EIB Group, launched a new synthetic securitisation of a portfolio of loans amounting to around 2 billion euro under the “GARC” (Gestione Attiva Rischio di Credito - Active Credit Risk Management) programme. The operation, which was launched together with the European Investment Fund (EIF) and the European Investment Bank (EIB), is designed to provide new loans at favourable conditions to the Group’s SME and micro-enterprise customer base. Through this operation, the Bank continues its efforts to support businesses affected by the emergency caused by the COVID-19 epidemic: the resources made available through the EIF guarantee on the mezzanine tranche will be used to provide new loans to SMEs, including micro-enterprises.
The initiative is primarily intended for investments by businesses involved in the production chains and to support investments in digitisation and sustainability, to support the relaunch of Italy’s productive economy. This will allow businesses to access new loans for a total amount of 450 million euro, of which 100 million euro has already been agreed at particularly favourable conditions. The new loans may also be granted in combination with the government decree measures issued to address the pandemic emergency with guarantees from the Central Fund and SACE.
Intesa Sanpaolo supports production chains and supply chain suppliers through its innovative approach to assessing creditworthiness and therefore access to credit through its Sviluppo Filiere Programme – which was conceived at the end of 2017 to ensure the development of the country’s production system – by leveraging supply chains which are often made up of outstanding small and medium-sized enterprises, which contribute to making Made in Italy products stand out throughout the world.

The securitisation forms part of Intesa Sanpaolo's dynamic credit risk management initiatives, which aim to optimise the bank's resources and boost access to credit for SMEs through capital markets.

On 30 October, Intesa Sanpaolo Rent Foryou, a Group company that offers operating rental solutions to manufacturing and distribution businesses and their client companies, was created from the acquisition of Euroconsult RD Spa.
The company was founded to enhance the banking offering for businesses through an innovative, simple and sustainable alternative solution to purchasing and financial leasing. Intesa Sanpaolo Rent Foryou matches supply and demand for rental goods, gives customers rapid access to the latest technology on the market, reduces the risk of obsolescence and provides cost certainty, with fully deductible lease payments.

Outlook

For the Intesa Sanpaolo Group, without taking the acquisition of UBI Banca into account, net income of no lower than around 3 billion euro and no lower than around 3.5 billion is expected for 2020 and 2021 respectively, assuming a potential cost of risk of up to around 90 basis points in 2020 and around 70 basis points in 2021.
Even taking the UBI Banca acquisition into account, the Group's dividend policy is confirmed. It envisages the distribution of cash dividends corresponding to a payout ratio of 75% and 70% for 2020[4] and 2021 respectively. This is subject to ECB indications which will be announced in respect of dividend distribution after 1 January 2021, the deadline for the recommendation of 28 July 2020.
In addition to the envisaged distribution of cash dividends from the 2020 net income, Intesa Sanpaolo intends to obtain approval from the ECB to distribute cash from reserves in 2021 in light of the allocation of the 2019 net income to reserves in 2020.
The pro-forma fully loaded Common Equity Tier 1 ratio expected to be above 13%[5] in 2021 is confirmed, even taking the UBI Banca acquisition and the aforementioned potential cash distribution from reserves into account.
For the Group resulting from the acquisition of UBI Banca, it is envisaged, as of 2022, a net income of no lower than 5 billion euro and a strategy that remains focused on rewarding shareholders and maintaining solid capital ratios. There is the intention to disclose the new Business Plan by the end of 2021, as soon as the macroeconomic scenario becomes clearer.

[4] Excluding the contribution of the negative goodwill not allocated to cover integration charges and reduce risk profile from net income. The actual determination of the negative goodwill will result following the outcome of the PPA procedure, provided for under IFRS 3, at the time of preparation of the 2020 financial statements, through the exact calculation, as at the date of acquisition, of the fair value of identifiable assets acquired and liabilities assumed of the UBI Banca Group.

[5] Estimated by applying the fully loaded parameters, 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 1,285 million euro 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 on the sale of the going concern to BPER Banca in relation to the acquisition of UBI Banca. Above 12% when excluding the aforementioned DTA absorptions.

Consolidated financial statements

Consolidated balance sheet

(millions of euro)

Assets		30.09.2020	31.12.2019	Changes amount	Changes %
10.	Cash and cash equivalents	7,625	9,745	-2,120	-21.8
20.	Financial assets measured at fair value through profit or loss	62,537	49,414	13,123	26.6
	a) financial assets held for trading	*57,082*	*45,152*	*11,930*	*26.4*
	b) financial assets designated at fair value	*1*	*195*	*-194*	*-99.5*
	c) other financial assets mandatorily measured at fair value	*5,454*	*4,067*	*1,387*	*34.1*
30.	Financial assets measured at fair value through other comprehensive income	80,945	72,410	8,535	11.8
35.	Financial assets pertaining to insurance companies, measured at fair value pursuant to IAS 39	170,471	168,202	2,269	1.3
40.	Financial assets measured at amortised cost	616,364	467,815	148,549	31.8
	a) due from banks	*86,964*	*49,027*	*37,937*	*77.4*
	b) loans to customers	*529,400*	*418,788*	*110,612*	*26.4*
45.	Financial assets pertaining to insurance companies measured at amortised cost pursuant to IAS 39	1,050	612	438	71.6
50.	Hedging derivatives	1,338	3,029	-1,691	-55.8
60.	Fair value change of financial assets in hedged portfolios (+/-)	3,404	1,569	1,835	
70.	Investments in associates and companies subject to joint control	1,766	1,240	526	42.4
80.	Technical insurance reserves reassured with third parties	34	28	6	21.4
90.	Property and equipment	11,473	8,878	2,595	29.2
100.	Intangible assets	8,623	9,211	-588	-6.4
	of which:				
	- goodwill	*4,184*	*4,055*	*129*	*3.2*
110.	Tax assets	19,256	15,467	3,789	24.5
	a) current	*2,945*	*1,716*	*1,229*	*71.6*
	b) deferred	*16,311*	*13,751*	*2,560*	*18.6*
120.	Non-current assets held for sale and discontinued operations	2,601	494	2,107	
130.	Other assets	9,361	7,988	1,373	17.2
Total assets		**996,848**	**816,102**	**180,746**	**22.1**

Consolidated balance sheet

(millions of euro)

Liabilities and Shareholders' Equity		30.09.2020	31.12.2019	Changes amount	Changes %
10.	Financial liabilities measured at amortised cost	655,755	519,382	136,373	26.3
	a) due to banks	*118,559*	*103,324*	*15,235*	*14.7*
	b) due to customers	*440,180*	*331,181*	*108,999*	*32.9*
	c) securities issued	*97,016*	*84,877*	*12,139*	*14.3*
15.	Financial liabilities pertaining to insurance companies measured at amortised cost pursuant to IAS 39	1,864	826	1,038	
20.	Financial liabilities held for trading	57,022	45,226	11,796	26.1
30.	Financial liabilities designated at fair value	2,978	4	2,974	
35.	Financial liabilities pertaining to insurance companies measured at fair value pursuant to IAS 39	73,960	75,935	-1,975	-2.6
40.	Hedging derivatives	8,004	9,288	-1,284	-13.8
50.	Fair value change of financial liabilities in hedged portfolios (+/-)	918	527	391	74.2
60.	Tax liabilities	2,584	2,321	263	11.3
	a) current	*414*	*455*	*-41*	*-9.0*
	b) deferred	*2,170*	*1,866*	*304*	*16.3*
70.	Liabilities associated with non-current assets held for sale and discontinued operations	2,380	41	2,339	
80.	Other liabilities	21,596	12,070	9,526	78.9
90.	Employee termination indemnities	1,333	1,134	199	17.5
100.	Allowances for risks and charges	5,277	3,997	1,280	32.0
	a) commitments and guarantees given	*565*	*482*	*83*	*17.2*
	b) post-employment benefits	*302*	*232*	*70*	*30.2*
	c) other allowances for risks and charges	*4,410*	*3,283*	*1,127*	*34.3*
110.	Technical reserves	94,536	89,136	5,400	6.1
120.	Valuation reserves	-894	-157	737	
125.	Valuation reserves pertaining to insurance companies	596	504	92	18.3
130.	Redeemable shares	-	-	-	
140.	Equity instruments	7,423	4,103	3,320	80.9
150.	Reserves	17,452	13,279	4,173	31.4
160.	Share premium reserve	27,422	25,075	2,347	9.4
170.	Share capital	10,076	9,086	990	10.9
180.	Treasury shares (-)	-87	-104	-17	-16.3
190.	Minority interests (+/-)	277	247	30	12.1
200.	Net income (loss) (+/-)	6,376	4,182	2,194	52.5
Total liabilities and shareholders' equity		**996,848**	**816,102**	**180,746**	**22.1**

Consolidated income statement

(millions of euro)

		30.09.2020	30.09.2019	Changes amount	%
10.	Interest and similar income	7,396	7,715	-319	-4.1
	of which: interest income calculated using the effective interest rate method	*7,556*	*7,790*	*-234*	*-3.0*
20.	Interest and similar expense	-1,830	-2,518	-688	-27.3
30.	**Interest margin**	**5,566**	**5,197**	**369**	**7.1**
40.	Fee and commission income	7,157	7,010	147	2.1
50.	Fee and commission expense	-1,682	-1,563	119	7.6
60.	**Net fee and commission income**	**5,475**	**5,447**	**28**	**0.5**
70.	Dividend and similar income	70	107	-37	-34.6
80.	Profits (Losses) on trading	457	423	34	8.0
90.	Fair value adjustments in hedge accounting	58	-65	123	
100.	Profits (Losses) on disposal or repurchase of:	726	1,135	-409	-36.0
	a) financial assets measured at amortised cost	*17*	*64*	*-47*	*-73.4*
	b) financial assets measured at fair value through other comprehensive income	*741*	*1,028*	*-287*	*-27.9*
	c) financial liabilities	*-32*	*43*	*-75*	
110.	Profits (Losses) on other financial assets and liabilities measured at fair value through profit or loss	108	55	53	96.4
	a) financial assets and liabilities designated at fair value	*120*	*-103*	*223*	
	b) other financial assets mandatorily measured at fair value	*-12*	*158*	*-170*	
115.	Profits (Losses) on financial assets and liabilities pertaining to insurance companies pursuant to IAS 39	2,278	3,040	-762	-25.1
120.	**Net interest and other banking income**	**14,738**	**15,339**	**-601**	**-3.9**
130.	Net losses/recoveries for credit risks associated with:	-2,671	-1,481	1,190	80.4
	a) financial assets measured at amortised cost	*-2,658*	*-1,474*	*1,184*	*80.3*
	b) financial assets measured at fair value through other comprehensive income	*-13*	*-7*	*6*	*85.7*
135.	Net losses/recoveries pertaining to insurance companies pursuant to IAS39	-78	-8	70	
140.	Profits (Losses) on changes in contracts without derecognition	-13	-8	5	62.5
150.	**Net income from banking activities**	**11,976**	**13,842**	**-1,866**	**-13.5**
160.	Net insurance premiums	7,175	7,335	-160	-2.2
170.	Other net insurance income (expense)	-8,301	-9,282	-981	-10.6
180.	**Net income from banking and insurance activities**	**10,850**	**11,895**	**-1,045**	**-8.8**
190.	Administrative expenses:	-7,505	-7,169	336	4.7
	a) personnel expenses	*-4,344*	*-4,292*	*52*	*1.2*
	b) other administrative expenses	*-3,161*	*-2,877*	*284*	*9.9*
200.	Net provisions for risks and charges	-233	23	-256	
	a) commitments and guarantees given	*-11*	*69*	*-80*	
	b) other net provisions	*-222*	*-46*	*176*	
210.	Net adjustments to / recoveries on property and equipment	-405	-389	16	4.1
220.	Net adjustments to / recoveries on intangible assets	-566	-492	74	15.0
230.	Other operating expenses (income)	3,938	628	3,310	
240.	**Operating expenses**	**-4,771**	**-7,399**	**-2,628**	**-35.5**
250.	Profits (Losses) on investments in associates and companies subject to joint control	-29	43	-72	
260.	Valuation differences on property, equipment and intangible assets measured at fair value	-	-	-	
270.	Goodwill impairment	-	-	-	
280.	Profits (Losses) on disposal of investments	36	3	33	
290.	**Income (Loss) before tax from continuing operations**	**6,086**	**4,542**	**1,544**	**34.0**
300.	Taxes on income from continuing operations	-850	-1,285	-435	-33.9
310.	**Income (Loss) after tax from continuing operations**	**5,236**	**3,257**	**1,979**	**60.8**
320.	Income (Loss) after tax from discontinued operations	1,136	46	1,090	
330.	**Net income (loss)**	**6,372**	**3,303**	**3,069**	**92.9**
340.	Minority interests	4	7	-3	-42.9
350.	**Parent Company's net income (loss)**	**6,376**	**3,310**	**3,066**	**92.6**
	Basic EPS - Euro	**0.36**	**0.19**		
	Diluted EPS - Euro	**0.36**	**0.19**		

Statement of consolidated comprehensive income

(millions of euro)

		30.09.2020	30.09.2019	Changes amount	Changes %
10.	**Net income (Loss)**	**6,372**	**3,303**	**3,069**	**92.9**
	Other comprehensive income (net of tax) that may not be reclassified to the income statement	**-233**	**160**	**-393**	
20.	Equity instruments designated at fair value through other comprehensive income	-159	-20	139	
30.	Financial liabilities designated at fair value through profit or loss (change in own credit rating)	-	-	-	
40.	Hedging of equity instruments designated at fair value through other comprehensive income	-	-	-	
50.	Property and equipment	-63	244	-307	
60.	Intangible assets	-	-	-	
70.	Defined benefit plans	-11	-64	-53	-82.8
80.	Non current assets classified as held for sale	-	-	-	
90.	Share of valuation reserves connected with investments carried at equity	-	-	-	
	Other comprehensive income (net of tax) that may be reclassified to the income statement	**-421**	**1,244**	**-1,665**	
100.	Hedges of foreign investments	-	-	-	
110.	Foreign exchange differences	-217	87	-304	
120.	Cash flow hedges	39	-231	270	
130.	Hedging instruments (not designated elements)	-	-	-	
140.	Financial assets (other than equities) measured at fair value through other comprehensive income	-311	700	-1,011	
145.	Financial assets measured at fair value through other comprehensive income, pertaining to Insurance companies	81	685	-604	-88.2
150.	Non-current assets held for sale and discontinued operations	-	-	-	
160.	Share of valuation reserves connected with investments carried at equity	-13	3	-16	
170.	**Total other comprehensive income (net of tax)**	**-654**	**1,404**	**-2,058**	
180.	**Total comprehensive income (captions 10 + 170)**	**5,718**	**4,707**	**1,011**	**21.5**
190.	**Total consolidated comprehensive income pertaining to minority interests**	**-13**	**-40**	**27**	**67.5**
200.	**Total consolidated comprehensive income pertaining to the Parent Company**	**5,731**	**4,747**	**984**	**20.7**

Changes in consolidated shareholders' equity as at 30 September 2020

(millions of euro)

	30.09.2020												
	Share capital		Share premium reserve	Reserves		Valuation reserves	Valuation reserves attributable to insurance companies	Equity instruments	Treasury shares	Net income (loss)	Shareholders' equity	Group shareholders' equity	Minority interests
	ordinary shares	other shares		retained earnings	other								
AMOUNTS AS AT 31.12.2019	**9,455**	**-**	**25,095**	**12,462**	**779**	**-251**	**504**	**4,103**	**-104**	**4,172**	**56,215**	**55,968**	**247**
Changes in opening balances	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
AMOUNTS AS AT 1.1.2020	**9,455**	**-**	**25,095**	**12,462**	**779**	**-251**	**504**	**4,103**	**-104**	**4,172**	**56,215**	**55,968**	**247**
ALLOCATION OF NET INCOME OF THE PREVIOUS YEAR (a)													
Reserves				**4,160**						**-4,160**	**-**	**-**	**-**
Dividends and other allocations				**-23**						**-12**	**-35**	**-12**	**-23**
CHANGES IN THE PERIOD											-		
Changes in reserves			4		199						203	203	-
Operations on shareholders' equity											-	-	-
Issue of new shares	990								17		1,007	1,007	-
Purchase of treasury shares											-	-	-
Dividends											-	-	-
Changes in equity instruments								3,320			3,320	3,320	-
Derivatives on treasury shares											-	-	-
Stock options											-	-	-
Changes in equity investments											-	-	-
Other	-2		2,343	-128							2,213	2,147	66
Total comprehensive income for the period						-746	92			6,372	5,718	5,731	-13
SHAREHOLDERS' EQUITY AS AT 30.09.2020	**10,443**	**-**	**27,442**	**16,471**	**978**	**-997**	**596**	**7,423**	**-87**	**6,372**	**68,641**	**68,364**	**277**
- Group	**10,076**	**-**	**27,422**	**16,474**	**978**	**-894**	**596**	**7,423**	**-87**	**6,376**	**68,364**	**-**	**-**
- minority interests	**367**	**-**	**20**	**-3**	**-**	**-103**	**-**	**-**	**-**	**-4**	**277**	**-**	**-**

(a) Includes dividends and amounts allocated to the charity fund of the Parent Company, as well as those relating to consolidated companies, pertaining to minorities.

Changes in consolidated shareholders' equity as at 30 September 2019

(millions of euro)

	30.09.2019												
	Share capital		Share premium reserve	Reserves		Valuation reserves	Valuation reserves attributable to insurance companies	Equity instruments	Treasury shares	Net income (loss)	Shareholders' equity	Group shareholders' equity	Minority interests
	ordinary shares	other shares		retained earnings	other								
AMOUNTS AS AT 31.12.2018	**9,473**	**-**	**24,789**	**12,471**	**578**	**-980**	**9**	**4,103**	**-84**	**4,072**	**54,431**	**54,024**	**407**
Changes in opening balances	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
AMOUNTS AS AT 1.1.2019	**9,473**	**-**	**24,789**	**12,471**	**578**	**-980**	**9**	**4,103**	**-84**	**4,072**	**54,431**	**54,024**	**407**
ALLOCATION OF NET INCOME OF THE PREVIOUS YEAR (a)													
Reserves				**580**						**-580**	**-**	**-**	**-**
Dividends and other allocations										**-3,492**	**-3,492**	**-3,463**	**-29**
CHANGES IN THE PERIOD													
Changes in reserves			306	-284	91						113	113	-
Operations on shareholders' equity													
Issue of new shares									10		10	10	-
Purchase of treasury shares									-36		-36	-36	-
Dividends											-	-	-
Changes in equity instruments											-	-	-
Derivatives on treasury shares											-	-	-
Stock options											-	-	-
Changes in equity investments											-	-	-
Other	-13		-1	-168							-182	-166	-16
Total comprehensive income for the period						686	718			3,303	4,707	4,747	-40
SHAREHOLDERS' EQUITY AS AT 30.09.2019	**9,460**	**-**	**25,094**	**12,599**	**669**	**-294**	**727**	**4,103**	**-110**	**3,303**	**55,551**	**55,229**	**322**
- Group	**9,086**	**-**	**25,074**	**12,564**	**669**	**-194**	**727**	**4,103**	**-110**	**3,310**	**55,229**		
- minority interests	**374**	**-**	**20**	**35**	**-**	**-100**	**-**	**-**	**-**	**-7**	**322**		

(a) Includes dividends and amounts allocated to the charity fund of the Parent Company, as well as those relating to consolidated companies, pertaining to minorities.

Report on operations

Economic results

A condensed reclassified consolidated income statement has been prepared to give a more immediate understanding of results. To enable consistent comparison, the figures for previous periods are normally restated, where necessary and material, also to account for changes in the scope of consolidation.

The consolidated interim income statement for the period includes, with effect from the acquisition date and thus for the August-September period, the economic effects of the acquisition of UBI Banca and its subsidiaries, subject to consolidation with effect from this Statement. Given the particular case in question, no adjustments have been made to the historic reclassified income statement and balance sheet data in order to retroactively reflect the effects of the acquisition. Consequently, unless otherwise indicated, the comments in the Report on operations refer to the income components net of the UBI Group's data, in order to ensure a consistent comparison. However, in order to improve the reader's understanding, the main amounts referring to the Group acquired and the consolidated figure including said amounts are highlighted in the tables.

Given the above, the restatement on a like-for-like basis of the comparative income statement figures with effect from the first quarter of 2019 involved:

- the line-by-line income statement results of RBM Assicurazione Salute, which entered the line-by-line scope of consolidation due to the finalisation of the acquisition of the majority shareholding of the company in the second quarter of 2020;
- the inclusion in the caption Income (Loss) from discontinued operations of the income components attributable to the acquiring business unit contributed to Nexi at the end of the first half of 2020;
- the inclusion among Operating costs of effect of the fees to be paid to Prelios under the servicing agreement for unlikely-to-pay loans, which entered into effect at the end of 2019, assuming that this agreement had entered into effect from 1 January 2019, since it will have an ongoing impact on future income statements.

Breakdowns of restatements and reclassifications made in accordance with the layout established in Bank of Italy Circular 262 are provided in separate tables included in the attachments, as also required by Consob in its Communication 6064293 of 28 July 2006.

In summary, the reclassifications and aggregations of the consolidated income statement are as follows:

- dividends relating to shares or units in portfolio, which have been reallocated to the caption Profits (losses) on financial assets and liabilities designated at fair value;
- Profits (losses) on financial assets and liabilities pertaining to insurance companies (measured pursuant to IAS 39, by virtue of the Group's exercise of the option to defer application of IFRS 9), which include the shares of Net interest income, Dividends and Income from financial assets and liabilities relating to insurance business, have been reclassified, along with net premiums and the balance of income and expenses from insurance business, to the specific caption Income from insurance business, to which the effect of the adjustment of the technical reserve has also been attributed, in respect of the component borne by the insured parties, relating to the impairment of the securities held in the portfolios of the Group's insurance companies;
- differentials on derivatives, classified to the trading book and contracted to hedge transactions in foreign currencies, have been allocated among Net interest income owing to the close correlation;
- Profits (losses) on trading, fair value adjustments in hedge accounting, profits (losses) on financial assets and liabilities measured at fair value through profit or loss, profits (losses) on disposal or repurchase of financial assets measured at fair value through other comprehensive income and on sale or repurchase of financial liabilities, which have been reallocated to the single caption Profits (losses) on financial assets and liabilities designated at fair value;
- the share of the premium on the issue of the certificates paid to the networks for their placement, which is reclassified to Profits (Losses) on assets and liabilities designated at fair value from Net fee and commission income;
- the return components of the insurance policies taken out to cover contractual indemnities and retention plans for financial advisors, which are deducted directly from Profits (Losses) on financial assets and liabilities designated at fair value, in accordance with the valuation effect of the assets in question, rather than being presented – as attributable to the advisors – among Other net provisions and net impairment losses on other assets (for valuation effects) or among Net fee and commission income or Other operating income (expenses), depending on the type of insurance policy used (for effects from realisation);
- the operating income of Risanamento and its subsidiaries, reallocated to Other operating income (expenses), in view of the fact that the entities concerned are not subject to management and coordination within the framework of the Group and operate in sectors entirely distinct from banking and finance;
- the recoveries of expenses, taxes and duties have been subtracted from Other administrative expenses, instead of being included among Other income;
- profits and losses on disposal or repurchase of financial assets measured at amortised cost (loans and debt securities representing loans), which have been allocated to Net adjustments to loans;
- Net adjustments/recoveries for credit risk associated with financial assets measured at amortised cost and financial assets measured at fair value through other comprehensive income, the effects on the income statement of the changes in contracts and the net provisions for risks and charges for credit risk relating to commitments and guarantees given, attributed to the single item Net adjustments to loans;
- the reversal in the time value of Employee termination indemnities and Allowances for risks and charges, which was included among Net interest income, as a phenomenon deriving directly from the application of the amortised cost

criterion, in the absence of changes in projected future cash flows, in keeping with the treatment of the time value of financial assets measured at amortised cost;

– Net losses for credit risk associated with financial assets measured at amortised cost other than loans and net impairment losses on equity investments, as well as property and equipment and intangible assets (including property and other assets, such as those resulting from the enforcement of guarantees or purchase at auction and intended for sale on the market in the near future), which have been reclassified to Other net provisions and net impairment losses on other assets, which consequently include – in addition to the provisions for risks and charges other than those relating to commitments and guarantees – the valuation effects of the assets other than loans, with the sole exception of impairment losses on intangible assets that have been reclassified to Impairment (net of tax) of goodwill and other intangible assets;
– realised profits (losses) on financial assets measured at amortised cost other than loans, on equity investments and on other investments have been reallocated to Other income (expenses). Accordingly, in addition to the income and expenses not strictly related to operations, this caption represents the summary of the effects from the realisation of assets other than loans. Profits (Losses) realised on debt securities in correlation with trading activity represent an exception: they are classified to Profits (Losses) on financial assets and liabilities designated at fair value;
– Charges (net of tax) for integration and exit incentives, which are reclassified from Personnel expenses, Other administrative expenses and other captions of the income statement to a separate caption;
– the Effects of purchase price allocation, net of the tax effect, are indicated in a specific caption. They normally represent adjustments to and any impairment losses on financial assets and liabilities and property, equipment and intangible assets which were measured at fair value as provided for by IFRS 3. In the income statement for 2020, this caption includes the positive effect of the provisional recognition of the negative goodwill relating to the acquisition of UBI Banca (for additional details, refer to the specific disclosure regarding the acquisition in the initial chapter of this report);
– levies and other charges aimed at maintaining the stability of the banking industry, which are reclassified, after tax, to the specific caption;
– Goodwill impairment and impairment losses on other intangible assets, which – where present – are shown, as stated above, net of tax, in a specific caption amongst "non-current" income components.

Reclassified income statement

(millions of euro)

	30.09.2020			30.09.2019	Changes	
	Consolidated figure (a)	Of which: UBI Group (b)	Consolidated figure net of UBI Group (c) = (a) - (b)	Consolidated figure (d)	**amount** (e) = (c) - (d)	**%** (e) / (d)
Net interest income	5,596	281	5,315	5,258	57	1.1
Net fee and commission income	5,721	272	5,449	5,796	-347	-6.0
Income from insurance business	1,034	3	1,031	948	83	8.8
Profits (Losses) on financial assets and liabilities designated at fair value	1,383	5	1,378	1,572	-194	-12.3
Other operating income (expenses)	-1	14	-15	14	-29	
Operating income	**13,733**	**575**	**13,158**	**13,588**	**-430**	**-3.2**
Personnel expenses	-4,331	-237	-4,094	-4,229	-135	-3.2
Other administrative expenses	-1,794	-88	-1,706	-1,849	-143	-7.7
Adjustments to property, equipment and intangible assets	-834	-35	-799	-773	26	3.4
Operating costs	**-6,959**	**-360**	**-6,599**	**-6,851**	**-252**	**-3.7**
Operating margin	**6,774**	**215**	**6,559**	**6,737**	**-178**	**-2.6**
Net adjustments to loans	-2,739	-85	-2,654	-1,396	1,258	90.1
Other net provisions and net impairment losses on other assets	-224	-7	-217	-86	131	
Other income (expenses)	5	-	5	5	-	-
Income (Loss) from discontinued operations	1,163	-	1,163	63	1,100	
Gross income (loss)	**4,979**	**123**	**4,856**	**5,323**	**-467**	**-8.8**
Taxes on income	-1,194	-31	-1,163	-1,513	-350	-23.1
Charges (net of tax) for integration and exit incentives	-77	-	-77	-79	-2	-2.5
Effect of purchase price allocation (net of tax)	3,187	3,264	-77	-105	-28	-26.7
Levies and other charges concerning the banking industry (net of tax)	-474	-49	-425	-338	87	25.7
Impairment (net of tax) of goodwill and other intangible assets	-	-	-	-	-	-
Minority interests	-45	-4	-41	22	-63	
Net income (loss)	**6,376**	**3,303**	**3,073**	**3,310**	**-237**	**-7.2**

Figures restated, where necessary, considering the changes in the scope of consolidation. The figures concerning UBI Group have not been restated.

Quarterly development of the reclassified income statement

(millions of euro)

	2020					2019			
	Third quarter			Second quarter	First quarter	Fourth quarter	Third quarter	Second quarter	First quarter
	Consolidated figure (a)	Of which: UBI Group (b)	Consolidated figure net of UBI Group (c) = (a) - (b)						
Net interest income	2,099	281	1,818	1,750	1,747	1,747	1,741	1,761	1,756
Net fee and commission income	2,133	272	1,861	1,744	1,844	2,166	1,966	1,965	1,865
Income from insurance business	298	3	295	367	369	320	321	304	323
Profits (Losses) on financial assets and liabilities designated at fair value	126	5	121	263	994	356	480	634	458
Other operating income (expenses)	2	14	-12	12	-15	-10	5	10	-1
Operating income	**4,658**	**575**	**4,083**	**4,136**	**4,939**	**4,579**	**4,513**	**4,674**	**4,401**
Personnel expenses	-1,595	-237	-1,358	-1,380	-1,356	-1,519	-1,422	-1,419	-1,388
Other administrative expenses	-658	-88	-570	-583	-553	-752	-637	-625	-587
Adjustments to property, equipment and intangible assets	-303	-35	-268	-267	-264	-285	-261	-252	-260
Operating costs	**-2,556**	**-360**	**-2,196**	**-2,230**	**-2,173**	**-2,556**	**-2,320**	**-2,296**	**-2,235**
Operating margin	**2,102**	**215**	**1,887**	**1,906**	**2,766**	**2,023**	**2,193**	**2,378**	**2,166**
Net adjustments to loans	-938	-85	-853	-1,398	-403	-693	-473	-554	-369
Other net provisions and net impairment losses on other assets	-67	-7	-60	262	-419	-168	-19	-37	-30
Other income (expenses)	23	-	23	-21	3	50	-2	1	6
Income (Loss) from discontinued operations	-	-	-	1,134	29	25	22	22	19
Gross income (loss)	**1,120**	**123**	**997**	**1,883**	**1,976**	**1,237**	**1,721**	**1,810**	**1,792**
Taxes on income	-320	-31	-289	-313	-561	-312	-532	-446	-535
Charges (net of tax) for integration and exit incentives	-27	-	-27	-35	-15	-27	-27	-30	-22
Effect of purchase price allocation (net of tax)	3,237	3,264	-27	-24	-26	-12	-37	-28	-40
Levies and other charges concerning the banking industry (net of tax)	-197	-49	-148	-86	-191	-22	-96	-96	-146
Impairment (net of tax) of goodwill and other intangible assets	-	-	-	-	-	-	-	-	-
Minority interests	-3	-4	1	-10	-32	8	15	6	1
Net income (loss)	**3,810**	**3,303**	**507**	**1,415**	**1,151**	**872**	**1,044**	**1,216**	**1,050**

Figures restated, where necessary, considering the changes in the scope of consolidation. The figures concerning UBI Group have not been restated.

Operating income

The Intesa Sanpaolo Group's operating income, adversely influenced by the continuing pandemic emergency, amounted to 13,733 million euro, including 575 million euro attributable to the UBI Group's contribution for the months of August and September. Net of this contribution, operating income declined by 3.2% on a like-for-like basis on the first nine months of 2019 due to the downtrend in profits (losses) on financial assets and liabilities designated at fair value and net fee and commission income, only partially offset by the positive performances of income from insurance business and net interest income.

Net interest income

(millions of euro)

	30.09.2020			30.09.2019	Changes	
	Consolidated figure (a)	Of which: UBI Group (b)	Consolidated figure net of UBI Group (c) = (a) - (b)	Consolidated figure (d)	**amount** (e) = (c) - (d)	**%** (e) / (d)
Relations with customers	5,557	252	5,305	5,586	-281	-5.0
Securities issued	-1,300	-63	-1,237	-1,609	-372	-23.1
Customer dealing	**4,257**	**189**	**4,068**	**3,977**	**91**	**2.3**
Instruments measured at amortised cost which do not constitute loans	342	16	326	261	65	24.9
Other financial assets and liabilities designated at fair value through profit or loss	48	2	46	92	-46	-50.0
Other financial assets designated at fair value through other comprehensive income	587	14	573	668	-95	-14.2
Financial assets and liabilities	**977**	**32**	**945**	**1,021**	**-76**	**-7.4**
Relations with banks	**18**	**-1**	**19**	**59**	**-40**	**-67.8**
Differentials on hedging derivatives	**-513**	**22**	**-535**	**-535**	**-**	**-**
Non-performing assets	**580**	**27**	**553**	**674**	**-121**	**-18.0**
Other net interest income	**277**	**12**	**265**	**62**	**203**	
Net interest income	**5,596**	**281**	**5,315**	**5,258**	**57**	**1.1**

Figures restated, where necessary, considering the changes in the scope of consolidation. The figures concerning UBI Group have not been restated.

Net interest income of 5,315 million euro excluding the contribution of 281 million euro by the UBI Group were up by 1.1% on a like-for-like basis compared to the same period of the previous year. In a market context characterised by interest rates that remain well within negative territory, the positive performance was due to customer dealing, up by 2.3%, driven by the decrease in the cost of funding in the form of securities issued and the increase in loan volumes, whereas financial assets, particularly those measured at fair value, declined by 7.4%. Among the other components, there were declines in interest on non-performing assets, due to the decrease in new NPL flows, and net interest income on relations with banks. The contribution by hedges of core deposits, included in hedging derivative differentials, remained unchanged, while other net interest income, which includes the positive contribution of TLTROs with the ECB, increased significantly due to the greater contributions made by the TLTRO programmes.

	2020					Changes %	
	Third quarter			Second quarter (d)	First quarter (e)		
	Consolidated figure (a)	Of which: UBI Group (b)	Consolidated figure net of UBI Group (c) = (a) - (b)			(c/d)	(d/e)
Relations with customers	1,941	252	1,689	1,785	1,831	-5.4	-2.5
Securities issued	-440	-63	-377	-405	-455	-6.9	-11.0
Customer dealing	**1,501**	**189**	**1,312**	**1,380**	**1,376**	**-4.9**	**0.3**
Instruments measured at amortised cost which do not constitute loans	144	16	128	111	87	15.3	27.6
Other financial assets and liabilities designated at fair value through profit or loss	12	2	10	20	16	-50.0	25.0
Other financial assets designated at fair value through other comprehensive income	196	14	182	192	199	-5.2	-3.5
Financial assets and liabilities	**352**	**32**	**320**	**323**	**302**	**-0.9**	**7.0**
Relations with banks	**16**	**-1**	**17**	**-3**	**5**		
Differentials on hedging derivatives	**-153**	**22**	**-175**	**-182**	**-178**	**-3.8**	**2.2**
Non-performing assets	**203**	**27**	**176**	**187**	**190**	**-5.9**	**-1.6**
Other net interest income	**180**	**12**	**168**	**45**	**52**		**-13.5**
Net interest income	**2,099**	**281**	**1,818**	**1,750**	**1,747**	**3.9**	**0.2**

Figures restated, where necessary and material, considering the changes in the scope of consolidation. The figures concerning UBI Group have not been restated.

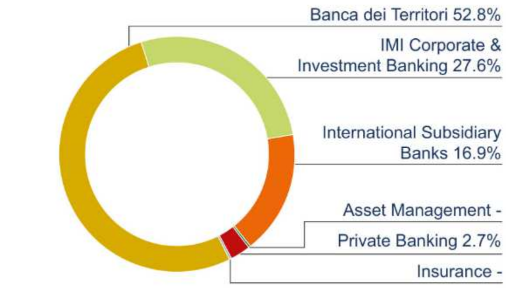
The flow of net interest income recorded in the third quarter of 2020 was higher than in the first two quarters of the year and all quarters of 2019, due above all to the growth of other net interest income.

(millions of euro)

	30.09.2020	30.09.2019	Changes	
			amount	%
Banca dei Territori	3,069	3,099	-30	-1.0
IMI Corporate & Investment Banking	1,600	1,380	220	15.9
International Subsidiary Banks	981	1,030	-49	-4.8
Private Banking	154	132	22	16.7
Asset Management	-	-	-	-
Insurance	-	-	-	-
Total business areas	**5,804**	**5,641**	**163**	**2.9**
Corporate Centre	-489	-383	106	27.7
Intesa Sanpaolo Group (net of UBI Group)	**5,315**	**5,258**	**57**	**1.1**
UBI Group	281			
Intesa Sanpaolo Group	**5,596**			

Figures restated, where necessary and material, considering the changes in the scope of consolidation and in business unit constituents. The figures concerning UBI Group have not been restated.

Business areas
Net interest income



The Banca dei Territori Division, which accounts for 52.8% of operating business area results, recorded net interest income of 3,069 million euro, a level slightly below that of the first nine months of 2019 (-1%, or -30 million euro). The net interest income of the IMI Corporate & Investment Banking recorded an increase (+15.9%, or +220 million euro), primarily attributable to the greater contribution from loans to customers. By contrast, net interest income decreased for the International Subsidiary Banks (-4.8%, or -49 million euro), mostly attributable to the subsidiaries operating in Slovakia and Croatia. The Private Banking Division, which in relative terms has a lesser impact on the consolidated accounts, increased its contribution to net interest income by 22 million euro, due to the increase in the average volumes of treasury time deposits and the containment of the average cost of interbank funding. The increase in the net interest expense of the Corporate Centre was essentially attributable to the greater cost of excess liquidity in view of the decrease in short-term market rates, which remained in negative territory.

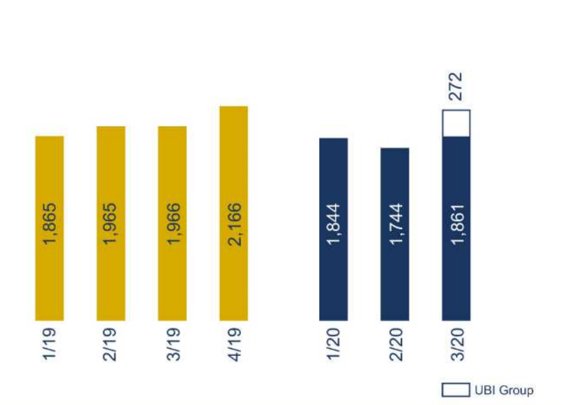
Net fee and commission income

(millions of euro)

	30.09.2020									30.09.2019			Changes	
	Consolidated figure (a)			Of which: UBI Group (b)			Consolidated figure net of UBI Group (c) = (a) - (b)			Consolidated figure (d)			**amount** (e) = (c)-(d)	**%** (e) / (d)
	Income	Expense	**Net**	Income	Expense	**Net**	Income	Expense	**Net**	Income	Expense	**Net**		
Guarantees given / received	278	-129	149	7	-5	2	271	-124	147	257	-88	169	-22	-13.0
Collection and payment services	455	-120	335	14	-2	12	441	-118	323	531	-161	370	-47	-12.7
Current accounts	958	-	958	71	-	71	887	-	887	918	-	918	-31	-3.4
Credit and debit cards	450	-227	223	17	-8	9	433	-219	214	473	-230	243	-29	-11.9
Commercial banking activities	**2,141**	**-476**	**1,665**	**109**	**-15**	**94**	**2,032**	**-461**	**1,571**	**2,179**	**-479**	**1,700**	**-129**	**-7.6**
Dealing and placement of securities	763	-192	571	36	-3	33	727	-189	538	695	-130	565	-27	-4.8
Currency dealing	12	-2	10	1	-	1	11	-2	9	10	-2	8	1	12.5
Portfolio management	2,265	-568	1,697	84	-1	83	2,181	-567	1,614	2,218	-544	1,674	-60	-3.6
Distribution of insurance products	1,076	-	1,076	35	-	35	1,041	-	1,041	1,050	-	1,050	-9	-0.9
Other	233	-59	174	9	-10	-1	224	-49	175	234	-38	196	-21	-10.7
Management, dealing and consultancy activities	**4,349**	**-821**	**3,528**	**165**	**-14**	**151**	**4,184**	**-807**	**3,377**	**4,207**	**-714**	**3,493**	**-116**	**-3.3**
Other fee and commission	**695**	**-167**	**528**	**32**	**-5**	**27**	**663**	**-162**	**501**	**755**	**-152**	**603**	**-102**	**-16.9**
Total	**7,185**	**-1,464**	**5,721**	**306**	**-34**	**272**	**6,879**	**-1,430**	**5,449**	**7,141**	**-1,345**	**5,796**	**-347**	**-6.0**

Figures restated, where necessary, considering the changes in the scope of consolidation. The figures concerning UBI Group have not been restated.

Quarterly development
Net fee and commission income
(millions of euro)



Net fee and commission income for the first nine months of 2020, excluding the contribution of 272 million euro attributable to the UBI Group, came to 5,449 million euro, down by 6% compared to the same period in 2019 on a like-for-like basis. Despite the recovery in the third quarter, the result was severely influenced by the performance in the first half of the year, marked by the lockdown and by the financial market collapse at the height of the pandemic. These phenomena were reflected in a decline in fee and commission income both on commercial banking business (-7.6%, or -129 million euro), with decreases across all components, and on management, dealing and financial consultancy business (-3.3%, or -116 million euro); in particular, there was a decrease in the contribution relating to individual and collective portfolio management schemes (-3.6%) and securities dealing and placement (-4.8%). Finally, other fee and commission income also declined (-16.9%, or -102 million euro) due to the decrease in revenues on factoring transactions and other transactions.

If the UBI Group's operations in August and September are also considered, net fee and commission income amounted to 5,721 million euro.

(millions of euro)

	2020					Changes %	
	Third quarter			Second quarter (d)	First quarter (e)		
	Consolidated figure (a)	Of which: UBI Group (b)	Consolidated figure net of UBI Group (c) = (a) - (b)			(c/d)	(d/e)
Guarantees given / received	50	2	48	49	50	-2.0	-2.0
Collection and payment services	118	12	106	103	114	2.9	-9.6
Current accounts	370	71	299	295	293	1.4	0.7
Credit and debit cards	92	9	83	68	63	22.1	7.9
Commercial banking activities	**630**	**94**	**536**	**515**	**520**	**4.1**	**-1.0**
Dealing and placement of securities	218	33	185	168	185	10.1	-9.2
Currency dealing	4	1	3	3	3	-	-
Portfolio management	631	83	548	516	550	6.2	-6.2
Distribution of insurance products	399	35	364	333	344	9.3	-3.2
Other	62	-1	63	50	62	26.0	-19.4
Management, dealing and consultancy activities	**1,314**	**151**	**1,163**	**1,070**	**1,144**	**8.7**	**-6.5**
Other net fee and commission income	**189**	**27**	**162**	**159**	**180**	**1.9**	**-11.7**
Net fee and commission income	**2,133**	**272**	**1,861**	**1,744**	**1,844**	**6.7**	**-5.4**

Figures restated, where necessary, considering the changes in the scope of consolidation. The figures concerning UBI Group have not been restated.

Fee and commission income recovered sharply in the third quarter, as already did in June, and was higher than in both the second quarter, which reflects the consequences of the full impact of the pandemic containment measures, and the first quarter of 2020, which presented a pre-pandemic crisis situation. In particular, in the third quarter there was an increase in the contribution of fee and commission income relating to debit and credit card services, as regards to commercial banking activities, and to the asset management industry (funds, portfolio management schemes and insurance products), with reference to management, dealing and financial consultancy activity.

(millions of euro)

	30.09.2020	30.09.2019	Changes	
			amount	%
Banca dei Territori	2,860	3,111	-251	-8.1
IMI Corporate & Investment Banking	728	688	40	5.8
International Subsidiary Banks	368	397	-29	-7.3
Private Banking	1,260	1,276	-16	-1.3
Asset Management	528	527	1	0.2
Insurance	1	-	1	-
Total business areas	**5,745**	**5,999**	**-254**	**-4.2**
Corporate Centre	-296	-203	93	45.8
Intesa Sanpaolo Group (net of UBI Group)	**5,449**	**5,796**	**-347**	**-6.0**
UBI Group	272			
Intesa Sanpaolo Group	**5,721**			

Figures restated, where necessary and material, considering the changes in the scope of consolidation and in business unit constituents. The figures concerning UBI Group have not been restated.

Business areas
Net fee and commission income

With regard to business areas, the Banca dei Territori Division, which accounts for approximately half of the fee and commission income of the business units, recorded a decrease (-8.1%, or -251 million euro) in fee and commission income, affected by the abrupt slowdown in the first half-year associated with containment of the COVID-19 pandemic, to be attributed to both the management, dealing and financial consultancy and commercial banking segments. IMI Corporate & Investment Banking recorded growth (+5.8%, or +40 million euro), due to the performance of the investment banking segment. Private banking reported a decline (-1.3%, or -16 million euro), due in part to recurring fee and commission income following the repositioning of customer investments on products with lower profitability. International Subsidiary Banks also recorded a decline (-7.3%, or -29 million euro) essentially due to the subsidiary operating in Croatia. Finally, Asset Management fees and commissions remained essentially in line with those recorded in the first nine months of 2019. The increase in the net fee and commission expense of the Corporate Centre was mainly due to the increase in guarantees received on credit risk hedging transactions.

Income from insurance business

Captions (a)	**30.09.2020**									**30.09.2019**			**Changes**	
	Consolidated figure (a)			Of which: UBI Group (b)			Consolidated figure net of UBI Group (c) = (a) - (b)			Consolidated figure (d)			**amount** (e) = (c) - (d)	**%** (e) / (d)
	Life	Non-life	**Total**	Life	Non-life	**Total**	Life	Non-life	**Total**	Life	Non-life	**Total**	**assolute**	**%**
Technical margin	**136**	**292**	**428**	**-5**	**-**	**-5**	**141**	**292**	**433**	**127**	**185**	**312**	**121**	**38.8**
Net insurance premiums (b)	6,618	721	7,339	37	-	37	6,581	721	7,302	6,962	696	7,658	-356	-4.6
Net charges for insurance claims and surrenders (c)	-5,064	-289	-5,353	-28	-	-28	-5,036	-289	-5,325	-4,815	-373	-5,188	137	2.6
Net charges for changes in technical reserves (d)	-2,058	-3	-2,061	-12	-	-12	-2,046	-3	-2,049	-3,274	-2	-3,276	-1,227	-37.5
Gains (Losses) on investments pertaining to insured parties on insurance products (e)	739	-	739	-1	-	-1	740	-	740	1,352	-	1,352	-612	-45.3
Net fees on investment contracts (f)	236	-	236	-	-	-	236	-	236	264	1	265	-29	-10.9
Commission expenses on insurance contracts (g)	-343	-109	-452	-1	-	-1	-342	-109	-451	-371	-116	-487	-36	-7.4
Other technical income and expense (h)	8	-28	-20	-	-	-	8	-28	-20	9	-21	-12	8	66.7
Net investment result	**533**	**6**	**539**	**8**	**-**	**8**	**525**	**6**	**531**	**593**	**14**	**607**	**-76**	**-12.5**
Operating income from investments	470	6	476	10	-	10	460	6	466	8,136	14	8,150	-7,684	-94.3
Net interest income	*1,220*	*2*	*1,222*	*9*	*-*	*9*	*1,211*	*2*	*1,213*	*1,307*	*3*	*1,310*	*-97*	*-7.4*
Dividends	*186*	*4*	*190*	*-*	*-*	*-*	*186*	*4*	*190*	*197*	*2*	*199*	*-9*	*-4.5*
Gains/losses on disposal	*-361*	*1*	*-360*	*-*	*-*	*-*	*-361*	*1*	*-360*	*1,307*	*9*	*1,316*	*-1,676*	*-*
Valuation gains/losses	*-512*	*-*	*-512*	*2*	*-*	*2*	*-514*	*-*	*-514*	*5,383*	*-*	*5,383*	*-5,897*	*-*
Portfolio management fees paid (i)	*-63*	*-1*	*-64*	*-1*	*-*	*-1*	*-62*	*-1*	*-63*	*-58*	*-*	*-58*	*5*	*8.6*
Gains (losses) on investments pertaining to insured parties	63	-	63	-2	-	-2	65	-	65	-7,543	-	-7,543	7,608	-
Insurance products (j)	*-822*	*-*	*-822*	*-*	*-*	*-*	*-822*	*-*	*-822*	*-1,391*	*-*	*-1,391*	*-569*	*-40.9*
Investment's unrealized capital gains/losses pertaining to insured parties on insurance products (k)	*84*	*-*	*84*	*1*	*-*	*1*	*83*	*-*	*83*	*10*	*-*	*10*	*73*	*-*
Investment products (l)	*801*	*-*	*801*	*-3*	*-*	*-3*	*804*	*-*	*804*	*-6,162*	*-*	*-6,162*	*6,966*	*-*
Income from insurance business gross of consolidation effects	**669**	**298**	**967**	**3**	**-**	**3**	**666**	**298**	**964**	**720**	**199**	**919**	**45**	**4.9**
Consolidation effects	67	-	67	-	-	-	67	-	67	29	-	29	38	-
Income from insurance business	**736**	**298**	**1,034**	**3**	**-**	**3**	**733**	**298**	**1,031**	**749**	**199**	**948**	**83**	**8.8**

Figures restated, where necessary and material, considering the changes in the scope of consolidation. The figures concerning UBI Group have not been restated.

(a) The table illustrates the economic components of the insurance business broken down into those regarding:
- products considered to be insurance products according to IAS/IFRS, which include contracts where the risk insured is considered significant or in which the decision of the return on the contracts is not market-based but depends on the insurance company's choices;
- investment products, which include financial products without a significant insurance risk. The latter are accounted for in the consolidated financial statements as financial movements.

(b) The caption includes premiums issued only for products considered to be insurance products according to IAS/IFRS, net of the portions ceded to reinsurers. For the non-life insurance business, the change in the premiums reserve is also included.

(c) The caption includes the amounts paid (claims, surrenders and maturities) and the change in claims reserves and reserves for amounts to be paid, net of portions ceded to reinsurers.

(d) The caption includes the change in technical reserves, net of the portions ceded to reinsurers.

(e) The caption includes the portion of the profit/loss from investments (for insurance products) pertaining to insured parties, including the impact of shadow accounting.

(f) The caption includes net fees on investment products; specifically, charges paid by customers, management fees received by the financial units and fee expenses reversed by the insurance companies to the sales network and management companies.

(g) The caption includes commission expenses on insurance products (including unit and index-linked insurance products and pension funds) paid to the sales network.

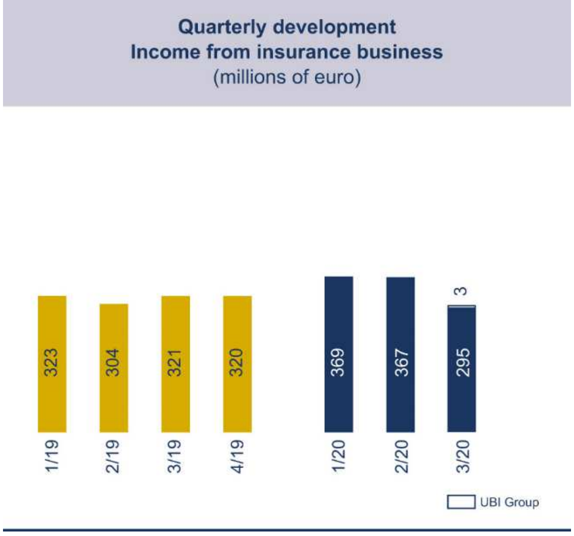
(h) Residual caption comprising fee income on insurance product management fee income (unit and index-linked insurance products and pension funds), rebates, net interest income on current accounts of the insurance company and on subordinated loans and other income and technical charges.

(i) The caption includes fees paid to management companies for the management of traditional insurance products (separate management) portfolios and pension funds. This also includes fees from consolidated funds underlying insurance units.

(j) The caption includes the portion of the profit/loss from investments (for insurance products) pertaining to insured parties, without the impact of shadow accounting.

(k) The caption includes the portion of unrealized capital gains/losses pertaining to insured parties on insurance products (shadow accounting).

(l) The caption refers to the valuation of financial liabilities designated at fair value which represent the amount payable to insured parties for investment products.



Income from insurance business, which includes the cost and revenue captions of the insurance business of the Group's life and non-life companies, also includes the results of RBM Assicurazione Salute, following the finalisation of the acquisition of the majority shareholding of the company in May 2020. In the first nine months of 2020 this income amounted to 1,034 million euro; excluding the UBI Group's marginal contribution (3 million euro), growth compared to the corresponding period of 2019 amounted to 8.8%. The decrease in the net investment result of the life business, driven by the decline in operating income from investments, net of the part attributable to policyholders, was more than offset by the increase in the technical margin, above all of the non-life businesses, due to the significant decline in claims against the constant growth in premiums.

Captions (a)	2020					Changes %	
	Third quarter			Second quarter (d)	First quarter (e)		
	Consolidated figure (a)	Of which: UBI Group (b)	Consolidated figure net of UBI Group (c) = (a) - (b)			(c/d)	(d/e)
Technical margin	**108**	**-5**	**113**	**142**	**178**	**-20.4**	**-20.2**
Net insurance premiums (b)	2,713	37	2,676	2,028	2,598	32.0	-21.9
Net charges for insurance claims and surrenders (c)	-2,131	-28	-2,103	-1,440	-1,782	46.0	-19.2
Net charges for changes in technical reserves (d)	-754	-12	-742	-975	-332	-23.9	-
Gains (Losses) on investments pertaining to insured parties on insurance products (e)	357	-1	358	603	-221	-40.6	-
Net fees on investment contracts (f)	81	-	81	67	88	20.9	-23.9
Commission expenses on insurance contracts (g)	-144	-1	-143	-138	-170	3.6	-18.8
Other technical income and expense (h)	-14	-	-14	-3	-3	-	-
Net investment result	**183**	**8**	**175**	**191**	**165**	**-8.4**	**15.8**
Operating income from investments	1,992	10	1,982	5,385	-6,901	-63.2	-
Net interest income	*401*	*9*	*392*	*418*	*403*	*-6.2*	*3.7*
Dividends	*63*	*-*	*63*	*73*	*54*	*-13.7*	*35.2*
Gains/losses on disposal	*304*	*-*	*304*	*-176*	*-488*	*-*	*-63.9*
Valuation gains/losses	*1,247*	*2*	*1,245*	*5,090*	*-6,849*	*-75.5*	*-*
Portfolio management fees paid (i)	*-23*	*-1*	*-22*	*-20*	*-21*	*10.0*	*-4.8*
Gains (losses) on investments pertaining to insured parties	-1,809	-2	-1,807	-5,194	7,066	-65.2	-
Insurance products (j)	*-390*	*-*	*-390*	*-676*	*244*	*-42.3*	*-*
Investment's unrealized capital gains/losses pertaining to insured parties on insurance products (k)	*23*	*1*	*22*	*43*	*18*	*-48.8*	*-*
Investment products (l)	*-1,442*	*-3*	*-1,439*	*-4,561*	*6,804*	*-68.4*	*-*
Income from insurance business gross of consolidation effects	**291**	**3**	**288**	**333**	**343**	**-13.5**	**-2.9**
Consolidation effects	7	-	7	34	26	-79.4	30.8
Income from insurance business	**298**	**3**	**295**	**367**	**369**	**-19.6**	**-0.5**

Figures restated, where necessary and material, considering the changes in the scope of consolidation. The figures concerning UBI Group have not been restated.

For notes, see the previous table

Income from insurance business, including both the life and non-life/health business, was lower in the third quarter of 2020 than in the previous two quarters, due to the slowdown of the technical margin.

Business							**30.09.2020**						**30.09.2019**
	Consolidated figure (a)				Of which: UBI Group (b)				Consolidated figure net of UBI Group (c) = (a) - (b)				Consolidated figure (d)
	Periodic premiums	**Single premiums**	**Total**	*of which new business*	**Periodic premiums**	**Single premiums**	**Total**	*of which new business*	**Periodic premiums**	**Single premiums**	**Total**	*of which new business*	
Life insurance business	**215**	**6,404**	**6,619**	***6,406***	**20**	**17**	**37**	***19***	**195**	**6,387**	**6,582**	***6,387***	**6,962**
Premiums issued on traditional products	114	4,934	5,048	*4,938*	19	13	32	*17*	95	4,921	5,016	*4,921*	5,967
Premiums issued on unit-linked products	94	971	1,065	*972*	1	4	5	*2*	93	967	1,060	*970*	507
Premiums issued on capitalisation products	1	5	6	*2*	-	-	-	-	1	5	6	*2*	1
Premiums issued on pension funds	6	494	500	*494*	-	-	-	-	6	494	500	*494*	487
Non-life insurance business	**668**	**189**	**857**	***256***	**-**	**-**	**-**	**-**	**668**	**189**	**857**	***256***	**820**
Premiums issued	693	193	886	*433*	-	-	-	-	693	193	886	*433*	916
Change in premium reserves	-25	-4	-29	*-177*	-	-	-	-	-25	-4	-29	*-177*	-96
Premiums ceded to reinsurers	**-122**	**-15**	**-137**	***-50***	**-**	**-**	**-**	**-**	**-122**	**-15**	**-137**	***-50***	**-124**
Net premiums from insurance products	**761**	**6,578**	**7,339**	***6,612***	**20**	**17**	**37**	***19***	**741**	**6,561**	**7,302**	***6,593***	**7,658**
Business on index-linked contracts	-	-	-	-	-	-	-	-	-	-	-	-	-
Business on unit-linked contracts	60	4,511	4,571	*4,518*	-	-	-	-	60	4,511	4,571	*4,518*	6,187
Total business from investment contracts	**60**	**4,511**	**4,571**	***4,518***	**-**	**-**	**-**	**-**	**60**	**4,511**	**4,571**	***4,518***	**6,187**
Total business	**821**	**11,089**	**11,910**	***11,130***	**20**	**17**	***37***	***19***	**801**	**11,072**	**11,873**	***11,111***	**13,845**

Figures restated, where necessary and material, considering the changes in the scope of consolidation. The figures concerning UBI Group have not been restated.

Business in the insurance segment amounted to approximately 12 billion euro, less than the 13.8 billion euro recorded in the same period in 2019. The decline was primarily attributable to both the performance of class III products of a primarily financial nature, which fell to 4.6 billion euro from 6.2 billion euro in the same period of 2019, and, to a lesser extent, to the policies of a primarily insurance nature, which amounted to 6.1 billion euro (6.5 billion euro in the first nine months of 2019). Positive factors included the growth of the non-life business, with new business in the first nine months of 2020 reaching 857 million euro, and a slight increase in pension fund business, which reached 500 million euro.
New business amounted to 11.1 billion euro, around the total premium inflows of the Group's insurance companies, which relate mostly to new single-premium contracts.

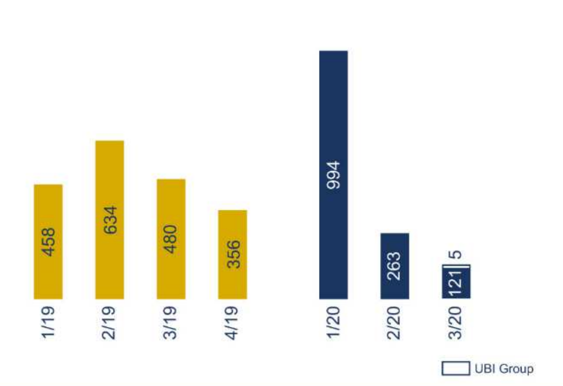
Profits (Losses) on financial assets and liabilities designated at fair value

(millions of euro)

	30.09.2020			30.09.2019	Changes	
	Consolidated figure (a)	Of which: UBI Group (b)	Consolidated figure net of UBI Group (c) = (a) - (b)	Consolidated figure (d)	**amount** (e) = (c) - (d)	**%** (e) / (d)
Interest rates	325	2	323	132	191	
Equity instruments	69	-5	74	266	-192	-72.2
Currencies	67	-10	77	82	-5	-6.1
Structured credit products	-19	-	-19	28	-47	
Credit derivatives	202	-	202	-17	219	
Commodity derivatives	16	-	16	11	5	45.5
Income from operations on assets designated at fair value through profit or loss	**660**	**-13**	**673**	**502**	**171**	**34.1**
Profits (Losses) on disposal or repurchase of assets designated at fair value through other comprehensive income and financial liabilities	723	18	705	1,070	-365	-34.1
Profits (Losses) on financial assets and liabilities designated at fair value	**1,383**	**5**	**1,378**	**1,572**	**-194**	**-12.3**

Figures restated, where necessary and material, considering the changes in the scope of consolidation. The figures concerning UBI Group have not been restated.

Quarterly development
Profits (Losses) on financial assets and liabilities designated at fair value
(millions of euro)



Profits (Losses) on financial assets and liabilities designated at fair value amounted to 1,378 million euro (1,383 million euro including the contribution of the UBI Group), compared with 1,572 million euro in the first nine months of 2019.
The decline was due to profits (losses) on disposal or repurchase of assets designated at fair value through other comprehensive income and financial liabilities (-365 million euro), which was affected by lower capital gains on securities, only partly offset by the favourable performance of the contribution of assets designated at fair value through profit or loss (+171 million euro). The latter benefited from the valuation effects due to the debt value adjustment (DVA) correlated to the liabilities in the form of certificates, and on credit derivatives (+219 million euro), which reflected the positive results of the related hedging strategies. On the other hand, income on equity investments (-192 million euro) was conditioned by the decrease in business in market indices in certificates issued.

	2020					Changes %	
	Third quarter			Second quarter (d)	First quarter (e)	(c/d)	(d/e)
	Consolidated figure (a)	Of which: UBI Group (b)	Consolidated figure net of UBI Group (c) = (a) - (b)				
Interest rates	-6	2	-8	132	199		-33.7
Equity instruments	47	-5	52	20	2		
Currencies	12	-10	22	24	31	-8.3	-22.6
Structured credit products	7	-	7	**12**	**-38**	-41.7	
Credit derivatives	-39	-	-39	-37	278	5.4	
Commodity derivatives	2	-	2	7	7	-71.4	-
Income from operations on assets designated at fair value through profit or loss	**23**	**-13**	**36**	**158**	**479**	**-77.2**	**-67.0**
Profits (Losses) on disposal or repurchase of assets designated at fair value through other comprehensive income and financial liabilities	103	18	85	105	515	-19.0	-79.6
Income (Losses) on financial assets and liabilities designated at fair value	**126**	**5**	**121**	**263**	**994**	**-54.0**	**-73.5**

Figures restated, where necessary and material, considering the changes in the scope of consolidation. The figures concerning UBI Group have not been restated.

At the quarterly level there was a progressive decline from the exceptionally high levels of the first quarter of the current year, due to the decline in transactions involving the securities portfolio and the significant decrease in the DVA correlated with liabilities in the form of certificates.

Other operating income (expenses)

Other net operating expenses of 1 million euro were due to the operating income (14 million euro) attributable to the UBI Group and the operating expenses (-15 million euro) attributable to the Intesa Sanpaolo Group, compared to other operating income for 14 million euro in the first nine months of 2019 on a like-for-like basis. This caption includes both sundry operating income and expenses – including those of subsidiaries not subject to management and coordination operating in sectors completely distinct from banking and finance – and profits on investments carried at equity. The decline on the figure for the same period of 2019 was due to both components.

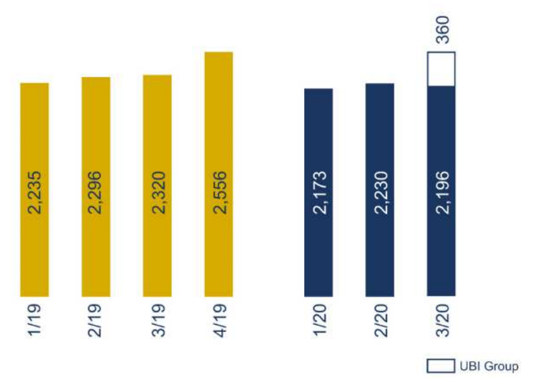
Operating costs

(millions of euro)

	30.09.2020			30.09.2019	Changes	
	Consolidated figure (a)	Of which: UBI Group (b)	Consolidated figure net of UBI Group (c) = (a) - (b)	Consolidated figure (d)	amount (e) = (c) - (d)	% (e) / (d)
Wages and salaries	2,977	166	2,811	2,906	-95	-3.3
Social security charges	771	44	727	742	-15	-2.0
Other	583	27	556	581	-25	-4.3
Personnel expenses	**4,331**	**237**	**4,094**	**4,229**	**-135**	**-3.2**
Information technology expenses	526	30	496	500	-4	-0.8
Management of real estate assets expenses	234	16	218	241	-23	-9.5
General structure costs	273	4	269	273	-4	-1.5
Professional and legal expenses	193	13	180	208	-28	-13.5
Advertising and promotional expenses	72	2	70	77	-7	-9.1
Indirect personnel costs	32	1	31	54	-23	-42.6
Other costs	393	17	376	415	-39	-9.4
Indirect taxes and duties	695	42	653	665	-12	-1.8
Recovery of expenses and charges	-624	-37	-587	-584	3	0.5
Administrative expenses	**1,794**	**88**	**1,706**	**1,849**	**-143**	**-7.7**
Property and equipment	387	23	364	374	-10	-2.7
Intangible assets	447	12	435	399	36	9.0
Adjustments	**834**	**35**	**799**	**773**	**26**	**3.4**
Operating costs	**6,959**	**360**	**6,599**	**6,851**	**-252**	**-3.7**

Figures restated, where necessary and material, considering the changes in the scope of consolidation. The figures concerning UBI Group have not been restated.

Quarterly development Operating costs (millions of euro)



During the reporting period, operating costs amounted to 6,959 million euro, including the 360 million euro of operating costs attributable to the UBI Group. Excluding the latter, operating costs amounted to 6,599 million euro, a decrease of 3.7% on the first nine months of 2019.

Excluding the 237 million euro of costs relating to UBI personnel, personnel expenses of 4,094 million euro declined by 3.2%. The decline was driven primarily by downsizing at the level of average headcount on a like-for-like basis, the savings from which were more than enough to offset the cost increase correlated to the effects of the renewal of the National Collective Bargaining Agreement. The downtrend was also driven by the decrease in certain expense captions affected by the health emergency and the resulting initiatives, including massive use of remote working.

Despite the greater costs associated with the health emergency, administrative expenses of 1,706 million euro excluding the part attributable to UBI (-7.7%) registered widespread savings, in particular at the level of legal and professional fees, services rendered by third parties, property management expenses and indirect personnel costs, also influenced by the spread of remote working.

Depreciation and amortisation of property and equipment and intangible assets, which in accordance with IFRS 16 also include the share relating to rights of use acquired under operating leases, were higher on a like-for-like basis (+3.4%) than in the first half of 2019, particularly at the level of the intangible assets component. This performance reflects investments in the growth of information technology, with particular regard to digitalisation and IT security.
The consolidated cost/income ratio for the first nine months of 2020 was 50.7%. Excluding the UBI Group's revenues and costs for August and September, the indicator improved slightly, from 50.4% in the first nine months of 2019 to 50.2%, due to careful cost management and the resilience of revenues, in view of the difficult economic situation caused by the pandemic.

	2020					Changes %	
	Third quarter			Second quarter (d)	First quarter (e)		
	Consolidated figure (a)	Of which: UBI Group (b)	Consolidated figure net of UBI Group (c) = (a) - (b)			(c/d)	(d/e)
Wages and salaries	1,102	166	936	954	921	-1.9	3.6
Social security charges	285	44	241	247	239	-2.4	3.3
Other	208	27	181	179	196	1.1	-8.7
Personnel expenses	**1,595**	**237**	**1,358**	**1,380**	**1,356**	**-1.6**	**1.8**
Information technology expenses	194	30	164	167	165	-1.8	1.2
Management of real estate assets expenses	86	16	70	77	71	-9.1	8.5
General structure costs	91	4	87	92	90	-5.4	2.2
Professional and legal expenses	79	13	66	59	55	11.9	7.3
Advertising and promotional expenses	24	2	22	27	21	-18.5	28.6
Indirect personnel costs	10	1	9	9	13	-	-30.8
Other costs	144	17	127	130	119	-2.3	9.2
Indirect taxes and duties	258	42	216	220	217	-1.8	1.4
Recovery of expenses and charges	-228	-37	-191	-198	-198	-3.5	-
Administrative expenses	**658**	**88**	**570**	**583**	**553**	**-2.2**	**5.4**
Property and equipment	144	23	121	121	122	-	-0.8
Intangible assets	159	12	147	146	142	0.7	2.8
Adjustments	**303**	**35**	**268**	**267**	**264**	**0.4**	**1.1**
Operating costs	**2,556**	**360**	**2,196**	**2,230**	**2,173**	**-1.5**	**2.6**

Figures restated, where necessary and material, considering the changes in the scope of consolidation. The figures concerning UBI Group have not been restated.

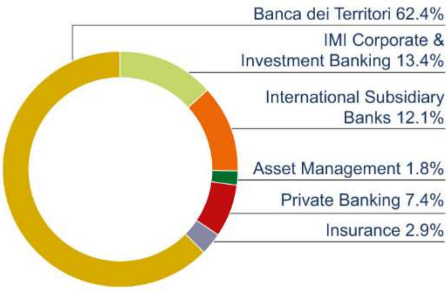
On a like-for-like basis, operating costs in the third quarter of 2020 were lower than in the second quarter and slightly higher than in the first quarter. The savings compared to the second quarter were mostly on personnel expenses, which benefited from the progressive reduction of the average headcount.

(millions of euro)

	30.09.2020	30.09.2019	Changes	
			amount	%
Banca dei Territori	-3,712	-3,893	-181	-4.6
IMI Corporate & Investment Banking	-798	-829	-31	-3.7
International Subsidiary Banks	-723	-722	1	0.1
Private Banking	-443	-449	-6	-1.3
Asset Management	-110	-108	2	1.9
Insurance	-170	-161	9	5.6
Total business areas	**-5,956**	**-6,162**	**-206**	**-3.3**
Corporate Centre	-643	-689	-46	-6.7
Intesa Sanpaolo Group (net of UBI Group)	**-6,599**	**-6,851**	**-252**	**-3.7**
UBI Group	-360			
Intesa Sanpaolo Group	**-6,959**			

Figures restated, where necessary and material, considering the changes in the scope of consolidation and in business unit constituents. The figures concerning UBI Group have not been restated.

Business areas
Operating costs



At the level of operating costs, the Banca dei Territori Division, which accounts for 62.4% of all costs for the business areas, reported considerable savings compared to the first nine months of 2019 (-4.6%, or -181 million euro) thanks to lower personnel expenses, attributable to a reduction in the average workforce, and to administrative expenses, in spite of the greater expenses associated with the health emergency. There were also declines in IMI Corporate & Investment Banking (-3.7%, or -31 million euro), due to lower administrative expenses, and in Private Banking (-1.3%, or -6 million euro), due to lower personnel and administrative expenses. By contrast, Insurance increased (+5.6%, or +9 million euro), due to the performance of all cost components, as Private Banking, to a lesser extent (+1.9%, or +2 million euro). The operating costs of the International Subsidiary Banks were essentially stable (+0.1%).

Operating margin

The operating margin amounted to 6,774 million euro. Net of the UBI Group's contribution of 215 million euro, the caption equal to 6,559 million euro declined by 2.6% compared to the first nine months of 2019, owing to a decrease in revenues, partly offset by the reduction in operating costs.

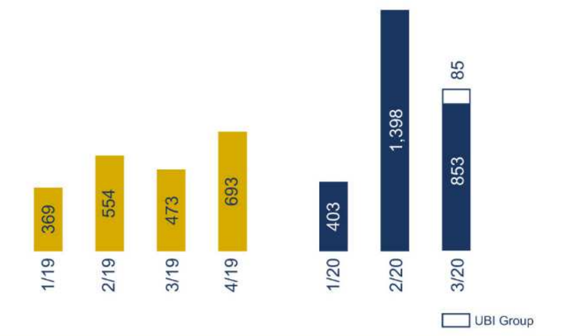
Net adjustments to loans

(millions of euro)

	30.09.2020			30.09.2019	Changes	
	Consolidated figure (a)	Of which: UBI Group (b)	Consolidated figure net of UBI Group (c) = (a) - (b)	Consolidated figure (d)	**amount** (e) = (c) - (d)	**%** (e) / (d)
Bad loans	-806	-83	-723	-531	192	36.2
Unlikely to pay	-1,144	-42	-1,102	-841	261	31.0
Past due loans	-198	2	-200	-252	-52	-20.6
Stage 3 loans	**-2,148**	**-123**	**-2,025**	**-1,624**	**401**	**24.7**
of which debt securities	-	-	-	-	-	-
Stage 2 loans	**-458**	**32**	**-490**	**-80**	**410**	
of which debt securities	*8*	-	*8*	*-12*	*20*	
Stage 1 loans	**-110**	**8**	**-118**	**248**	**-366**	
of which debt securities	*1*	-	*1*	*11*	*-10*	*-90.9*
Net losses/recoveries on impairment of loans	**-2,716**	**-83**	**-2,633**	**-1,456**	**1,177**	**80.8**
Profits/losses from changes in contracts without derecognition	**-13**	**-3**	**-10**	**-8**	**2**	**25.0**
Net provisions for risks and charges for credit risk associated with commitments and financial guarantees given	**-10**	**1**	**-11**	**68**	**-79**	
Net adjustments to loans	**-2,739**	**-85**	**-2,654**	**-1,396**	**1,258**	**90.1**

Figures restated, where necessary and material, considering the changes in the scope of consolidation. The figures concerning UBI Group have not been restated.

Quarterly development
Net adjustments to loans
(millions of euro)



In the first nine months of 2020, adjustments to loans amounted to 2,739 million euro (2,654 million euro net of the 85 million euro of adjustments relating to the UBI Group in August and September). The comparison with the 1,396 million euro in the same period of the previous year on a like-for-like basis shows an increase essentially due to the greater provisions required by the revision of the scenario following the epidemic event, in application of the customary methods adopted by the Group, while taking account of the prospective vision outlined by the ECB and the Bank of Italy, with the recognition of adjustments of approximately 1.3 billion euro, of which approximately 820 million euro to performing loans (Stage 1 and Stage 2) and the remainder to Stage 3 non-performing loans. Stage 3 non-performing loans increased by 401 million euro due to the growth of doubtful loans (+192 million euro) and unlikely-to-pay loans (+261 million euro), whereas impairment losses on past-due loans declined (-52 million euro). Non-performing loans continued to decline as a percentage of total loans in 2020 due to lower reclassifications as NPLs as lending expanded; however, the annualised cost of credit, expressed as the ratio of net adjustments to net loans, net of the UBI Group's marginal impact, rose to 88 basis points (compared to 53 basis points at the end of 2019) as a result of the aforementioned provisions due to the revised scenario. Excluding this extraordinary component, the annualised cost of credit fell to 44 basis points.
Total coverage of non-performing loans was 52.2% at the end of September; excluding the impact of the UBI component, total coverage of non-performing loans amounted to 54.4%. In detail, bad loans required net adjustments of 723 million euro, compared to 531 million euro in the first nine months of 2019, with a coverage ratio of 64%. Net impairment losses on unlikely to pay loans, totalling 1.102 million euro, were up by 31%, with a coverage ratio of 42.7%. Net impairment losses on past due loans amounted to 200 million euro (-20.6% compared to the same period of 2019), with a coverage ratio of 16.6%. The coverage ratio for forborne positions within the non-performing loans category was 43% at the end of September 2020. Finally, the coverage ratio of performing loans was 0.6%.

	2020					**Changes %**	
	Third quarter			**Second quarter (d)**	**First quarter (e)**		
	Consolidated figure (a)	Of which: UBI Group (b)	Consolidated figure net of UBI Group (c) = (a) - (b)			(c/d)	(d/e)
Bad loans	-378	-83	-295	-244	-184	20.9	32.6
Unlikely to pay	-560	-42	-518	-388	-196	33.5	98.0
Past due loans	-21	2	-23	-113	-64	-79.6	76.6
Stage 3 loans	**-959**	**-123**	**-836**	**-745**	**-444**	**12.2**	**67.8**
of which debt securities	-	-	-	-	-	-	-
Stage 2 loans	**3**	**32**	**-29**	**-471**	**10**	**-93.8**	
of which debt securities	*1*	-	*1*	*2*	*5*	*-50.0*	*-60.0*
Stage 1 loans	**-5**	**8**	**-13**	**-136**	**31**	**-90.4**	
of which debt securities	*1*	-	*1*	-	-	-	-
Net losses/recoveries on impairment of loans	**-961**	**-83**	**-878**	**-1,352**	**-403**	**-35.1**	
Profits/losses from changes in contracts without derecognition	**-5**	**-3**	**-2**	**-4**	**-4**	**-50.0**	-
Net provisions for risks and charges for credit risk associated with commitments and financial guarantees given	**28**	**1**	**27**	**-42**	**4**		
Net adjustments to loans	**-938**	**-85**	**-853**	**-1,398**	**-403**	**-39.0**	

Figures restated, where necessary and material, considering the changes in the scope of consolidation. The figures concerning UBI Group have not been restated.

The third quarter of 2020 saw lower adjustments to loans than in the second quarter, when significant provisions were recognised in response to the COVID-19 emergency.

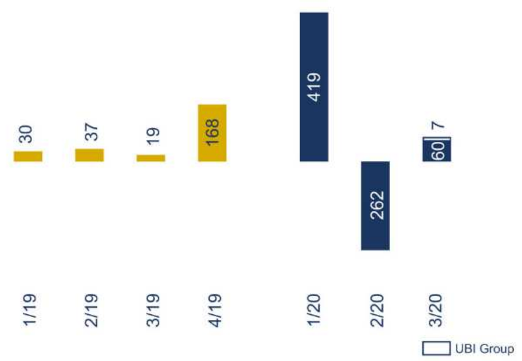
Other net provisions and net impairment losses on other assets

(millions of euro)

	30.09.2020			30.09.2019	Changes	
	Consolidated figure (a)	Of which: UBI Group (b)	Consolidated figure net of UBI Group (c) = (a) - (b)	Consolidated figure (d)	**amount** (e) = (c) - (d)	**%** (e) / (d)
Other net provisions	-132	-7	-125	-62	63	-
Net impairment losses on instruments measured at amortised cost and on instruments designated at fair value through other comprehensive income	2	-	2	-18	20	-
Net impairment losses on other assets	-78	-	-78	-4	74	-
Net Losses/Recoveries pertaining to insurance companies pursuant to IAS 39	-16	-	-16	-2	14	-
Other net provisions and net impairment losses on other assets	**-224**	**-7**	**-217**	**-86**	**131**	**-**

Figures restated, where necessary and material, considering the changes in the scope of consolidation. The figures concerning UBI Group have not been restated.

Quarterly development
Other net provisions and net impairment losses on other assets
(millions of euro)



Within the layout of the reclassified income statement, this caption primarily consists of other net provisions for risks and charges and net impairment losses on other assets and on securities measured at amortised cost and at fair value. In the first nine months of 2020, other net provisions and net impairment losses on other assets amounted to 217 million euro (224 million euro including the UBI Group), compared with the 86 million euro recognised in the same period of the previous year. The increase recorded in the reporting period was mainly due to higher net provisions for legal disputes and tax disputes and adjustments to other assets.

	2020					Changes %	
	Third quarter			Second quarter (d)	First quarter (e)		
	Consolidated figure (a)	Of which: UBI Group (b)	Consolidated figure net of UBI Group (c) = (a) - (b)			(c/d)	(d/e)
Other net provisions	-64	-7	-57	274	-342		
Net impairment losses on instruments measured at amortised cost and on instruments designated at fair value through other comprehensive income	9	-	9	-	-7	-	
Net impairment losses on other assets	-5	-	-5	-9	-64	-44.4	-85.9
Net Losses/Recoveries pertaining to insurance companies pursuant to IAS 39	-7	-	-7	-3	-6		-50.0
Other net provisions and net impairment losses on other assets	**-67**	**-7**	**-60**	**262**	**-419**		

Figures restated, where necessary and material, considering the changes in the scope of consolidation. The figures concerning UBI Group have not been restated.

Other net provisions and net impairment losses on other assets amounted to 60 million euro in the third quarter. This figure is not comparable with either the first quarter, which included the precautionary provision (312 million euro) recognised in advance against an initial estimate of the effects of the COVID-19 pandemic on performing loans, or the second quarter of 2020, which presented a recovery due to the reversal of the above provision, inasmuch as the adjustments to loans at 30 June 2020 had included the updated assessment of the loan portfolio according to the customary methods adopted by the group and taking account of the prospective scenario prepared by the ECB and by the Bank of Italy.

Other income (expenses)
In this caption of the reclassified income statement, the “profits (losses) on financial assets measured at amortised cost other than loans, equity investments and other investments” are aggregated together with other income and expenses not strictly linked to operations.
During the reporting period, other income amounted to 5 million euro, compared with the same value recorded in the first nine months of 2019.

Income (Loss) from discontinued operations
In the nine months of 2020 this caption, which amounted to income of 1,163 million euro, relating to the income components of the acquiring business being contributed to Nexi (capital gain of 1,110 million euro, of which a day-one profit of 315 million euro correlated with the acquisition of the Nexi shares and 53 million euro of profits on the unit sold) was compared with 63 million euro reported in the same period of the previous year.

Gross income (loss)
In the first nine months of 2020, income before tax from continuing operations came to 4,979 million euro, inclusive of the contribution of the UBI Group. Net of this contribution, the caption amounts to 4,856 million euro, down by 8.8% compared to the like-for-like figure for the same period of 2019.

Taxes on income
Current and deferred taxes came to 1.194 million euro for an effective tax rate of 24%, lower than in the same period of 2019 (28.4%) due to the reduced taxation of the Nexi capital gain.

Charges (net of tax) for integration and exit incentives
This caption amounted to 77 million euro, compared with 79 million euro reported in the first nine months of 2019.

Effect of purchase price allocation (net of tax)
This caption comprises amounts attributable to the revaluation of loans, debts, real estate and the recognition of new intangible assets, in application of IFRS 3, upon recognition of acquisition of investments and/or aggregate assets. For a like-for-like comparison, the positive effect (approximately 3.3 billion euro) relating to the provisional recognition of the negative goodwill relating to the acquisition of the UBI Group must be excluded from the figure reported for the first nine months of 2020. Net of this extraordinary caption, in the first nine months of 2020, these costs amounted to 77 million euro, compared to the 105 million euro recorded in the same period of 2019.

Levies and other charges concerning the banking industry (net of tax)
The caption includes the charges imposed by legislative provisions and/or aimed at maintaining the stability of the banking system and consequently outside the company management. In the first nine months of 2020 these charges reached 474 million euro; net of the 49 million euro attributable to the UBI Group, the figure of 425 million euro is nonetheless higher than the 338 million euro recorded in the same period of 2019, due to the increase in deposit guarantee fund charges and, to a lesser extent, resolution fund charges. The charges recognised during the reporting period may be broken down as follows: -233 million euro attributable to resolution funds, -155 million euro to deposit guarantee funds and -37 million euro to charges recognised by international subsidiary banks.

Minority interests
The minority interest share of net income of companies within the scope of line-by-line consolidation (attributable to the insurance company acquired, RBM Salute) amounted to 41 million euro for the reporting period, compared with net losses of 22 million euro attributable to minority interests in the first nine months of 2019.

Net income (loss)
As a result of the above trends, the Group ended the first nine months of 2020 with a consolidated net income of 6,376 million euro, which includes the UBI Group's bimonthly contribution and the related negative goodwill effect. Net of these contributions, the net income was 3,073 million euro, down 7.2% compared to the like-for-like figure of 3,310 million euro recorded in the same period of 2019. The decline is due to an increase in adjustments to loans and a decrease in revenues, attributable to the COVID-19 crisis environment; nonetheless, the resilience of revenues and containment of costs confirm the Group's solidity and the continuity of its positive performances.
Moreover, as previously emphasised in the description of the UBI acquisition, the negative goodwill of 3,264 million euro is provisional and will be redetermined at the time of preparation of the 2020 financial statements following the outcome of the PPA (Purchase Price Allocation) procedure through the exact calculation, as at the date of acquisition, of the fair value of identifiable assets acquired and liabilities assumed of the UBI Group. Moreover, the 2020 Financial Statements will recognise the charges currently being determined, related to the integration and improvement of the operating efficiency and to the de-risking.

Balance sheet aggregates

General aspects

A condensed balance sheet has been prepared to permit a more immediate understanding of the Group's assets and liabilities. The format adopted includes not only the figures for the reporting period, but also the comparative figures. In the interest of consistent comparison, the figures for previous periods are normally also restated, where necessary and material, to account for changes in the scope of consolidation.

The balance sheet as at 30 September 2020 reflects the balance sheet figures of UBI Banca and its subsidiaries, subject to consolidation from the date of this Statement. Given the particular case in question, no adjustments have been made to the historic reclassified income statement and balance sheet data in order to retroactively reflect the effects of the acquisition. Consequently, unless otherwise indicated, the comments in the Report on operations refer to the income components net of the UBI Group's data, in order to ensure a consistent comparison. However, in order to improve the reader's understanding, the main amounts referring to the Group acquired[6] and the consolidated figure including said amounts are highlighted in the tables.

Given the above, the restatement of the data referring to previous periods involved only the balance sheet results of RBM Assicurazione Salute, which entered the line-by-line scope of consolidation in the second quarter of 2020 due to the finalisation of the acquisition of the majority shareholding of the company.

Certain aggregations and reclassifications are then made with respect to the model provided in Circular 262/05 of the Bank of Italy. Breakdowns of restatements, aggregations and reclassifications are provided in separate tables included in the attachments to the consolidated financial statements, as also required by Consob in its Communication 6064293 of 28 July 2006.

Aggregations and reclassifications of captions refer to:

- the inclusion of Cash and cash equivalents in the residual caption Other assets;
- the separate presentation of financial assets constituting Due from banks and Loans to customers, regardless of the accounting portfolios to which they have been allocated;
- the separate presentation of financial assets not constituting loans, divided into financial assets measured at amortised cost, financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income, net of the amounts reclassified to Due from banks and Loans to customers;
- the separate presentation of financial assets and liabilities pertaining to the insurance business, measured pursuant to IAS 39, in application of the deferral approach, by the Group's insurance companies;
- the aggregation in one single caption of Property and equipment and Intangible assets, broken down into the sub-captions Assets owned and Rights of use acquired under lease;
- the inclusion of Hedging derivatives and Fair value changes of financial assets/liabilities in hedged portfolios under Other assets/liabilities;
- the inclusion of the technical insurance reserves reassured with third parties under Other assets;
- the separate presentation of Due to banks at amortised cost;
- the aggregation of Due to customers at amortised cost and Securities issued into one caption;
- the aggregation into one caption (Allowances for risks and charges) of allowances for specific purposes (Employee termination indemnities, Allowances for risks and charges, Allowances for commitments and financial guarantees given);
- the reclassification of Lease payables to a specific sub-caption of Other liabilities;
- the presentation of Reserves as an aggregate and net of any treasury shares.

[6] In the opening balances between Intesa Sanpaolo and UBI, in order to permit a consistent representation, the effect of the elimination of the equity investment in UBI Banca held by Intesa Sanpaolo (4,109 million euro) has by convention been included among the other liabilities attributable to the UBI Group.

Reclassified balance sheet

(millions of euro)

Assets	30.09.2020 Consolidated figure (a)	30.09.2020 Of which: UBI Group (b)	30.09.2020 Consolidated figure net of UBI Group (c) = (a) - (b)	31.12.2019 Consolidated figure (d)	Changes amount (e) = (c) - (d)	Changes % (e) / (d)
Due from banks	85,307	15,133	70,174	47,170	23,004	48.8
Loans to customers	489,148	85,247	403,901	395,229	*8,672*	*2.2*
Loans to customers measured at amortised cost	*487,629*	*84,996*	*402,633*	*394,093*	*8,540*	*2.2*
Loans to customers designated at fair value through other comprehensive income and through profit or loss	*1,519*	*251*	*1,268*	*1,136*	*132*	*11.6*
Financial assets measured at amortised cost which do not constitute loans	43,453	7,913	35,540	25,888	9,652	37.3
Financial assets at fair value through profit or loss	61,317	2,192	59,125	48,636	10,489	21.6
Financial assets at fair value through other comprehensive income	80,621	10,306	70,315	72,046	-1,731	-2.4
Financial assets pertaining to insurance companies measured at fair value pursuant to IAS 39	170,471	2,693	167,778	168,233	-455	-0.3
Financial assets pertaining to insurance companies measured at amortised cost pursuant to IAS 39	1,050	1	1,049	649	400	61.6
Investments in associates and companies subject to joint control	1,766	294	1,472	1,240	232	18.7
Property, equipment and intangible assets	20,096	3,085	17,011	17,157	-146	-0.9
Assets owned	*18,248*	*2,639*	*15,609*	*15,659*	*-50*	*-0.3*
Rights of use acquired under leases	*1,848*	*446*	*1,402*	*1,498*	*-96*	*-6.4*
Tax assets	19,256	3,860	15,396	15,476	-80	-0.5
Non-current assets held for sale and discontinued operations	2,601	6	2,595	494	2,101	-
Other assets	21,762	2,677	19,085	24,352	-5,267	-21.6
Total Assets	**996,848**	**133,407**	**863,441**	**816,570**	**46,871**	**5.7**

Liabilities	30.09.2020 Consolidated figure (a)	30.09.2020 Of which: UBI Group (b)	30.09.2020 Consolidated figure net of UBI Group (c) = (a) - (b)	31.12.2019 Consolidated figure (d)	Changes amount (e) = (c) - (d)	Changes % (e) / (d)
Due to banks at amortised cost	118,554	16,566	101,988	103,316	-1,328	-1.3
Due to customers at amortised cost and securities issued	535,391	98,091	437,300	414,578	22,722	5.5
Financial liabilities held for trading	57,022	850	56,172	45,226	10,946	24.2
Financial liabilities designated at fair value	2,978	230	2,748	4	2,744	-
Financial liabilities pertaining to insurance companies measured at amortised cost pursuant to IAS 39	1,857	-	1,857	818	1,039	-
Financial liabilities pertaining to insurance companies measured at fair value pursuant to IAS 39	73,960	252	73,708	75,935	-2,227	-2.9
Tax liabilities	2,584	274	2,310	2,322	-12	-0.5
Liabilities associated with non-current assets held for sale and discontinued operations	2,380	-	2,380	41	2,339	-
Other liabilities	32,335	9,030	23,305	23,433	-128	-0.5
of which lease payables	*1,817*	*404*	*1,413*	*1,496*	*-83*	*-5.5*
Technical reserves	94,536	2,339	92,197	89,243	2,954	3.3
Allowances for risks and charges	6,610	1,991	4,619	5,132	-513	-10.0
of which allowances for commitments and financial guarantees given	*565*	*73*	*492*	*482*	*10*	*2.1*
Share capital	10,076	-	10,076	9,086	990	10.9
Reserves	44,787	-	44,787	38,250	6,537	17.1
Valuation reserves	-894	26	-920	-157	763	-
Valuation reserves pertaining to insurance companies	596	1	595	504	91	18.1
Equity instruments	7,423	398	7,025	4,103	2,922	71.2
Minority interests	277	56	221	554	-333	-60.1
Net income (loss)	6,376	3,303	3,073	4,182	-1,109	-26.5
Total liabilities and shareholders' equity	**996,848**	**133,407**	**863,441**	**816,570**	**46,871**	**5.7**

Figures restated, where necessary and material, considering the changes in the scope of consolidation and discontinued operations. The figures concerning UBI Group have not been restated.

Quarterly development of the reclassified balance sheet

(millions of euro)

Assets	30.09.2020			2020		2019			
	Consolidated figure (a)	Of which: UBI Group (b)	Consolidated figure net of UBI Group (c) = (a) - (b)	**30/6**	**31/3**	**31/12**	**30/9**	**30/6**	**31/3**
Due from banks	85,307	15,133	70,174	61,649	67,440	47,170	71,958	77,141	85,515
Loans to customers	489,148	85,247	403,901	403,337	404,900	395,229	395,193	394,253	395,595
Loans to customers measured at amortised cost	*487,629*	*84,996*	*402,633*	*402,075*	*403,626*	*394,093*	*394,289*	*393,243*	*394,990*
Loans to customers designated at fair value through other comprehensive income and through profit or loss	*1,519*	*251*	*1,268*	*1,262*	*1,274*	*1,136*	*904*	*1,010*	*605*
Financial assets measured at amortised cost which do not constitute loans	43,453	7,913	35,540	33,937	29,353	25,888	24,104	20,396	19,995
Financial assets at fair value through profit or loss	61,317	2,192	59,125	59,943	55,431	48,636	54,542	52,693	47,626
Financial assets at fair value through other comprehensive income	80,621	10,306	70,315	73,403	71,865	72,046	75,052	65,996	66,406
Financial assets pertaining to insurance companies measured at fair value pursuant to IAS 39	170,471	2,693	167,778	165,342	158,687	168,233	167,083	159,220	155,289
Financial assets pertaining to insurance companies measured at amortised cost pursuant to IAS 39	1,050	1	1,049	735	604	649	603	615	738
Investments in associates and companies subject to joint control	1,766	294	1,472	1,462	1,273	1,240	1,113	1,071	1,075
Property, equipment and intangible assets	20,096	3,085	17,011	17,057	16,970	17,157	16,957	16,963	16,967
Assets owned	*18,248*	*2,639*	*15,609*	*15,626*	*15,505*	*15,659*	*15,415*	*15,393*	*15,385*
Rights of use acquired under leases	*1,848*	*446*	*1,402*	*1,431*	*1,465*	*1,498*	*1,542*	*1,570*	*1,582*
Tax assets	19,256	3,860	15,396	15,805	15,992	15,476	15,575	16,139	16,870
Non-current assets held for sale and discontinued operations	2,601	6	2,595	2,593	765	494	2,554	803	1,236
Other assets	21,762	2,677	19,085	23,385	25,141	24,352	24,501	23,586	22,444
Total Assets	**996,848**	**133,407**	**863,441**	**858,648**	**848,421**	**816,570**	**849,235**	**828,876**	**829,756**

Liabilities	30.09.2020			2020		2019			
	Consolidated figure (a)	Of which: UBI Group (b)	Consolidated figure net of UBI Group (c) = (a) - (b)	**30/6**	**31/3**	**31/12**	**30/9**	**30/6**	**31/3**
Due to banks at amortised cost	118,554	16,566	101,988	108,601	120,110	103,316	119,509	120,232	123,326
Due to customers at amortised cost and securities issued	535,391	98,091	437,300	426,533	424,533	414,578	415,128	411,588	416,505
Financial liabilities held for trading	57,022	850	56,172	55,132	54,376	45,226	53,938	51,187	48,433
Financial liabilities designated at fair value	2,978	230	2,748	2,060	762	4	4	4	4
Financial liabilities pertaining to insurance companies measured at amortised cost pursuant to IAS 39	1,857	-	1,857	1,771	818	818	879	847	846
Financial liabilities pertaining to insurance companies measured at fair value pursuant to IAS 39	73,960	252	73,708	72,860	68,822	75,935	74,405	72,027	70,955
Tax liabilities	2,584	274	2,310	2,204	2,581	2,322	2,520	2,015	2,634
Liabilities associated with non-current assets held for sale and discontinued operations	2,380	-	2,380	2,381	50	41	256	254	260
Other liabilities	32,335	9,030	23,305	33,789	27,078	23,433	32,298	26,573	22,710
of which lease payables	*1,817*	*404*	*1,413*	*1,439*	*1,469*	*1,496*	*1,523*	*1,547*	*1,553*
Technical reserves	94,536	2,339	92,197	89,950	87,060	89,243	89,337	84,807	82,648
Allowances for risks and charges	6,610	1,991	4,619	4,564	5,139	5,132	5,169	5,265	5,698
of which allowances for commitments and financial guarantees given	*565*	*73*	*492*	*517*	*477*	*482*	*423*	*450*	*449*
Share capital	10,076	-	10,076	9,086	9,086	9,086	9,086	9,086	9,085
Reserves	44,787	-	44,787	42,419	42,380	38,250	38,197	38,232	41,704
Valuation reserves	-894	26	-920	-1,441	-1,833	-157	-194	-474	-877
Valuation reserves pertaining to insurance companies	596	1	595	403	182	504	727	322	137
Equity instruments	7,423	398	7,025	5,549	5,550	4,103	4,103	4,103	4,103
Minority interests	277	56	221	221	576	554	563	542	535
Net income (loss)	6,376	3,303	3,073	2,566	1,151	4,182	3,310	2,266	1,050
Total Liabilities and Shareholders' Equity	**996,848**	**133,407**	**863,441**	**858,648**	**848,421**	**816,570**	**849,235**	**828,876**	**829,756**

Figures restated, where necessary and material, considering the changes in the scope of consolidation and discontinued operations. The figures concerning UBI Group have not been restated.

BANKING BUSINESS

Loans to customers

Loans to customers: breakdown

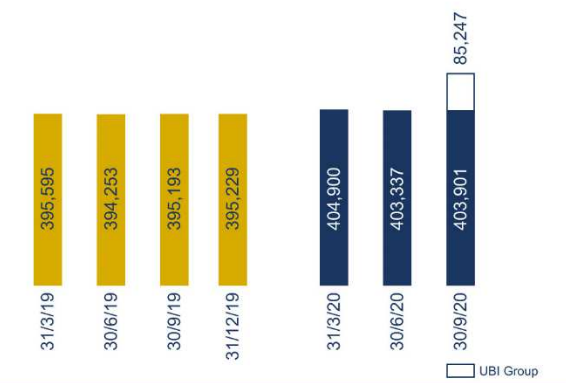
(millions of euro)

	30.09.2020				31.12.2019		Changes	
	Consolidated figure (a)	Of which: UBI Group (b)	Consolidated figure net of UBI Group (c) = (a) - (b)	% breakdown	Consolidated figure (d)	% breakdown	amount (e) = (c) - (d)	% (e) / (d)
Current accounts	23,897	4,832	19,065	4.6	20,455	5.1	-1,390	-6.8
Mortgages	260,578	55,993	204,585	50.7	176,640	44.7	27,945	15.8
Advances and other loans	162,929	19,576	143,353	35.5	148,540	37.6	-5,187	-3.5
Commercial banking loans	**447,404**	**80,401**	**367,003**	**90.8**	**345,635**	**87.4**	**21,368**	**6.2**
Repurchase agreements	**18,166**	**975**	**17,191**	**4.3**	**29,531**	**7.5**	**-12,340**	**-41.8**
Loans represented by securities	**6,566**	**52**	**6,514**	**1.6**	**5,841**	**1.5**	**673**	**11.5**
Non-performing loans	**17,012**	**3,819**	**13,193**	**3.3**	**14,222**	**3.6**	**-1,029**	**-7.2**
Loans to customers	**489,148**	**85,247**	**403,901**	**100.0**	**395,229**	**100.0**	**8,672**	**2.2**

Figures restated, where necessary and material, considering the changes in the scope of consolidation and discontinued operations. The figures concerning UBI Group have not been restated.

The Group's loans to customers exceeded 489 billion euro as at 30 September 2020; excluding the UBI Group's contribution, they amounted to 404 billion euro, marking a year-to-date increase of 8.7 billion euro, or +2.2%. The growth of the aggregate on a like-for-like basis was due to commercial banking loans (+21.4 billion euro, or +6.2%), and in particular to the expansion of mortgages and other medium-/long-term loans to corporate and individual customers (+27.9 billion euro, or +15.8%), which reflect the Group's support to the Italian economy, including in relation to the extraordinary measures taken by the government, which largely offset the decline in short-term loans in the form of overdraft facilities (-1.4 billion euro, or -6.8%), and in advances and loans (-5.2 billion euro, or -3.5%). In addition, the favourable performance of commercial banking loans offset the significant decline in repurchase agreements (-12.3 billion euro) and the decrease in non-performing loans (-1 billion euro).
In the domestic medium-/long-term loan market, disbursements to households in the first nine months of 2020 (including the small business accounts having similar needs to family businesses) amounted to 16.5 billion euro, while disbursements to businesses under the Banca dei Territori scope (including customers with turnover of up to 350 million euro) came to 19.4 billion euro. During the period, medium/long-term disbursements to customers of the IMI Corporate & Investment Banking Division amounted to 22.3 billion euro. Disbursements within Italy, inclusive of loans to the non-profit sector and disbursements through third networks, amounted to 58.7 billion euro. If the activities of the international subsidiary banks are included, the Group’s medium/long-term disbursements (excluding the UBI Group's transactions in August and September) reached 65.8 billion euro.
As at 30 September 2020, the Intesa Sanpaolo Group’s share of the Italian domestic market, without considering the UBI Group, was estimated at 17.4% for total loans. This estimate was based on the sample deriving from the ten-day report of the Bank of Italy as the global banking system figures for the end of September are not yet available. The UBI Group's additional contribution is estimated at 4.9% in its current configuration. Net of the volumes of the branches that will be sold in accordance with the decisions of the Italian Antitrust Authority, the total share of loans to customers amounts to 20.8%.

Quarterly development
Loans to customers
(millions of euro)



(millions of euro)

	30.09.2020	31.12.2019	Changes	
			amount	%
Banca dei Territori	207,256	194,358	12,898	6.6
IMI Corporate & Investment Banking	134,470	131,884	2,586	2.0
International Subsidiary Banks	35,301	34,038	1,263	3.7
Private Banking	9,442	9,329	113	1.2
Asset Management	266	435	-169	-38.9
Insurance	-	-	-	-
Total business areas	**386,735**	**370,044**	**16,691**	**4.5**
Corporate Centre	17,166	25,185	-8,019	-31.8
Intesa Sanpaolo Group (net of UBI Group)	**403,901**	**395,229**	**8,672**	**2.2**
UBI Group	85,247			
Intesa Sanpaolo Group	**489,148**			

Figures restated, where necessary and material, considering the changes in the scope of consolidation and in business unit constituents and discontinued operations. The figures concerning UBI Group have not been restated.

Business areas
Loans to customers

In the analysis of loans by business area, the Banca dei Territori Division, which accounts for over one-half of the aggregate of the Group's business areas, recorded a significant increase year-to-date (+12.9 billion euro, or +6.6%), due to medium-/long-term loans to SMEs and retail businesses, which reflect the Group's support to the Italian economy, including in light of the extraordinary measures taken by the government. The IMI Corporate & Investment Banking Division reported growth of 2.6 billion euro (+2%), attributable to medium/long-term loans for structured finance transactions, and, to a lesser extent, loans to financial institution customers. The loans of the International Subsidiary Banks Division grew (+1.3 billion euro, or +3.7%) specifically due to the increase in the loans issued by the subsidiaries operating in Slovakia, Serbia, Croatia and Egypt. Turning to the other divisions, whose loans are of relatively modest amounts in light of their specific businesses, the loans of the Private Banking Division, primarily short-term loans, increased slightly (+1.2%), due above all to the effects of account overdraft facilities.

The decline at the level of the Corporate Centre is attributable to repurchase agreements with institutional counterparties.

Loans to customers: credit quality

(millions of euro)

	30.09.2020				31.12.2019		Change
	Net exposure			**% breakdown**	**Net exposure Consolidated figure (d)**	**% breakdown**	**Net exposure (e) = (c) - (d)**
	Consolidated figure (a)	Of which: UBI Group (b)	Consolidated figure net of UBI Group (c) = (a) - (b)				
Bad loans	7,667	1,536	6,131	1.5	6,740	1.7	-609
Unlikely to pay	8,544	2,212	6,332	1.6	6,738	1.7	-406
Past due loans	801	71	730	0.2	744	0.2	-14
Non-Performing Loans	**17,012**	**3,819**	**13,193**	**3.3**	**14,222**	**3.6**	**-1,029**
Non-performing loans in Stage 3 (subject to impairment)	*16,873*	*3,734*	*13,139*	*3.3*	*14,195*	*3.6*	*-1,056*
Non-performing loans designated at fair value through profit or loss	*139*	*85*	*54*	*-*	*27*	*-*	*27*
Performing loans	**465,549**	**81,376**	**384,173**	**95.1**	**375,142**	**94.9**	**9,031**
Stage 2	*66,383*	*9,945*	*56,438*	*14.0*	*40,078*	*10.1*	*16,360*
Stage 1	*398,131*	*71,265*	*326,866*	*80.9*	*334,344*	*84.6*	*-7,478*
Performing loans designated at fair value through profit or loss	*1,035*	*166*	*869*	*0.2*	*720*	*0.2*	*149*
Performing loans represented by securities	**6,566**	**52**	**6,514**	**1.6**	**5,841**	**1.5**	**673**
Stage 2	*2,802*	*-*	*2,802*	*0.7*	*2,942*	*0.7*	*-140*
Stage 1	*3,764*	*52*	*3,712*	*0.9*	*2,899*	*0.7*	*813*
Loans held for trading	**21**	**-**	**21**	**-**	**24**	**-**	**-3**
Total loans to customers	**489,148**	**85,247**	**403,901**	**100.0**	**395,229**	**100.0**	**8,672**
of which forborne performing	***5,562***	***1,242***	***4,320***		***5,663***		***-1,343***
of which forborne non-performing	***5,698***	***1,882***	***3,816***		***4,038***		***-222***
Loans to customers classified as discontinued operations (*)	**165**	**-**	**165**		**382**		**-217**

Figures restated, where necessary and material, considering the changes in the scope of consolidation and discontinued operations. The figures concerning UBI Group have not been restated.

(*) As at 30 September 2020, this caption included the portfolio of bad loans/unlikely-to-pay loans and performing loans soon to be sold (gross exposure of 671 million euro, total adjustments of 506 million euro, net exposure of 165 million euro).

As at 30 September 2020, the Group's net non-performing loans, excluding the stock of 3.8 billion euro deriving from the UBI Group, amounted to 13.2 billion euro, which is a record low since 2008. The 7.2% reduction from the beginning of the year confirms the virtuous trend already recorded during the 2019 financial year. Non-performing assets also decreased as a percentage of total net loans to customers, down to 3.3%, in line with the de-risking strategy set out in the Business Plan, while the coverage ratio for non-performing loans was strengthened further (54.4%, 52.2% including UBI).

In further detail, at the end of September 2020 bad loans came to 6.1 billion euro net of adjustments and excluding the UBI component of 1.5 billion euro (down by -609 million euro on the beginning of the year, or -9%), and represented 1.5% of total loans. During the same period, the coverage ratio stood at 64%. Loans included in the unlikely-to-pay category amounted to 6.3 billion euro (excluding the contribution of 2.2 billion euro from the UBI Group), down by 6%, accounting for 1.6% of total loans to customers, with a coverage ratio of 42.7%. Past due loans, excluding the contribution of 71 million euro from the UBI Group, amounted to 730 million euro (-1.9%), with a coverage ratio of 16.6%. Within the non-performing loan category, forborne exposures, generated by forbearance measures for borrowers experiencing difficulty in meeting their financial obligations, amounted to 3.8 billion euro, with a coverage ratio of 43% (net of the UBI component of 1.9 billion euro), while forborne exposures in the performing loans category amounted to 4.3 billion euro (excluding 1.2 billion euro from the UBI Group).

The coverage ratio for performing loans remained stable at 0.6% as a result of approximately 820 million euro of prudential provisions due to the revision of the scenario. These were in addition to approximately 490 million euro of adjustments to non-performing loans, bringing the total provisions due to the revision of the scenario following the COVID-19 pandemic to over 1.3 billion euro.

Other banking business financial assets and liabilities: breakdown

(millions of euro)

Type of financial instruments	Financial assets designated at fair value through profit or loss	Financial assets designated at fair value through other comprehensive income	Instruments measured at amortised cost which do not constitute loans	TOTAL financial assets	Financial liabilities held for trading (*)
Debt securities issued by Governments					
30.09.2020	22,420	63,905	29,959	**116,284**	
30.09.2020 (net of UBI Group)	21,166	55,478	22,795	**99,439**	X
31.12.2019	12,510	57,750	12,249	**82,509**	X
Changes amount (**)	8,656	-2,272	10,546	**16,930**	
Changes % (**)	69.2	-3.9	86.1	**20.5**	
Other debt securities					
30.09.2020	3,844	12,830	13,494		
30.09.2020 (net of UBI Group)	3,792	11,217	12,745	**27,754**	X
31.12.2019	5,739	11,237	13,639	**30,615**	X
Changes amount (**)	-1,947	-20	-894	**-2,861**	
Changes % (**)	-33.9	-0.2	-6.6	**-9.3**	
Equities					
30.09.2020	965	3,886	X	**4,851**	X
30.09.2020 (net of UBI Group)	877	3,620	X	**4,497**	X
31.12.2019	989	3,059	X	**4,048**	X
Changes amount (**)	-112	561	X	**449**	
Changes % (**)	-11.3	18.3	X	**11.1**	
Quotas of UCI					
30.09.2020	3,567	X	X	**3,567**	X
30.09.2020 (net of UBI Group)	3,246	X	X	**3,246**	X
31.12.2019	2,996	X	X	**2,996**	X
Changes amount (**)	250	X	X	**250**	
Changes % (**)	8.3	X	X	**8.3**	
Due to banks and to customers					
30.09.2020	X	X	X	**X**	-13,490
30.09.2020 (net of UBI Group)	X	X	X	**X**	-13,138
31.12.2019	X	X	X	**X**	-7,068
Changes amount (**)	X	X	X	**X**	6,070
Changes % (**)	X	X	X	**X**	85.9
Financial derivatives					
30.09.2020	28,847	X	X	**28,847**	-32,818
30.09.2020 (net of UBI Group)	28,370	X	X	**28,370**	-32,320
31.12.2019	25,475	X	X	**25,475**	-26,161
Changes amount (**)	2,895	X	X	**2,895**	6,159
Changes % (**)	11.4	X	X	**11.4**	23.5
Credit derivatives					
30.09.2020	1,674	X	X	**1,674**	-1,755
30.09.2020 (net of UBI Group)	1,674	X	X	**1,674**	-1,755
31.12.2019	927	X	X	**927**	-1,067
Changes amount (**)	747	X	X	**747**	688
Changes % (**)	80.6	X	X	**80.6**	64.5
TOTAL 30.09.2020	**61,317**	**80,621**	**43,453**	**185,391**	**-48,063**
TOTAL 30.09.2020 (net of UBI Group)	**59,125**	**70,315**	**35,540**	**164,980**	**-47,213**
TOTAL 31.12.2019	**48,636**	**72,046**	**25,888**	**146,570**	**-34,296**
Changes amount (**)	**10,489**	**-1,731**	**9,652**	**18,410**	**12,917**
Changes % (**)	**21.6**	**-2.4**	**37.3**	**12.6**	**37.7**

Figures restated, where necessary and material, considering the changes in the scope of consolidation and discontinued operations. The figures concerning UBI Group have not been restated.

(*) The amount of the item does not include certificates which are included in the direct deposits from banking business table.

(**) The change expresses the ratio between 30.09.2020 and 31.12.2019 (net of UBI Group).

The table above shows the breakdown of other financial assets and liabilities, excluding insurance companies. Financial liabilities held for trading do not include certificates, which are included in the direct deposits from banking business aggregates.

The Intesa Sanpaolo Group's other financial assets, excluding those of the insurance companies, amounted to 185 billion euro; excluding the component deriving from the UBI Group, they amounted to 165 billion euro, up by 12.6% compared with

the end of 2019, whereas financial liabilities held for trading came to 48 billion euro, of which 47 billion euro net of the UBI Group, up by 37.7% on a like-for-like basis.
The increase in total financial assets was mainly due to government debt securities (+16.9 billion euro, or +20.5%) and, to a lesser extent, to financial and credit derivatives with positive values (+3.6 billion euro), whereas other debt securities declined by 2.9 billion euro. Finally, financial and credit liabilities classified as financial liabilities held for trading increased by 6.8 billion euro.

Financial assets measured at fair value through profit or loss amounted to 59 billion euro, marking an increase (+10.5 billion euro, or +21.6%) largely due to government debt securities (+8.7 billion euro) and financial and credit derivatives (+3.6 billion euro), which more than offset the decline in other debt securities (-1.9 billion euro).

Financial assets at fair value through other comprehensive income amounted to around 70 billion euro, down by 2.4% year-to-date due to the reduction in exposures to government bonds. HTCS debt securities have been classified almost exclusively to Stage 1 (96%).

On the other hand, instruments measured at amortised cost which do not constitute loans amounted to 35.5 billion euro, up by 37.3% due to the new investments in government bonds. HTCS debt securities have primarily been classified to Stage 1 (86%).

Debt securities: stage allocation

(millions of euro)

Debt securities: stage allocation	Financial assets designated at fair value through other comprehensive income	Instruments measured at amortised cost which do not constitute loans	TOTAL
Stage 1			
30.09.2020	74,042	38,345	**112,387**
30.09.2020 (net of UBI Group)	64,096	30,432	**94,528**
31.12.2019	66,400	21,472	**87,872**
Changes amount	-2,304	8,960	**6,656**
Changes %	-3.5	41.7	**7.6**
Stage 2			
30.09.2020	2,693	5,095	**7,788**
30.09.2020 (net of UBI Group)	2,599	5,095	**7,694**
31.12.2019	2,587	4,403	**6,990**
Changes amount	12	692	**704**
Changes %	0.5	15.7	**10.1**
Stage 3			
30.09.2020	-	13	**13**
30.09.2020 (net of UBI Group)	-	13	**13**
31.12.2019	-	13	**13**
Changes amount	-	-	**-**
Changes %	-	-	**-**
TOTAL 30.09.2020	**76,735**	**43,453**	**120,188**
TOTAL 30.09.2020 (net of UBI Group)	**66,695**	**35,540**	**102,235**
TOTAL 31.12.2019	**68,987**	**25,888**	**94,875**
Changes amount (*)	**-2,292**	**9,652**	**7,360**
Changes % (*)	**-3.3**	**37.3**	**7.8**

Figures restated, where necessary and material, considering the changes in the scope of consolidation and discontinued operations. The figures concerning UBI Group have not been restated.

(*) The change expresses the ratio between 30.09.2020 and 31.12.2019 (net of UBI Group).

Customer financial assets

(millions of euro)

	30.09.2020				31.12.2019		Changes	
	Consolidated figure (a)	Of which: UBI Group (b)	Consolidated figure net of UBI Group (c) = (a) - (b)	**% breakdown**	Consolidated figure (d)	**% breakdown**	**amount** (e) = (c) - (d)	**%** (e) / (d)
Direct deposits from banking business	547,328	98,321	449,007	45.7	425,512	44.3	23,495	5.5
Direct deposits from insurance business and technical reserves	169,690	2,591	167,099	17.0	165,945	17.3	1,154	0.7
Indirect customer deposits	631,026	99,169	531,857	54.2	534,456	55.6	-2,599	-0.5
Netting (a)	-168,438	-2,591	-165,847	-16.9	-165,129	-17.2	718	0.4
Customer financial assets	**1,179,606**	**197,490**	**982,116**	**100.0**	**960,784**	**100.0**	**21,332**	**2.2**

Figures restated, where necessary and material, considering the changes in the scope of consolidation and discontinued operations. The figures concerning UBI Group have not been restated.

(a) Netting refers to components of indirect deposits which are also included in direct customer deposits (financial liabilities of the insurance business designated at fair value, technical reserves).

Customer financial assets amounted to 1,180 billion euro as at 30 September 2020. Excluding the 197 billion euro contributed by the UBI Group, the aggregate came to 982 billion euro, up by 2.2% year-to-date. Direct deposits from banking business were the driving factor, up by 5.5% or 23.5 billion euro, whereas direct deposits from insurance business grew moderately (+0.7%) and indirect customer deposits, more exposed to market volatility, declined slightly (-0.5%).

Direct deposits from banking business

The table below sets out amounts due to customers, securities issued, including those designated at fair value and certificates, which represent an alternative form of funding to bonds.

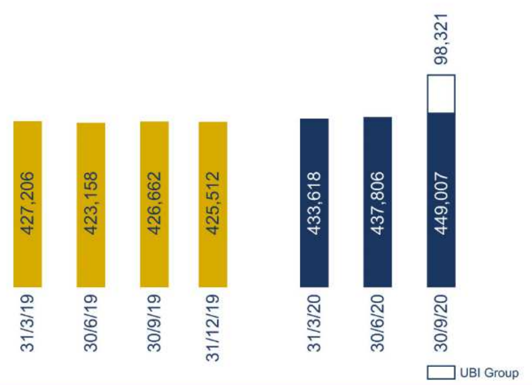
(millions of euro)

	30.09.2020				31.12.2019		Changes	
	Consolidated figure (a)	Of which: UBI Group (b)	Consolidated figure net of UBI Group (c) = (a) - (b)	**% breakdown**	Consolidated figure (d)	**% breakdown**	**amount** (e) = (c) - (d)	**%** (e) / (d)
Current accounts and deposits	424,423	73,485	350,938	78.2	316,810	74.4	34,128	10.8
Repurchase agreements and securities lending	2,461	1,027	1,434	0.3	4,505	1.1	-3,071	-68.2
Bonds	73,472	19,679	53,793	12.0	65,485	15.4	-11,692	-17.9
Certificates of deposit	4,928	48	4,880	1.1	4,574	1.1	306	6.7
Subordinated liabilities	11,588	2,097	9,491	2.1	9,308	2.2	183	2.0
Other deposits	30,456	1,985	28,471	6.3	24,830	5.8	3,641	14.7
of which designated at fair value (*)	*11,937*	*230*	*11,707*	*2.6*	*10,934*	*2.6*	*773*	*7.1*
Direct deposits from banking business	**547,328**	**98,321**	**449,007**	**100.0**	**425,512**	**100.0**	**23,495**	**5.5**

Figures restated, where necessary and material, considering the changes in the scope of consolidation and discontinued operations. The figures concerning UBI Group have not been restated.

(*) Figures included in the Balance sheet under Financial liabilities held for trading and Financial liabilities designated at fair value.

Quarterly development
Direct deposits from banking business
(millions of euro)



The Group's direct deposits from banking business came to 547 billion euro; net of the deposits contributed by the UBI Group of 98 billion euro, they amounted to 449 billion euro, up by 5.5% on the beginning of the year.
The positive performance was essentially due to the growth of current accounts and deposits (+34.1 billion euro), which represent a considerable reserve for funding the asset management industry, other deposits, inclusive of commercial paper (+3.6 billion euro). These components offset the downtrend in bonds (-11.7 billion euro), repurchase agreements and securities lending (-3.1 billion euro), largely attributable to institutional counterparties.
As at 30 September 2020, the Intesa Sanpaolo Group's direct deposits in the form of deposits and bonds represented an estimated share of the domestic market of 18.7%. As described above with reference to loans, this estimate does not consider the UBI Group's contribution and is based on the sample deriving from the ten-day report produced by the Bank of Italy. The UBI Group's contribution as at that same date is estimated at 5% in its current configuration. Net of the volumes of the branches that will be sold in accordance with the decisions of the Italian Antitrust Authority, the total share of customer deposits amounts to around 22%.

(millions of euro)

	30.09.2020	31.12.2019	Changes	
			amount	%
Banca dei Territori	221,909	199,256	22,653	11.4
IMI Corporate & Investment Banking	89,901	86,850	3,051	3.5
International Subsidiary Banks	44,780	43,420	1,360	3.1
Private Banking	40,798	39,537	1,261	3.2
Asset Management	9	10	-1	-10.0
Insurance	-	-	-	-
Total business areas	**397,397**	**369,073**	**28,324**	**7.7**
Corporate Centre	51,610	56,439	-4,829	-8.6
Intesa Sanpaolo Group (net of UBI Group)	**449,007**	**425,512**	**23,495**	**5.5**
UBI Group	98,321			
Intesa Sanpaolo Group	**547,328**			

Figures restated, where necessary and material, considering the changes in the scope of consolidation and in business unit constituents and discontinued operations. The figures concerning UBI Group have not been restated.

Business areas
Direct deposits from banking business

The Banca dei Territori Division, which accounts for 56% of the aggregate of the Group's business areas, increased sharply (by +22.7 billion euro, or +11.4%), in the amounts due to customers component, owing to the greater liquidity accumulated in deposits by SMEs and retail customers as they await a more favourable scenario. The IMI Corporate & Investment Banking Division recorded growth of 3.1 billion euro (+3.5%) due mainly to the increase in amounts due to global corporate customers, only partly offset by the decline in the securities issued of the Luxembourg subsidiary and of the Irish subsidiary within the International Department. The International Subsidiary Banks Division reported an increase in funding (+1.4 billion euro, or +3.1%) attributable to the performance of the subsidiaries operating in Slovakia, Croatia, Serbia and Slovenia. The Private Banking Division reported growth (+1.3 billion euro, or +3.2%), concentrated in time deposits.
Corporate Centre funding declined by 4.8 billion euro due to a decrease in the securities issued of the subsidiaries.

Indirect customer deposits

(millions of euro)

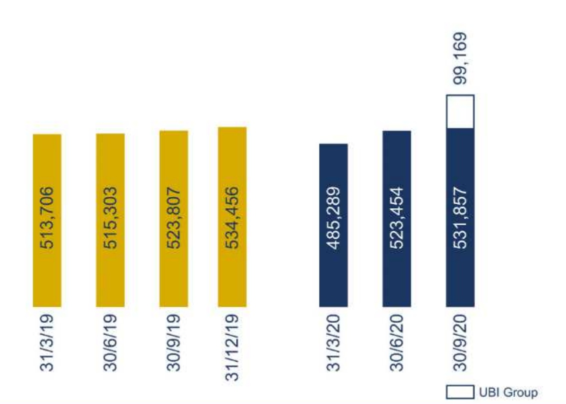
	30.09.2020				31.12.2019		Changes	
	Consolidated figure (a)	Of which: UBI Group (b)	Consolidated figure net of UBI Group (c) = (a) - (b)	% breakdown	Consolidated figure (d)	% breakdown	amount (e) = (c) - (d)	% (e) / (d)
Mutual funds [(a)]	160,181	39,887	120,294	22.6	122,998	23.0	-2,704	-2.2
Open-ended pension funds and individual pension plans	10,752	-	10,752	2.0	10,327	1.9	425	4.1
Portfolio management [(b)]	62,804	5,832	56,972	10.7	56,484	10.6	488	0.9
Technical reserves and financial liabilities of the insurance business	179,469	28,030	151,439	28.5	152,097	28.5	-658	-0.4
Relations with institutional customers	17,024	-	17,024	3.2	16,199	3.0	825	5.1
Assets under management	**430,230**	**73,749**	**356,481**	**67.0**	**358,105**	**67.0**	**-1,624**	**-0.5**
Assets under administration and in custody	200,796	25,420	175,376	**33.0**	**176,351**	**33.0**	**-975**	**-0.6**
Indirect customer deposits	**631,026**	**99,169**	**531,857**	**100.0**	**534,456**	**100.0**	**-2,599**	**-0.5**

Figures restated, where necessary and material, considering the changes in the scope of consolidation and discontinued operations. The figures concerning UBI Group have not been restated.

(a) The caption includes mutual funds established and managed by Eurizon Capital, Banca Fideuram - Intesa Sanpaolo Private Banking and several international companies. The caption does not include funds held by Group insurance companies and managed by Eurizon Capital, whose values are included in technical reserves, and the contribution of funds established by third parties and managed by Banca Fideuram - Intesa Sanpaolo Private Banking, whose value is included in assets under administration and in custody.

(b) The entry does not include stocks of unit-linked policies of Intesa Sanpaolo Vita, the value of which is included in the technical reserves and financial insurance liabilities.

Quarterly development
Indirect customer deposits
(millions of euro)



As at 30 September 2020, the Group's indirect customer deposits amounted to 532 billion euro, net of the 99 billion euro attributable to the UBI Group. The decrease of 0.5% compared to the beginning of the year is attributable to the downtrend in both components.

Assets under management, which at 356 billion euro account for two-thirds of the total aggregate, decreased by 1.6 billion euro (-0.5%), mainly driven by mutual funds and, to a lesser extent, technical reserves and insurance financial liabilities. Portfolio management schemes, pension funds and relations with institutional customers grew. In the period, the new life business of the insurance companies of the Intesa Sanpaolo Group, including pension products, amounted to 10.9 billion euro. Assets under administration, like assets under management, also declined slightly (-0.6%), essentially due to securities and third-party products in custody.

Net interbank position

The net interbank position as at 30 September 2020 stood at net debt of 33 billion euro, and at 32 billion euro excluding the interbank position attributable to the UBI Group. The decline compared to the net debt recorded at the beginning of the year of 56 billion euro was due to the increase in loans to banks. Amounts due to banks, equal to 102 billion euro, include a 71-billion-euro exposure to the ECB. Including the UBI Group's business, the figures increase to 119 billion euro for loans to banking counterparties and to 83 billion euro for the exposure to the European Central Bank.

E-MARKET SDIR CERTIFIED

INSURANCE BUSINESS
Financial assets and liabilities pertaining to insurance companies pursuant to IAS 39 (table 1/2)

(millions of euro)

Type of financial instruments	Financial assets pertaining to insurance companies measured at fair value pursuant to IAS 39			Financial assets pertaining to insurance companies measured at amortised cost pursuant to IAS 39	TOTAL Financial assets pertaining to insurance companies measured pursuant to IAS 39	Financial liabilities pertaining to insurance companies measured pursuant to IAS 39 (*)
	Financial assets held for trading and hedging derivatives	Financial assets designated at fair value	Financial assets available for sale			
Debt securities issued by Governments						
30.09.2020	122	3,907	60,290	-	**64,319**	X
30.09.2020 (net of UBI Group)	122	3,901	58,352	-	**62,375**	X
31.12.2019	120	4,107	58,012	-	**62,239**	X
Changes amount (****)	2	-206	340	-	**136**	
Changes % (****)	1.7	-5.0	0.6	-	**0.2**	
Other debt securities						
30.09.2020	24	1,008	12,603	-	**13,635**	X
30.09.2020 (net of UBI Group)	24	1,008	12,129	-	**13,161**	X
31.12.2019	25	707	12,099	-	**12,831**	X
Changes amount (****)	-1	301	30		**330**	
Changes % (****)	-4.0	42.6	0.2		**2.6**	
Equities						
30.09.2020	-	2,465	1,645	-	**4,110**	X
30.09.2020 (net of UBI Group)	-	2,465	1,645	-	**4,110**	X
31.12.2019	-	2,315	1,480	-	**3,795**	X
Changes amount (****)	-	150	165	-	**315**	
Changes % (****)	-	6.5	11.1	-	**8.3**	
Quotas of UCI						
30.09.2020	162	75,671	11,606	-	**87,439**	X
30.09.2020 (net of UBI Group)	162	75,427	11,575	-	**87,164**	X
31.12.2019	165	76,620	11,819	-	**88,604**	X
Changes amount (****)	-3	-1,193	-244	-	**-1,440**	
Changes % (****)	-1.8	-1.6	-2.1	-	**-1.6**	
Due from banks and loans to customers						
30.09.2020	-	491	-	1,050	**1,541**	X
30.09.2020 (net of UBI Group)	-	491	-	1,049	**1,540**	X
31.12.2019	-	516	-	649	**1,165**	X
Changes amount (****)	-	-25	-	400	**375**	
Changes % (****)	-	-4.8	-	61.6	**32.2**	

INSURANCE BUSINESS
Financial assets and liabilities pertaining to insurance companies pursuant to IAS 39 (table 2/2)

(millions of euro)

Type of financial instruments	Financial assets pertaining to insurance companies measured at fair value pursuant to IAS 39			Financial assets pertaining to insurance companies measured at amortised cost pursuant to IAS 39	TOTAL Financial assets pertaining to insurance companies measured pursuant to IAS 39	Financial liabilities pertaining to insurance companies measured pursuant to IAS 39 (*)
	Financial assets held for trading and hedging derivatives	Financial assets designated at fair value	Financial assets available for sale			
Due to banks						
30.09.2020	X	X	X	X	**X**	-605 (**)
30.09.2020 (net of UBI Group)	X	X	X	X	**X**	-605 (**)
31.12.2019	X	X	X	X	**X**	-2 (**)
Changes amount (****)						603
Changes % (****)						
Financial derivatives						
30.09.2020	476	-	-	-	**476**	-58 (***)
30.09.2020 (net of UBI Group)	476	-	-	-	**476**	-58 (***)
31.12.2019	248	-	-	-	**248**	-49 (***)
Changes amount (****)	228	-	-	-	**228**	9
Changes % (****)	91.9	-	-	-	**91.9**	18.4
Credit derivatives						
30.09.2020	1	-	-	-	**1**	- (***)
30.09.2020 (net of UBI Group)	1	-	-	-	**1**	- (***)
31.12.2019	-	-	-	-	**-**	- (***)
Changes amount (****)	1	-	-	-	**1**	-
Changes % (****)	-	-	-	-	**-**	-
TOTAL 30.09.2020	**785**	**83,542**	**86,144**	**1,050**	**171,521**	**-663**
TOTAL 30.09.2020 (net of UBI Group)	**785**	**83,292**	**83,701**	**1,049**	**168,827**	**-663**
TOTAL 31.12.2019	**558**	**84,265**	**83,410**	**649**	**168,882**	**-51**
Changes amount (****)	**227**	**-973**	**291**	**400**	**-55**	**612**
Changes % (****)	**40.7**	**-1.2**	**0.3**	**61.6**	**-**	

Figures restated, where necessary and material, considering the changes in the scope of consolidation and discontinued operations. The figures concerning UBI Group have not been restated.

(*) This amount does not include "Financial liabilities of the insurance business designated at fair value" included in the table on direct deposits from insurance business.

(**) Value included in the Balance Sheet under “Financial liabilities pertaining to insurance companies measured at amortised cost pursuant to IAS 39".

(***) Value included in the Balance Sheet under “Financial liabilities pertaining to insurance companies measured at fair value pursuant to IAS 39".

(****) The change expresses the ratio between 30.09.2020 and 31.12.2019 (net of UBI Group).

Financial assets and liabilities pertaining to insurance companies pursuant to IAS 39, summarised in the table above, amounted to 169 billion euro and 663 million euro, respectively, net of the UBI Group's contribution. Asset performance remained stable, since the decline attributable to the portfolio designated at fair value (-1.2%) was offset by the growth in the other portfolios.

Direct deposits from insurance business and technical reserves

(millions of euro)

	30.09.2020				31.12.2019		Changes	
	Consolidated figure (a)	Of which: UBI Group (b)	Consolidated figure net of UBI Group (c) = (a) - (b)	% breakdown	Consolidated figure (d)	% breakdown	amount (e) = (c) - (d)	% (e) / (d)
Financial liabilities of the insurance business designated at fair value IAS39 (*)	**73,902**	**252**	**73,650**	**44.1**	**75,886**	**45.7**	**-2,236**	**-2.9**
Index-linked products	-	-	-	-	-	-	-	-
Unit-linked products	*73,902*	*252*	*73,650*	*44.1*	*75,886*	*45.7*	*-2,236*	*-2.9*
Technical reserves	**94,536**	**2,339**	**92,197**	**55.2**	**89,243**	**53.8**	**2,954**	**3.3**
Life business	93,358	2,339	91,019	54.5	88,169	53.2	2,850	3.2
Mathematical reserves	*78,806*	*2,071*	*76,735*	*45.9*	*75,092*	*45.3*	*1,643*	*2.2*
Technical reserves where the investment risk is borne by the policyholders (**) and reserves related to pension funds	*7,220*	-	*7,220*	*4.4*	*6,960*	*4.2*	*260*	*3.7*
Other reserves	*7,332*	*268*	*7,064*	*4.2*	*6,117*	*3.7*	*947*	*15.5*
Non-life business	1,178	-	1,178	0.7	1,074	0.6	104	9.7
Other insurance deposits (***)	**1,252**	**-**	**1,252**	**0.7**	**816**	**0.5**	**436**	**53.4**
Direct deposits from insurance business and technical reserves	**169,690**	**2,591**	**167,099**	**100.0**	**165,945**	**100.0**	**1,154**	**0.7**

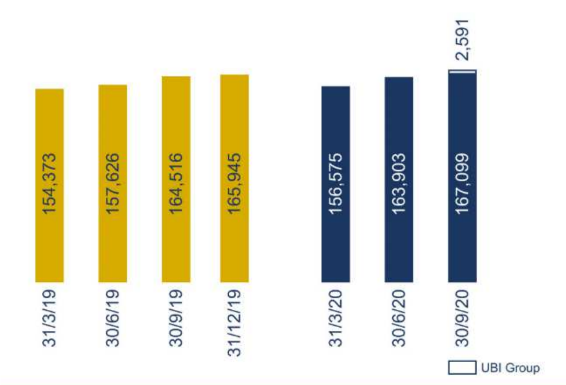
Figures restated, where necessary and material, considering the changes in the scope of consolidation and discontinued operations. The figures concerning UBI Group have not been restated.

(*) Values included in the Balance Sheet under Financial liabilities pertaining to insurance companies measured at fair value to IAS 39.

(**) This caption includes unit- and index-linked policies with significant insurance risk.

(***) Values included in the Balance Sheet under Financial liabilities pertaining to insurance companies measured at amortised cost pursuant to IAS 39. The caption includes subordinated liabilities.

Quarterly development
Direct deposits from insurance business and technical reserves
(millions of euro)



Direct deposits from insurance business amounted to 170 billion euro as at 30 September 2020, of which 167 billion euro net of the component attributable to the UBI Group, up slightly (+0.7%) on the beginning of the year. Financial liabilities measured at fair value, consisting of unit-linked products, decreased by 2.2 billion euro (-2.9%), offset by the uptrend in technical reserves and in deposits from insurance business. Technical reserves, which constitute the amounts owed to customers taking out traditional policies or policies with significant insurance risk, recorded an increase of 3 billion euro (+3.3%), mainly attributable to the life business, which accounts for almost all reserves.

NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS AND RELATED LIABILITIES

This caption contains assets and related liabilities which no longer refer to continuing operations as they are being disposed of. At 30 September 2020, assets held for sale amounted to 2.6 billion euro, or 215 million euro net of the associated liabilities and the UBI Group's contribution, and are largely associated with Autostrade Lombarde and its operating subsidiary, Brebemi, in connection to the aforementioned agreement for their sale to Aleàtica S.A.U.

SHAREHOLDERS' EQUITY

As at 30 September 2020, the Group's shareholders' equity, including the net income for the period, came to 68,364 million euro, of which 64,636 net of the UBI Group's contribution, compared to the 55,968 million euro at the beginning of the year. The increase is to be attributed to the contribution of the net income earned in the first nine months (6,376 million euro, of which 3,303 attributable to the acquisition of the UBI Group, including the effect of negative goodwill) and the capital instruments issued (+2.9 billion euro net of UBI).

As previously reported, in compliance with the European Central Bank communication of 27 March 2020 concerning the dividend policy in the situation resulting from the COVID-19 epidemic, the Bank has decided to suspend the proposed cash distribution to shareholders of around 3.4 billion euro and assigned the net income for 2019 to reserves, after attributing 12.5 million euro to the Allowance for charitable, social and cultural contributions.

Valuation reserves

(millions of euro)

	Reserve 31.12.2019	Change of the period	Reserve 30.09.2020
Financial assets designated at fair value through other comprehensive income (debt instruments)	57	-340	-283
Financial assets designated at fair value through other comprehensive income (equities)	172	-165	7
Property and equipment	1,526	-9	1,517
Cash flow hedges	-882	28	-854
Foreign exchange differences	-956	-203	-1,159
Non-current assets held for sale and discontinued operations	-	-	-
Financial liabilities designated at fair value through profit or loss (change in its creditworthiness)	-	-62	-62
Actuarial profits (losses) on defined benefit pension plans	-410	3	-407
Portion of the valuation reserves connected with investments carried at equity	28	-15	13
Legally-required revaluations	308	-	308
Valuation reserves (excluding valuation reserves pertaining to insurance companies)	**-157**	**-763**	**-920**
Valuation reserves pertaining to insurance companies	**504**	**91**	**595**

Banking valuation reserves were negative (-920 million euro), up compared to 31 December 2019, mainly due to the performance of the spread on government bonds, which entailed a decrease in the value of the assets in portfolio. Negative reserves for foreign exchange differences also increased, whereas positive reserves on equity instruments were reduced almost to zero. Reserves on liabilities designated at fair value (-62 million euro) relating to certificates issued with capital protection were also recognised during the year.

The valuation reserves of the insurance companies amounted to 596 million euro, compared with 504 million euro at the end of 2019.

OWN FUNDS AND CAPITAL RATIOS

(millions of euro)

Own funds and capital ratios	30.09.2020		31.12.2019
	IFRS9 "Fully loaded"	IFRS9 "Transitional"	IFRS9 "Transitional"
Own funds			
Common Equity Tier 1 capital (CET1) net of regulatory adjustments	48,193	50,325	41,542
Additional Tier 1 capital (AT1) net of regulatory adjustments	7,496	7,496	4,096
TIER 1 CAPITAL	**55,689**	**57,821**	**45,638**
Tier 2 capital net of regulatory adjustments	10,149	9,276	7,057
TOTAL OWN FUNDS	**65,838**	**67,097**	**52,695**
Risk-weighted assets			
Credit and counterparty risks	298,935	297,436	258,187
Market and settlement risk	18,226	18,226	18,829
Operational risks	26,282	26,282	21,212
Other specific risks (a)	307	307	296
RISK-WEIGHTED ASSETS	**343,750**	**342,251**	**298,524**
% Capital ratios			
Common Equity Tier 1 capital ratio	14.0%	14.7%	13.9%
Tier 1 capital ratio	16.2%	16.9%	15.3%
Total capital ratio	19.2%	19.6%	17.7%

(a) The caption includes all other elements not contemplated in the foregoing captions that are considered when calculating total capital requirements.

The figures as at 30 September 2020 include assets and liabilities in relation to the UBI Group.

Own Funds, risk-weighted assets and the capital ratios as at 30 September 2020 were calculated according to the harmonised rules and regulations for banks and investment companies contained in Directive 2013/36/EU (CRD IV) and in (EU) Regulation 575/2013 (CRR) of 26 June 2013, which transpose the banking supervision standards defined by the Basel Committee (the Basel 3 Framework) to European Union laws, and on the basis of the related Bank of Italy Circulars.
The regulations governing own funds, which provided for the gradual introduction of the Basel 3 framework, are now in full effect, following the conclusion in 2018 of the specific transitional period during which some elements to be fully included in or deducted from Common Equity when the framework is “fully loaded” only had a partial percent impact on Common Equity Tier 1 capital. The Intesa Sanpaolo Group chose to take the "static approach" to adopting IFRS 9 envisaged in Regulation (EU) 2017/2395. This approach permits the re-inclusion in Common Equity of a gradually decreasing amount, ending in 2022 (95% in 2018, 85% in 2019, 70% in 2020, 50% in 2021 and 25% in 2022), of the impact of IFRS 9, calculated net of the tax effect, based on the comparison of the IAS 39 adjustments as at 31 December 2017 and the IFRS 9 adjustments as at 1 January 2018, excluding the reclassification of financial instruments, and after eliminating the shortfall as at 31 December 2017.
Regulation (EU) 2017/2395 also lays down the reporting obligations that entities are required to publish, while charging the EBA with issuing specific guidelines on this subject. In implementation of the Regulation, the EBA issued specific guidelines according to which banks that adopt a transitional treatment of the impact of IFRS 9 (such as the static approach mentioned above) are required to publish, with quarterly frequency, the fully loaded consolidated figures (as if the transitional treatment had not been applied) and the transitional consolidated figures for Common Equity Tier 1 (CET1) capital, Tier 1 capital, total capital, total risk-weighted assets, capital ratios and the leverage ratio.
As at 30 September 2020, taking account of the transitional treatment adopted to mitigate the impact of IFRS 9, Own Funds came to 67,097 million euro, against risk-weighted assets of 342,251 million euro, resulting primarily from credit and counterparty risk and, to a lesser extent, operational and market risk. As at that same date, considering the full inclusion of the impact of IFRS 9, Own Funds stood at 65,838 million euro, compared to risk-weighted assets of 343,750 million euro. Own funds calculated considering the full impact of IFRS 9 (i.e., on a “fully-loaded” basis) take account of the provisions of the 2019 Budget Act calling for the adjustments upon first-time adoption of the Standard to be applied in instalments for tax purposes, with the recognition of the resulting DTAs. These DTAs have been considered at 30% of their book value for the purposes of calculating transitional own funds, in accordance with Article 473bis of the CRR with regard to the application of the static approach, whereas they have been fully included among deductible elements in fully-loaded own funds. The impact of such DTAs on fully-loaded own funds is nonetheless temporary since they will be phased out by 2028.
In addition, the Group has not adopted so far the new IFRS 9 transitional rules relating to adjustments to loans after 31 December 2019 or the reintroduction of the prudential filter for exposures to central governments classified to the FVTOCI category, both introduced by the European Commission in Regulation No 2020/873 of 24 June 2020.
Capital adequacy ratios as at 31 December 2019 had been calculated considering the income for 2019 net of the component that the Issuer’s Board of Directors, during its session of 25 February 2020, had proposed be allocated to dividends for a total of 3,362 million euro; following the ECB’s Recommendation of 27 March 2020 regarding dividend policies in the situation resulting from the COVID-19 epidemic, on 31 March 2020 Intesa Sanpaolo’s Board of Directors amended the proposal to the Shareholders’ Meeting for the allocation of the net income reported in the Financial Statements as at 31 December 2019,

adopting the European Central Bank's Recommendation not to distribute dividends in view of the economic environment created by the epidemic, and instead proposing that the share of the net income allocated to dividends in the previous resolution dated 25 February 2020 be assigned to reserves. On 27 April 2020, the Shareholders' Meeting approved the assignment of the net income for 2019 to reserves. Accordingly, Common Equity Tier 1 capital as at 30 September 2020 includes, among reserves, the entire net income for 2019, less the foreseeable other charges (accrued coupon on Additional Tier 1 instruments and charitable giving). On 27 July 2020, the ECB extended its recommendation that dividends not be distributed until 1 January 2021, from the previous date of 1 October 2020 indicated in the recommendation dated 27 March 2020.

Capital ratios as at 30 September 2020 include the effects of the consolidation of the UBI Group, the impacts of which are primarily attributable to the capital increase in service of the Public Purchase and Exchange Offer, the calculation of the negative goodwill recognised as at 30 September 2020 - although it is entirely provisional since the purchase price allocation process for the acquisition cost under IFRS 3 will be concluded for the 2020 Financial Statements - and the consideration of the UBI Group's risk-weighted assets. It should be noted that risk-weighted assets take account of the contribution attributable to the branches that will be sold to BPER in 2021, although the estimated capital loss on the sale of these branches has already been recognised during the period ended 30 September 2020.

Account has also been taken of the net income for the first nine months of 2020, less the related dividend (and other foreseeable charges), calculated on the basis of the 75% payout ratio envisaged for 2020, excluding the contribution of the provisional negative goodwill. The 75% pay-out ratio is based on Intesa Sanpaolo's intention to confirm for 2020 the dividend policy set out in the 2018-2021 Business Plan, subject to the recommendations that will be provided by the ECB in the fourth quarter of 2020 regarding dividend distributions after 1 January 2021 and not to distribute the definitive negative goodwill, as resulting from the finalisation of the purchase price allocation process for the business combination and net of charges for integration and the reduction of the risk profile.

Common Equity Tier 1 Capital and risk-weighted assets as at 30 September 2020 take account of the impact of the application of the "Danish Compromise" (Art. 49.1 of Regulation (EU) No 575/2013), as per the specific authorisation received from the ECB in 2019, according to which insurance investments, excluding those attributable to the UBI Group, for which an extension of the "Danish Compromise" has not been requested, are treated as risk-weighted assets instead of being deducted from capital.

On the basis of the foregoing, solvency ratios as at 30 September 2020, calculated taking account of the transitional treatment of the impact of IFRS 9 (IFRS 9 Transitional), amounted to a Common Equity ratio of 14.7%, a Tier 1 ratio of 16.9% and a total capital ratio of 19.6%. Considering the full inclusion of the impact of IFRS 9 (IFRS 9 Fully Loaded), solvency ratios as at 30 September 2020 were as follows: a Common Equity ratio of 14.0%, a Tier 1 ratio of 16.2% and a Total capital ratio of 19.2%.

Finally, it should be noted that on 26 November 2019 Intesa Sanpaolo disclosed that it had received the ECB's final decision concerning the capital requirement that the Bank has to meet, on a consolidated basis, as of 1 January 2020, following the results of the Supervisory Review and Evaluation Process (SREP). The overall capital requirement the Bank has to meet in terms of Common Equity Tier 1 ratio is 8.44% under the transitional arrangements for 2020 and 8.63% on a fully loaded basis.

As previously disclosed, it bears reiterating that the positive effect of 3,264 million euro associated with the negative goodwill relating to the acquisition of UBI Banca and included in Common Equity Tier 1 capital as at 30 September 2020 is to be considered absolutely provisional, and will be redetermined at the time of preparation of the 2020 financial statements following the outcome of the PPA (Purchase Price Allocation) procedure through the exact calculation, as at the date of acquisition, of the fair value of identifiable assets acquired and liabilities assumed of the UBI Group.

Moreover, the 2020 Financial Statements will recognise the charges currently being determined, related to the integration and improvement of the operating efficiency and to the de-risking.

It also bears reiterating that the above amount of negative goodwill, as already stated, takes account of not only the provisional effects of the acquisition, but also the capital loss on the sale of UBI Banca and Intesa Sanpaolo branches, for which the corresponding risk-weighted assets continue to be included in the consolidated figures, since they have not yet been eliminated from the scope of consolidation.

Reconciliation of Shareholders' equity and Common Equity Tier 1 capital

(millions of euro)

Captions	30.09.2020	31.12.2019
Group Shareholders' equity	68,364	55,968
Minority interests	277	554
Shareholders' equity as per the Balance Sheet	**68,641**	**56,522**
Adjustments for instruments eligible for inclusion in AT1 or T2 and net income for the period		
- Other equity instruments eligible for inclusion in AT1	-7,490	-4,091
- Minority interests eligible for inclusion in AT1	-6	-5
- Minority interests eligible for inclusion in T2	-3	-3
- Ineligible minority interests on full phase-in	-237	-511
- Ineligible net income for the period (a)	-2,389	-3,451
- Treasury shares included under regulatory adjustments	244	230
- Other ineligible components on full phase-in	-	-
Common Equity Tier 1 capital (CET1) before regulatory adjustments	**58,760**	**48,691**
Regulatory adjustments (including transitional adjustments) (b)	**-8,435**	**-7,149**
Common Equity Tier 1 capital (CET1) net of regulatory adjustments	**50,325**	**41,542**

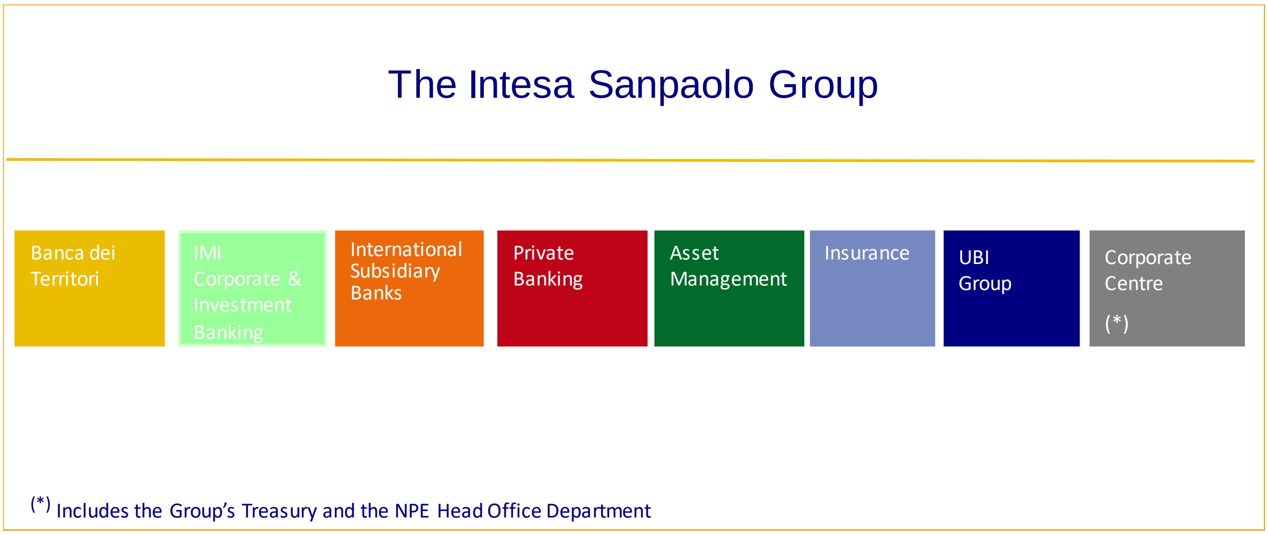
(a) Common Equity Tier 1 capital as at 30 September 2020 includes the income for the first nine months of 2020, less the related dividend (and other foreseeable charges), calculated by applying the pay-out ratio of 75% envisaged for 2020, excluding the contribution of provisional negative goodwill deriving from the acquisition of the UBI Group.

(b) Adjustments for the transitional period as at 30 September 2019 take account of the prudential filter, which allows re-inclusion in Common Equity of a portion of the impact of IFRS 9 (70% in 2020) set to decrease progressively until 2022.

The figures as at 30 September 2020 include assets and liabilities in relation to the UBI Group.

Breakdown of consolidated results by business area

The Intesa Sanpaolo Group organisational structure is based on six Business Units. In addition, there is the Corporate Centre, which is charged with providing guidance, coordination and control for the entire Group and - albeit temporarily - the contribution of the UBI Group.



The Intesa Sanpaolo Group's segment reporting is based on the elements that management uses to make its own operating decisions (the "management approach") and is therefore consistent with the disclosure requirements of IFRS 8.
In addition to reflecting the operating responsibilities assigned in accordance with the Group's organisational structure, the business areas are an aggregation of business lines similar in the type of products and services they sell.
In July, following the merger by incorporation of Banca IMI into the Parent Company, the Corporate and Investment Banking Division took on the new name of IMI Corporate & Investment Banking.

The table below shows the main data summarising the trend of the business areas of the Intesa Sanpaolo Group in the first nine months of 2020.

The UBI Group's income statement and balance sheet figures - which as previously reported are subject to consolidation from the acquisition date with effect from this Statement - are temporarily represented as a separate business unit and will be assigned to divisions at a later date, as integration of the processes moves ahead. As stated above in the comments on the consolidated economic results and balance sheet aggregates, given the particular case in question, no adjustments have been made to the historic reclassified data in order to retroactively reflect the effects of the acquisition. Accordingly, in this chapter there are no comparative figures for the UBI Group's data.

Division figures for the comparative periods have been restated to reflect the changes in scope of the Business Units, where necessary and if they are material, with the exception of the figures relating to the UBI Group, which as indicated have not been restated.
In particular, the restatement concerned:

– inclusion in the Insurance Division, of the income statement and balance sheet results of RBM Assicurazione Salute, which entered the line-by-line scope of consolidation due to the finalisation of the acquisition of the majority shareholding of the company in the second quarter of 2020;
– the line-by-line deconsolidation by Banca dei Territori and reallocation to the income/loss from discontinued operations of the Corporate Centre of the economic results of the acquiring business unit within the framework of payment services, contributed to Nexi per the agreement signed in December 2019 and finalised at the end of the first half of 2020;
– the reallocation between the Banca dei Territori Division and Corporate and Investment Banking Division (now the IMI Corporate & Investment Banking Division) of the economic results and balance sheet aggregates of Mediocredito Italiano, previously fully included within Banca dei Territori, following its merger by incorporation into the Parent Company in November 2019;
– the reallocation to the Divisions of some operating costs and income statement and balance sheet components relating to bad loans, previously attributed to the NPE Department (former Capital Light Bank) within the Corporate Centre, following the operational reorganisation of the Chief Lending Officer Governance Area;
– the inclusion among the operating costs of the Banca dei Territori Division and the Corporate and Investment Banking Division (now the IMI Corporate & Investment Banking Division) for 2019 of the effects of the fees to be paid to Prelios

under the servicing agreement for the management of unlikely-to-pay loans, which entered into effect at the end of 2019, assuming that this agreement had entered into effect from 1 January 2019, since it will have an ongoing impact on future income statements;

– the revision of the internal transfer rate applied in 2020 in view of market interest rate dynamics.

(millions of euro)

	Banca dei Territori	IMI Corporate & Investment Banking	International Subsidiary Banks	Private Banking	Asset Management	Insurance	Corporate Centre	Total Intesa Sanpaolo Group (net of UBI Group)	UBI Group	Total Intesa Sanpaolo Group
Operating income										
30.09.2020	5,991	3,456	1,413	1,435	549	956	-642	13,158	575	13,733
30.09.2019	6,270	3,106	1,485	1,444	558	909	-184	13,588		13,588
% change (a)	-4.4	11.3	-4.8	-0.6	-1.6	5.2		-3.2		
Operating costs										
30.09.2020	-3,712	-798	-723	-443	-110	-170	-643	-6,599	-360	-6,959
30.09.2019	-3,893	-829	-722	-449	-108	-161	-689	-6,851		-6,851
% change (a)	-4.6	-3.7	0.1	-1.3	1.9	5.6	-6.7	-3.7		
Operating margin										
30.09.2020	2,279	2,658	690	992	439	786	-1,285	6,559	215	6,774
30.09.2019	2,377	2,277	763	995	450	748	-873	6,737		6,737
% change (a)	-4.1	16.7	-9.6	-0.3	-2.4	5.1	47.2	-2.6		
Net income (loss)										
30.09.2020	253	1,538	378	643	326	473	-538	3,073	3,303	6,376
30.09.2019	778	1,409	564	671	344	495	-951	3,310		3,310
% change (a)	-67.5	9.2	-33.0	-4.2	-5.2	-4.4	-43.4	-7.2		
Loans to customers										
30.09.2020	207,256	134,470	35,301	9,442	266	-	17,166	403,901	85,247	489,148
31.12.2019	194,358	131,884	34,038	9,329	435	-	25,185	395,229		395,229
% change (b)	6.6	2.0	3.7	1.2	-38.9	-	-31.8	2.2		
Direct deposits from banking business										
30.09.2020	221,909	89,901	44,780	40,798	9	-	51,610	449,007	98,321	547,328
31.12.2019	199,256	86,850	43,420	39,537	10	-	56,439	425,512		425,512
% change (b)	11.4	3.5	3.1	3.2	-10.0	-	-8.6	5.5		
Risk-weighted assets										
30.09.2020	80,107	99,011	32,542	9,418	1,362	-	63,335	285,775	56,476	342,251
31.12.2019	86,829	100,274	32,916	9,184	1,446	-	67,875	298,524		298,524
% change (b)	-7.7	-1.3	-1.1	2.5	-5.8	-	-6.7	-4.3		
Absorbed capital										
30.09.2020	6,881	8,508	3,390	860	155	4,164	3,727	27,685	4,851	32,536
31.12.2019	7,459	8,617	3,441	798	146	3,821	3,989	28,271		28,271
% change (b)	-7.7	-1.3	-1.5	7.8	6.2	9.0	-6.6	-2.1		

Figures restated, where necessary and material, considering the changes in the scope of consolidation and in business unit constituents and discontinued operations. The figures concerning UBI Group have not been restated.

(a) The change expresses the ratio between 30.09.2020 and 30.09.2019.

(b) The change expresses the ratio between 30.09.2020 and 31.12.2019.

BUSINESS AREAS

Banca dei Territori

(millions of euro)

Income statement	30.09.2020	30.09.2019	changes amount	changes %
Net interest income	3,069	3,099	-30	-1.0
Net fee and commission income	2,860	3,111	-251	-8.1
Income from insurance business	-	2	-2	-
Profits (Losses) on financial assets and liabilities designated at fair value	71	61	10	16.4
Other operating income (expenses)	-9	-3	6	-
Operating income	**5,991**	**6,270**	**-279**	**-4.4**
Personnel expenses	-2,200	-2,334	-134	-5.7
Other administrative expenses	-1,509	-1,553	-44	-2.8
Adjustments to property, equipment and intangible assets	-3	-6	-3	-50.0
Operating costs	**-3,712**	**-3,893**	**-181**	**-4.6**
Operating margin	**2,279**	**2,377**	**-98**	**-4.1**
Net adjustments to loans	-1,877	-1,093	784	71.7
Other net provisions and net impairment losses on other assets	-43	-34	9	26.5
Other income (expenses)	30	-	30	-
Income (Loss) from discontinued operations	-	-	-	-
Gross income (loss)	**389**	**1,250**	**-861**	**-68.9**
Taxes on income	-128	-456	-328	-71.9
Charges (net of tax) for integration and exit incentives	-8	-15	-7	-46.7
Effect of purchase price allocation (net of tax)	-	-1	-1	-
Levies and other charges concerning the banking industry (net of tax)	-	-	-	-
Impairment (net of tax) of goodwill and other intangible assets	-	-	-	-
Minority interests	-	-	-	-
Net income (loss)	**253**	**778**	**-525**	**-67.5**

(millions of euro)

	30.09.2020	31.12.2019	changes amount	changes %
Loans to customers	207,256	194,358	12,898	6.6
Direct deposits from banking business	221,909	199,256	22,653	11.4
Risk-weighted assets	80,107	86,829	-6,722	-7.7
Absorbed capital	6,881	7,459	-578	-7.7

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

Banca dei Territori’s operating income was 5,991 million euro in the first nine months of 2020, equal to around half of the Group’s consolidated operating income, down (-4.4%) on the same period of the previous year. In detail, there was a decrease (-8.1%) in fee and commission income, affected by the abrupt slowdown in the first six months of the year associated with containment of the COVID-19 pandemic, to be attributed to both the management, dealing and financial consultancy and commercial banking segments. Net interest income remained essentially steady, amounting to levels slightly below those of the first nine months of the previous year (-1%). Among the other components of the Division's operating income, marginal in amount, positive developments included profits on financial assets and liabilities designated at fair value (+10 million euro), whereas negative developments included other net operating costs (+6 million euro). Operating costs, equal to 3,712 million euro, were down by 4.6%, thanks to the savings in personnel expenses, attributable to the reduction in the average workforce, and the decrease in administrative expenses, despite higher costs (particularly relating to IT) connected with the health emergency, mainly due to savings on service costs in the real estate and operations sectors and lower expenditure on advertising, entertainment and for services rendered by third parties. As a result of the changes described above, the operating margin amounted to 2,279 million euro, down 4.1% on the same period of 2019. Gross income, equal to 389 million euro, was harshly impacted by the recognition of significant adjustments to loans mainly

correlated with the revision of the scenario following the pandemic. Lastly, net income, after allocation to the Division of taxes of 128 million euro and charges for integration of 8 million euro, amounted to 253 million euro (-67.5% compared to the first nine months of 2019).
In the third quarter there was an increase in operating income attributable to a recovery in fee and commission income and an improvement in all income margins compared to the second quarter, which had been significantly impacted by the effects associated with the COVID-19 crisis environment.

The balance sheet figures at the end of September 2020 showed significant growth in total intermediated volumes of loans and deposits from the beginning of the year (+9%). In detail, loans to customers, equal to 207,256 million euro, recorded an increase of 12.9 billion euro (+6.6%), due to medium-/long-term loans to SMEs and retail businesses, which reflect the Group's support to the Italian economy, also in relation to the extraordinary measures taken by the government. Direct deposits from banking business, amounting to 221,909 million euro, were up sharply (+22.7 billion euro, or +11.4%) in the amounts due to customers component, due to the higher liquidity accumulated on deposits held by businesses and individuals awaiting a more favourable scenario.

IMI Corporate & Investment Banking

(millions of euro)

Income statement	30.09.2020	30.09.2019	changes	
			amount	%
Net interest income	1,600	1,380	220	15.9
Net fee and commission income	728	688	40	5.8
Income from insurance business	-	-	-	-
Profits (Losses) on financial assets and liabilities designated at fair value	1,120	1,036	84	8.1
Other operating income (expenses)	8	2	6	-
Operating income	**3,456**	**3,106**	**350**	**11.3**
Personnel expenses	-302	-304	-2	-0.7
Other administrative expenses	-480	-508	-28	-5.5
Adjustments to property, equipment and intangible assets	-16	-17	-1	-5.9
Operating costs	**-798**	**-829**	**-31**	**-3.7**
Operating margin	**2,658**	**2,277**	**381**	**16.7**
Net adjustments to loans	-308	-177	131	74.0
Other net provisions and net impairment losses on other assets	-42	-13	29	-
Other income (expenses)	-	3	-3	-
Income (Loss) from discontinued operations	-	-	-	-
Gross income (loss)	**2,308**	**2,090**	**218**	**10.4**
Taxes on income	-760	-677	83	12.3
Charges (net of tax) for integration and exit incentives	-10	-4	6	-
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	-	-	-	-
Net income (loss)	**1,538**	**1,409**	**129**	**9.2**

(millions of euro)

	30.09.2020	31.12.2019	changes	
			amount	%
Loans to customers	134,470	131,884	2,586	2.0
Direct deposits from banking business (a)	89,901	86,850	3,051	3.5
Risk-weighted assets	99,011	100,274	-1,263	-1.3
Absorbed capital	8,508	8,617	-109	-1.3

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

(a) The item includes certificates.

In the first nine months of 2020, the Corporate and Investment Banking Division, which in July, following the merger by incorporation of Banca IMI into the Parent Company, took on the name **IMI Corporate & Investment Banking**, recorded operating income of 3,456 million euro (representing 30% of the Group's consolidated total), up by 11.3% compared to the same period of the previous year.

In detail, net interest income of 1,600 million euro was up by 15.9%, benefiting from the greater contribution of loans to customers. Net fee and commission income, amounting to 728 million euro, increased by 5.8%, due to the performance of the investment banking segment. Profits on financial assets and liabilities designated at fair value, amounting to 1,120 million euro, performed favourably (+8.1%): the trend in valuation effects due to the debt value adjustment (DVA) correlated with liabilities comprised of certificates was only partly offset by the lower profits on disposal recorded in the first nine months of 2020. Operating costs amounted to 798 million euro, down 3.7% compared to the same period of the previous year, essentially due to savings on administrative expenses. As a result of the above revenue and cost trends, the operating margin came to 2,658 million euro, up 16.7% compared to the same period of 2019. Gross income, amounting to 2,308 million euro, was up 10.4%, despite higher net adjustments to loans recorded due to the COVID-19 pandemic, markedly in the second quarter. Lastly, net income came to 1,538 million euro (+9.2%).

The IMI Corporate & Investment Banking Division recorded a decrease in the operating margin in the third quarter of 2020 compared to the second, essentially due to the decrease in revenues attributable to net profits (losses) on financial assets and liabilities designated at fair value. Conversely, gross income and net income increased due to the decline in adjustments to loans.

The Division's intermediated volumes increased compared to the beginning of the year (+2.6%). In detail, loans to customers of 134,470 million euro increased by 2.6 billion euro (+2%), attributable to medium-/long-term loans for structured finance transactions, and, to a lesser extent, loans to financial institution customers. Direct deposits from banking business, amounting to 89,901 million euro, were up by 3.1 billion euro (+3.5%) due mainly to the increase in amounts due to global corporate customers, only partly offset by the decline in the securities issued of the Luxembourg subsidiary and of the Irish subsidiary within the International Department.

International Subsidiary Banks

(millions of euro)

Income statement	30.09.2020	30.09.2019	changes	
			amount	%
Net interest income	981	1,030	-49	-4.8
Net fee and commission income	368	397	-29	-7.3
Income from insurance business	-	-	-	-
Profits (Losses) on financial assets and liabilities designated at fair value	89	85	4	4.7
Other operating income (expenses)	-25	-27	-2	-7.4
Operating income	**1,413**	**1,485**	**-72**	**-4.8**
Personnel expenses	-393	-398	-5	-1.3
Other administrative expenses	-248	-246	2	0.8
Adjustments to property, equipment and intangible assets	-82	-78	4	5.1
Operating costs	**-723**	**-722**	**1**	**0.1**
Operating margin	**690**	**763**	**-73**	**-9.6**
Net adjustments to loans	-173	-36	137	-
Other net provisions and net impairment losses on other assets	-2	-	2	-
Other income (expenses)	6	5	1	20.0
Income (Loss) from discontinued operations	-	-	-	-
Gross income (loss)	**521**	**732**	**-211**	**-28.8**
Taxes on income	-114	-141	-27	-19.1
Charges (net of tax) for integration and exit incentives	-29	-27	2	7.4
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	-	-	-	-
Net income (loss)	**378**	**564**	**-186**	**-33.0**

(millions of euro)

	30.09.2020	31.12.2019	changes	
			amount	%
Loans to customers	35,301	34,038	1,263	3.7
Direct deposits from banking business	44,780	43,420	1,360	3.1
Risk-weighted assets	32,542	32,916	-374	-1.1
Absorbed capital	3,390	3,441	-51	-1.5

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

The **International Subsidiary Banks Division** is responsible for the Group's activities in foreign markets through commercial banking subsidiaries and associates, mainly active in retail banking.

In the first nine months of 2020, the Division's operating income came to 1,413 million euro, down (-4.8%) compared to the same period of the previous year (-5% at like-for-like exchange rates). A detailed analysis shows that net interest income came to 981 million euro (-4.8%), mainly due to the trends reported by VUB Banka (-40 million euro), and, to a lesser extent, PBZ - including Intesa Sanpaolo Bank (Slovenia) and Intesa Sanpaolo Banka Bosna i Hercegovina (-23 million euro) - only partly offset by the positive contributions by Bank of Alexandria (+11 million euro) and CIB Bank (+7 million euro). Net fee and commission income, equal to 368 million euro, was down (-7.3%) mainly due to PBZ - including Intesa Sanpaolo Bank (Slovenia) and Intesa Sanpaolo Banka Bosna i Hercegovina (-29 million euro). Among the other revenue components, profits (losses) on financial assets and liabilities designated at fair value, amounting to 89 million euro, increased on the first nine months of 2019 (+4.7%) while other net operating costs, which were marginal in amount, declined.
Operating costs of 723 million euro remained essentially stable (+0.1%; +0.4% at constant exchange rates) due to the growth of depreciation of property and equipment and amortisation of intangible assets and administrative expenses, only partially absorbed by lower personnel expenses.
As a result of the above revenue and cost trends, the operating margin decreased (-9.6%) to 690 million euro. Gross income, equal to 521 million euro, decreased by 28.8%, also due to higher adjustments to loans, primarily attributable to provisions

relating to the COVID-19 pandemic. The Division closed the first nine months of the year with net income of 378 million euro (-33%).
In the third quarter of 2020, the operating margin increased slightly compared with the second quarter due to the increase in fee and commission income and net interest income, while operating costs remained stable. Gross income and net income benefited from lower adjustments to loans than those recognised in the second quarter in response to the COVID-19 emergency.

The Division's intermediated volumes grew at the end of September 2020, compared to the beginning of the year (+3.4%), owing to both loans to customers (+3.7%), in the medium-/long-term component, and to direct deposits from banking business (+3.1%), in particular amounts due to customers. The trend in volumes was mainly attributable to subsidiaries operating in Slovakia, Serbia and Croatia.

Private Banking

(millions of euro)

Income statement	30.09.2020	30.09.2019	changes amount	changes %
Net interest income	154	132	22	16.7
Net fee and commission income	1,260	1,276	-16	-1.3
Income from insurance business	-	-	-	-
Profits (Losses) on financial assets and liabilities designated at fair value	16	33	-17	-51.5
Other operating income (expenses)	5	3	2	66.7
Operating income	**1,435**	**1,444**	**-9**	**-0.6**
Personnel expenses	-256	-260	-4	-1.5
Other administrative expenses	-144	-147	-3	-2.0
Adjustments to property, equipment and intangible assets	-43	-42	1	2.4
Operating costs	**-443**	**-449**	**-6**	**-1.3**
Operating margin	**992**	**995**	**-3**	**-0.3**
Net adjustments to loans	-15	-	15	-
Other net provisions and net impairment losses on other assets	-34	-38	-4	-10.5
Other income (expenses)	6	9	-3	-33.3
Income (Loss) from discontinued operations	-	-	-	-
Gross income (loss)	**949**	**966**	**-17**	**-1.8**
Taxes on income	-295	-280	15	5.4
Charges (net of tax) for integration and exit incentives	-11	-14	-3	-21.4
Effect of purchase price allocation (net of tax)	-1	-1	-	-
Levies and other charges concerning the banking industry (net of tax)	-	-	-	-
Impairment (net of tax) of goodwill and other intangible assets	-	-	-	-
Minority interests	1	-	1	-
Net income (loss)	**643**	**671**	**-28**	**-4.2**

(millions of euro)

	30.09.2020	31.12.2019	changes amount	changes %
Assets under management [(1)]	123,708	122,660	1,048	0.9
Risk-weighted assets	9,418	9,184	234	2.5
Absorbed capital	860	798	62	7.8

(1) Figures restated in line with consolidated reporting criteria of indirect customer deposits.

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

The **Private Banking Division** serves the top customer segment (Private and High Net Worth Individuals), creating value by offering top products and services. The Division coordinates the operations of Fideuram, Fideuram Investimenti, Intesa Sanpaolo Private Banking, SIREF Fiduciaria, Intesa Sanpaolo Private Bank (Suisse) Morval, Fideuram Asset Management Ireland, Fideuram Bank (Luxembourg) and Financière Fideuram.

In the first nine months of 2020, the Division generated gross income of 949 million euro, down by 17 million euro (-1.8%) compared with the same period of the previous year, due to the reduction in revenues (-9 million euro) and other income (-3 million euro), as well as to higher net adjustments to loans (+15 million euro). Operating costs (-6 million euro) and provisions for risks and charges (-4 million euro) decreased.
The performance of operating income was attributable to a decrease in profits (losses) on financial assets and liabilities designated at fair value (-17 million euro) and in net fee and commission income (-16 million euro), partially offset by the increase in net interest income (+22 million euro).
The trend in financial assets was due to the lower capital gains realised on the sale of debt securities in the portfolio measured at fair value through other comprehensive income, whereas the performance of net fee and commission income was attributable to the decline in recurring fees and commissions following the repositioning of customers' savings into less profitable products, partly mitigated by the favourable effect deriving from the increase in average assets under management, which recovered progressively in the third quarter. In addition, higher fee and commission expense was incurred for

incentives for the distribution networks. The growth of net interest income was due to the increase in the average volumes of treasury time deposits and the containment of the average cost of interbank funding.
The Division closed the first nine months of 2020 with net income of 643 million euro, down by 4.2% compared to the same period of the previous year.

The values of assets gathered have been recognised in accordance with the reporting criteria for indirect customer deposits used in the Intesa Sanpaolo Group's consolidated financial statements, involving in particular the elimination of customer current accounts correlated with investment transactions, bonds and certificates that, despite being part of customers' assets, are already included in direct customer deposits. In addition, third-party products were reallocated from assets under management to assets under administration.

As at 30 September 2020, assets gathered, which also include the contribution of the trust mandates for SIREF Fiduciaria, amounted to 201.7 billion euro (-1.7 billion euro compared to the beginning of the year). This trend was due to the market performance, which was impacted by the pandemic that had a negative effect on assets. Net inflows moved in the opposite direction, providing a positive contribution compared to the first nine months of the previous year. The assets under management component amounted to 123.7 billion euro (-1 billion euro).

Asset Management

(millions of euro)

Income statement	30.09.2020	30.09.2019	Changes amount	Changes %
Net interest income	-	-	-	-
Net fee and commission income	528	527	1	0.2
Income from insurance business	-	-	-	-
Profits (Losses) on financial assets and liabilities designated at fair value	-2	5	-7	-
Other operating income (expenses)	23	26	-3	-11.5
Operating income	**549**	**558**	**-9**	**-1.6**
Personnel expenses	-57	-55	2	3.6
Other administrative expenses	-49	-49	-	-
Adjustments to property, equipment and intangible assets	-4	-4	-	-
Operating costs	**-110**	**-108**	**2**	**1.9**
Operating margin	**439**	**450**	**-11**	**-2.4**
Net adjustments to loans	-	-	-	-
Other net provisions and net impairment losses on other assets	-	-	-	-
Other income (expenses)	-	-	-	-
Income (Loss) from discontinued operations	-	-	-	-
Gross income (loss)	**439**	**450**	**-11**	**-2.4**
Taxes on income	-112	-106	6	5.7
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	-1	-	1	-
Net income (loss)	**326**	**344**	**-18**	**-5.2**

(millions of euro)

	30.09.2020	31.12.2019	changes amount	changes %
Assets under management	263,401	265,813	-2,412	-0.9
Risk-weighted assets	1,362	1,446	-84	-5.8
Absorbed capital	155	146	9	6.2

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

The **Asset Management Division** pursues the mission of developing the best asset management solutions aimed at the Group's customers and its presence on the open market segment through the subsidiary Eurizon Capital and its investees.

Operating income in the first nine months of 2020, amounting to 549 million euro, decreased by 1.6% compared to the same period of the previous year, attributable to the negative contribution from the fair value measurement of the financial portfolio in which cash and cash equivalents of the Division are invested and, to a lesser extent, the decrease in other operating income despite the positive contribution of subsidiaries consolidated at equity. Fee and commission income was essentially stable (+0.2%): the increase in incentive and placement fees offset the decline in recurring fees and commission income (for management and administrative services), penalised by the repositioning of the asset mix of assets under management towards conservative profiles following the pandemic. Operating costs reported a slight increase (+1.9%), attributable to personnel expenses, in relation to the increase in the workforce. As a result of the above revenue and cost trends, the operating margin came to 439 million euro, down 2.4% on the same period of the 2019. The Division closed the first nine months of 2020 with net income of 326 million euro (-5.2%).

Overall, the total assets under management by the Asset Management Division at 30 September 2020 came to 263.4 billion euro, down by 2.4 billion euro (-0.9%) compared to 31 December 2019, mostly attributable to the market trends resulting from the spread of the COVID-19 pandemic. In the first nine months of 2020, net outflows came to 0.6 billion euro, in line with the figures from the same period of the previous year. The outflows in the period were the result of portfolio management schemes for retail and private-banking customers (-0.5 billion euro) and products dedicated to institutional customers

(-0.3 billion euro, deriving in particular from insurance mandates), only partially offset by net inflows into mutual funds (+0.2 billion euro). In the third quarter there was an increase in assets under management, driven by the positive performance of the markets, which recovered a portion of the negative effects of the pandemic.

As at 30 September 2020, Eurizon Capital's Italian market share of assets under management was 14.3% (gross of duplications), down slightly since the beginning of the year. Excluding the closed-end funds segment, in which the company operates only through the equity fund "Eurizon Italian Fund - Eltif", the share of assets under management at the end of September rose to 14.7%.

Insurance

(millions of euro)

Income statement	30.09.2020	30.09.2019	Changes amount	%
Net interest income	-	-	-	-
Net fee and commission income	1	-	1	-
Income from insurance business	962	917	45	4.9
Profits (Losses) on financial assets and liabilities designated at fair value	-	-	-	-
Other operating income (expenses)	-7	-8	-1	-12.5
Operating income	**956**	**909**	**47**	**5.2**
Personnel expenses	-72	-68	4	5.9
Other administrative expenses	-87	-85	2	2.4
Adjustments to property, equipment and intangible assets	-11	-8	3	37.5
Operating costs	**-170**	**-161**	**9**	**5.6**
Operating margin	**786**	**748**	**38**	**5.1**
Net adjustments to loans	-	-	-	-
Other net provisions and net impairment losses on other assets	-16	-1	15	-
Other income (expenses)	-	-	-	-
Income (Loss) from discontinued operations	-	-	-	-
Gross income (loss)	**770**	**747**	**23**	**3.1**
Taxes on income	-216	-200	16	8.0
Charges (net of tax) for integration and exit incentives	-11	-1	10	-
Effect of purchase price allocation (net of tax)	-14	-12	2	16.7
Levies and other charges concerning the banking industry (net of tax)	-	-	-	-
Impairment (net of tax) of goodwill and other intangible assets	-	-	-	-
Minority interests	-56	-39	17	43.6
Net income (loss)	**473**	**495**	**-22**	**-4.4**

(millions of euro)

	30.09.2020	31.12.2019	changes amount	%
Direct deposits from insurance business (1)	167,120	165,953	1,167	0.7
Risk-weighted assets	-	-	-	-
Absorbed capital	4,164	3,821	343	9.0

(1) Including the subordinated securities issued by the companies.

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

The **Insurance Division** includes Intesa Sanpaolo Vita, Intesa Sanpaolo Life, Fideuram Vita, Intesa Sanpaolo Assicura and Intesa Sanpaolo RBM Salute, with the mission of synergically developing the insurance product mix targeting Group customers.

In the first nine months of 2020, the Division reported income from insurance business of 962 million euro, up 45 million euro (+4.9%) compared to the same period of 2019. The improved result – achieved despite the lower financial revenues realised on the life insurance portfolio compared to the first nine months of the previous year – was mainly attributable to the increase in revenues linked to the non-life business, also due to lower claims recorded during the period of lockdown as a result of the COVID-19 emergency.
Gross income amounted to 770 million euro, up by 23 million euro (+3.1%), due to the aforementioned increase in operating income, partially offset by an increase in operating costs (+5.6%) and the adjustments to other assets made as a result of the difficult market scenario.
The cost/income ratio, at 17.8%, remained at excellent levels, substantially in line with the first nine months of 2019.
Lastly, net income, after the attribution of taxes of 216 million euro, charges for integration and exit incentives of 11 million euro, effects of purchase price allocation for 14 million euro and minority interests for 56 million euro, amounted to 473 million euro (-4.4%).

Direct deposits from insurance business, amounting to 167,120 million euro, were up slightly compared to the beginning of the year (+0.7%, or +1.2 billion euro), mainly due to the growth of technical reserves, which more than offset the decline in financial liabilities measured at fair value.

The Division's collected premiums for life policies and pension products amounted to 11.1 billion euro, down 15% on the same period of last year, due to both traditional and unit-linked products. Conversely, pension products grew slightly (+2%).

Collected premiums for the protection business totalled 886 million euro, down by 3% on the first nine months of 2019, restated to include Intesa Sanpaolo RBM Salute for a uniform comparison. There was an increase in non-motor products (excluding CPI - Credit Protection Insurance), which are the focus of the 2018-2021 Business Plan, up by 3%.

Corporate Centre

The Corporate Centre is responsible for direction, coordination and control of the whole Group, as well as for the NPE Department, Treasury and Strategic ALM.

The Corporate Centre Departments generated a negative operating margin of 1,285 million euro in the first nine months of 2020, compared to a result of -873 million euro in the corresponding period of the previous year. That performance is essentially attributable to the declining trend in operating income, largely attributable to the drop in the profits (losses) on financial assets and liabilities designated at fair value which, in the first nine months of 2019, benefited from significant capital gains. A negative contribution was also provided by interest income, due to the higher cost of excess liquidity in view of the decrease in short-term market rates, always on negative ground, and fee and commission income, mainly due to the increase in guarantees received on credit risk hedging transactions. The operating costs, net of the amount charged back to the business units for the performance of the servicer activities, governed by specific agreements, were at lower levels than those of the same period of 2019. The gross loss, which includes both the greater provisions on loans in response to the health emergency (191 million euro) and the profits relating to income components attributable to the acquiring business contributed to Nexi (1,163 million euro), amounted to 520 million euro. The period ended with net loss of 538 million euro, compared to the loss of 951 million euro recorded in the same period of the previous year. The income statement of the Corporate Centre includes the charges imposed by legislative provisions and/or aimed at maintaining the stability of the banking industry and consequently outside the company management. These charges amounted to 425 million euro, after tax, up compared with the 338 million euro for the first nine months of 2019, mainly due to the greater charges attributable to deposit guarantee funds.

Treasury services

The Group Treasury and Finance includes treasury services in euro and foreign currencies, and the integrated management of liquidity requirements/surpluses, financial risks (ALM) and settlement risks.

The third quarter of 2020 saw Intesa Sanpaolo confirm its systemic role as a critical participant in the ECB's settlement systems, both on the Target2 (cash) platform, and on the Target2 Securities platform (securities).
In payment area project activities, in mid-September the ECB, after postponing the launch of the new cash settlement platform (Target2) by one year due to the delays that had accumulated as a result of the COVID-19 emergency and the SWIFT issue, set official new project milestones scheduling the go-live for November 2022. This rescheduling had an impact on all projects related to T2-T2S Consolidation.
Also in the context of European institutional projects, in September the ECB also announced its strategy for stimulating the adoption of instant payments in the Eurozone. This strategy involves developing its TIPS (Target Instant Payments System) into a "Target Service" that will permit the interoperability of all national clearing houses and thus make it possible to reach all European banks that have adopted the SCT scheme for instant payments (with the go-live scheduled for 15 December 2021).

Although the third quarter of 2020 was characterised by a robust recovery of economic activity from the lows reached in the previous quarter, the global economic situation remained very fragile due to the series of continuing uncertainties, including a new spike in coronavirus case numbers in Europe, a flare-up of tensions between the United States and China and the outcome of the post-Brexit negotiations. In response to this situation, governments continued to implement additional tax measures to reduce the economic cost of the pandemic and foster a recovery. The Council of the European Union approved the recovery plan sooner than expected by the market, while reducing the amount of the subsidies from that initially proposed, in response to pressure exerted by the "frugal nations".
Out of concern that the recovery might falter, at its last meeting the Federal Reserve reinforced its new forward guidance, announcing an ultra-accommodating policy for the next two to three years, including in the light of the recent monetary policy strategy review, which calls for the adoption of average inflation targeting, i.e. a change in the price target from a period-end formulation to an average over time. Conversely, the ECB postponed the conclusion of its strategy review until the end of 2021.
The ECB's announcement that it wishes to keep the expansionary instruments implemented during the period unchanged, with the possibility of full use of the PEPP and abundant surplus liquidity, which has remained at around 2,800 billion euro on average, contributed to maintaining a positive market environment, thus supporting the downtrend in the Euribor, which continued to set all-time lows across all maturities, except for one week, reaching levels below the deposit facility rate for the 1 and 3 month maturities (-0.50%). In addition, the €STR swap curve prices in expectations of a 10 bps cut of the deposit facility rate by the ECB by the end of 2021.

With regard to Intesa Sanpaolo's short-term euro and foreign currency securities funding activity, the total amount remained essentially stable, due to renewed interest in the Group's issuance programmes by the main investors, which were most active in rolling over bonds with 3 to 12 month maturities with progressively lower spreads than in the previous quarter.

In the third quarter of 2020, in terms of medium-/long-term funding operations, the total amount of Group securities placed on the domestic market via its own networks and direct listings was 826 million euro. Among the securities placed, there was a prevalence (99%) of the component consisting of structured financial instruments, mainly comprised of index-linked structures. A breakdown by average maturity shows that 35% is comprised of instruments with maturities up to 5 years, whereas the remaining 65% is represented by 6- and 7-year securities.
Institutional unsecured funding transactions were completed for a total of around 1.67 billion euro, of which (i) 1.54 billion euro through senior and subordinate issues placed on the Euromarket and (ii) 130 million euro through the issue of bonds and certificates by the IMI Corporate & Investment Banking Division placed with institutional investors.

In particular, in September a public transaction of 1.5 billion euro involving subordinated, fixed-rate bonds targeted at the international markets was finalised. This AT1 type perpetual instrument was issued in two tranches: (i) 750 million euro with the right of early redemption which can be exercised by the issuer starting from the seventh and a half year from the issue date and (ii) 750 million euro with the right of early redemption which can be exercised by the issuer starting from the eleventh year from the issue date and then on each coupon payment date. Based on the contractual terms, payment of interest is at the issuer's discretion (though subject to several regulatory restrictions). Moreover, where the Common Equity Tier 1 (CET1) ratio of the Group or of Intesa Sanpaolo falls below 5.125%, the nominal value of the instruments will be temporarily reduced by the amount needed to restore the trigger level (5.125% of CET1), taking into account also the other instruments with similar characteristics. In addition, a private placement in Australian dollars with a value of approximately 36 million euro was also carried out. The instrument was issued by Intesa Sanpaolo Bank Ireland Plc with a maturity of ten years.
As part of the covered bond issue programme guaranteed by ISP CB Pubblico, the notional amount of the 10th series was partially redeemed for an amount of 300 million euro, bringing the nominal amount to the current 250 million euro.
Under the covered bond issue programme guaranteed by ISP CB Ipotecario, the retained 20th series was redeemed early in August for a residual amount of 550 million euro.

For the management of collateral, Intesa Sanpaolo also uses the A.Ba.Co. (Collateralised Bank Assets) procedure, which allows bank loans disbursed to non-financial companies to be used to secure loan transactions with the Bank of Italy: at 30 September 2020 the amount outstanding, gross of the haircuts applicable to loans lodged as pledge by the Group, amounted to approximately 16.4 billion euro.

The third quarter was characterised by a general recovery by the main asset classes: the solid monetary policy support provided by the major central banks and increasing expectations of fiscal intervention at the European level effectively combated the persistent uncertainty surrounding the development of the pandemic. Attention should be drawn to the stability of the Italian government bond market, which even during the initial reversal phase in early September maintained a solid correlation with core European markets and then outperformed them in the following weeks.
The general narrowing of credit spreads fostered a moderate shift in the asset allocation on government and corporate markets during the period in order to optimise the distribution of risks while keeping net interest income stable.

With regard to the repo market, the volumes of Italian government bonds traded decreased slightly on the previous quarter and interest rates came to levels slightly higher than the depo facility.
The spread between the rates of the core countries and Italian government bonds remained unchanged compared to the previous quarter. At the end of the quarter, Italian spreads narrowed.

With regard to the Group's Asset & Liability Management (ALM), operational management of the financial risks of the Group's banking book is carried out under the supervision of the CRO Area. Interest rate risk is monitored and managed mainly by examining the sensitivity of the market value of the various positions in the banking book to parallel shifts in the interest rate curve; moreover, specific scenario analysis techniques on rate developments are used, as well as performance scenarios for specific positions. The strategic choices on interest rate risk are made by the Group Financial Risk Committee within the limits established by the Board of Directors: the Group Treasury & Finance structure actively supports the Committee's decision-making activity by formulating analyses and proposals. The structural component of liquidity risk is managed, based on the liquidity policies defined at Group level, by monitoring the current and future short and long-term liquidity balances, defining the funding plan on the various channels and instruments (domestic/international, retail/corporate, secured/unsecured, preferred/non preferred/subordinate), as well as the loan-deposit gap targets of the Business Units.

UBI Group

(millions of euro)

Income statement	30.09.2020
Net interest income	281
Net fee and commission income	272
Income from insurance business	3
Profits (Losses) on financial assets and liabilities designated at fair value	5
Other operating income (expenses)	14
Operating income	**575**
Personnel expenses	-237
Other administrative expenses	-88
Adjustments to property, equipment and intangible assets	-35
Operating costs	**-360**
Operating margin	**215**
Net adjustments to loans	-85
Other net provisions and net impairment losses on other assets	-7
Other income (expenses)	-
Income (Loss) from discontinued operations	-
Gross income (loss)	**123**
Taxes on income	-31
Charges (net of tax) for integration and exit incentives	-
Effect of purchase price allocation (net of tax)	3,264
Levies and other charges concerning the banking industry (net of tax)	-49
Impairment (net of tax) of goodwill and other intangible assets	-
Minority interests	-4
Net income (loss)	**3,303**

(millions of euro)

	30.09.2020
Loans to customers	85,247
Direct deposits from banking business	98,321
Risk-weighted assets	56,476
Absorbed capital	4,851

The table presented above shows the income statement and balance sheet figures for the UBI sub-consolidation scope (UBI Banca and its subsidiaries), which as previously reported are subject to consolidation from the acquisition date starting from this Statement, and thus for the August-September period.
These results are temporarily represented as a separate business unit and will be assigned to divisions at a later date, as integration of the processes moves ahead. As stated above in the comments on the consolidated economic results and balance sheet aggregates, given the particular case in question, no adjustments have been made to the historic reclassified data in order to retroactively reflect the effects of the acquisition. Accordingly, no comparative figures are provided and the following comments are framed in absolute and performance terms only.
Operating income of 575 million euro is 49% composed of net interest income and 47% of fee and commission income.
In particular, net interest income of 281 million euro showed essential stability of its customers component, due to the resilience of average volumes of interest-bearing loans and the mark-up. The cost of funding was stable overall compared to the previous periods, albeit with a different composition in the short and the medium/long term. Interbank activity presented a positive contribution due to the recognition of the positive interest accrued on the TLTRO III funds obtained in the June 2020 auction.
Net fee and commission income (equal to 272 million euro) showed a positive trend, driven in particular by management, dealing and financial consultancy services and the recovery of traditional banking activity, which generated greater fee and commission income than in previous periods, which had been negatively impacted by the shutdowns and slowdowns caused by the lockdown; the economic recovery facilitated the development of all fee and commission captions included in the segment.
Operating costs, amounting to 360 million euro, include charges attributable to the COVID-19 health emergency amounting to approximately 8 million euro.

Net adjustments to loans amounted to 85 million euro and include approximately 125 million euro of net specific adjustments to exposures classified as defaulted and approximately 40 million euro of recoveries on exposures classified as Stage 1/2. The constant increase in specific adjustments resulted in a progressive increase in the coverage ratio for exposures classified as bad loans and unlikely to pay compared to previous periods. The recovery observed in Stage 1/2 is also due to the positive performance of counterparty ratings following the lockdown.
Finally, the caption Levies and other charges concerning the banking industry primarily includes the ordinary contribution for all 2020 to the Italian deposit guarantee fund (approximately 48 million euro after tax).
It should be noted that the caption Effect of purchase price allocation (net of tax) refers to the measurement of the negative goodwill recognised following the acquisition. This amount - as already repeatedly emphasised - is to be considered absolutely provisional, and will be redetermined at the time of preparation of the 2020 financial statements following the outcome of the PPA (Purchase Price Allocation) procedure through the exact calculation, as at the date of acquisition, of the fair value of identifiable assets acquired and liabilities assumed of the UBI Group. Moreover, the 2020 Financial Statements will recognise the charges currently being determined, related to the integration and improvement of the operating efficiency and to the de-risking.
With regard to balance sheet aggregates, at the end of September direct deposits from banking business exceeded 98 billion euro, up as a result of two opposing trends, namely the increase in amounts due to customers and the gradual decline in securities issued. In particular, compared to the end of June there was an increase in amounts due to customers (current accounts and deposits, approximately +3%), reflecting a persistent strong preference for liquidity among customers, including as a result of concerns relating to the ongoing health emergency; this trend was offset by the decline in repurchase agreements with Cassa di Compensazione by approximately 1.5 billion euro.
As at 30 September 2020 total loans amounted to 85.2 billion euro, essentially classified among "Financial assets measured at amortised cost". The aggregate was up slightly compared to the end of June (+0.2%), incorporating:

- on the one hand, an increase of 1.5 billion euro in performing medium-/long-term technical forms, along with a decline in non-performing loans;
- on the other, a decrease of 1 billion euro in short-term technical forms, of which approximately one-half was due to lesser exposures to Cassa di Compensazione e Garanzia (CCG), repurchase agreements and margining transactions, by nature subject to a certain degree of variability during the year.

Excluding the components relating to the CCG, loans to the economy represented by net performing loans totalled approximately 80 billion euro, up by approximately 1.1%.

Risk management

THE BASIC PRINCIPLES OF RISK MANAGEMENT

The policies relating to risk taking and the processes for the management of the risks to which the Group is or could be exposed are approved by the Board of Directors of Intesa Sanpaolo as the Parent Company, with the support of the Risk Committee. The Management Control Committee, which is the body with control functions, supervises the adequacy, efficiency, functionality and reliability of the risk management process and of the Risk Appetite Framework.

The Managing Director and CEO has the power to submit proposals for the adoption of resolutions concerning the risk system and implements all the resolutions of the Board of Directors, with particular reference to the implementation of the strategic guidelines, the RAF and the risk governance policies.

The Corporate Bodies also benefit from the action of some Management Committees on risk management. These committees, which include the Steering Committee, operate in compliance with the primary responsibilities of the Corporate Bodies regarding internal control system and the prerogatives of corporate control functions, and in particular the risk control function.

Subject to the powers of the Corporate Bodies, the Chief Risk Officer Governance Area – reporting directly to the Managing Director and CEO – is responsible for: (i) governing the macro-process of definition, approval, control and implementation of the Group's Risk Appetite Framework with the support of the other corporate functions involved; (ii) cooperating with the Corporate Bodies in setting the Group's risk management guidelines and policies in accordance with the company strategies and objectives; (iii) coordinating and verifying the implementation of those guidelines and policies by the responsible units of the Group, also within the various corporate departments; (iv) ensuring the management of the Group's overall risk profile by establishing methods and monitoring exposures to the various types of risk and reporting the situation periodically to the Corporate Bodies; and (v) carrying out level 2 controls on credit and other risks and ensuring the validation of internal risk measurement systems.

The Parent Company performs a guidance and coordination role with respect to the Group companies[7], aimed at ensuring effective and efficient risk management at Group level, exercising responsibility in setting the guidelines and methodological rules for the risk management process, and pursuing, in particular, integrated information at Group level to the Bodies of the Parent Company, with regard to the completeness, adequacy, functioning and reliability of internal control system. For the corporate control functions in particular, there are two different types of models within the Group: (i) the centralised management model based on the centralisation of the activities at the Parent Company and (ii) the decentralised management model that involves the presence of locally established corporate control functions that conduct their activities under the direction and coordination of the same corporate control functions of the Parent Company, to which they report in functional terms.

Irrespective of the control model adopted within their company, the Corporate Bodies of the Group companies are aware of the choices made by the Parent Company and are responsible for the implementation, within their respective organisations, of the control strategies and policies pursued and promoting their integration within the Group controls.

With regard to the UBI Group, and, specifically, the activities pertaining to the risk control function, to translate the Parent Company's mentioned steering and coordination duties into practice, pending full integration, a decentralised management model has been applied, given the presence of local company functions with standing and resources that can definitely guarantee sound and prudent management of the subsidiary's risk. In particular, the risk management structures of the Parent Company and the subsidiary are expediting their sharing of approaches and tools to complete the integration of those frameworks, in order to best take advantage of possible synergies.

The risk measurement and management tools contribute to defining a risk-monitoring framework at Group level, capable of assessing the risks assumed by the Group from a regulatory and economic point of view. The level of absorption of economic capital, defined as the maximum "unexpected" loss the Group might incur over a year, is a key measure for determining the Group's financial structure, risk appetite and for guiding operations, ensuring a balance between risks assumed and shareholder returns. It is estimated on the basis of the current situation and also as a forecast, based on the budget assumptions and projected economic scenario. The assessment of capital is included in business reporting and is submitted quarterly to the Steering Committee, the Risk Committee and the Board of Directors, as part of the Tableau de Bord of the Group Risks. Risk hedging, given the nature, frequency and potential impact of the risk, is based on a constant balance between mitigation/hedging action, control procedures/processes and capital protection measures.

[7] In this regard, it is specified that Intesa Sanpaolo does not exercise management and coordination over Risanamento S.p.A. and Autostrade Lombarde S.p.A. and their subsidiaries pursuant to Article 2497 et seq. of the Italian Civil Code.

THE BASEL 3 REGULATIONS

In view of compliance with the reforms of the previous accord by the Basel Committee ("Basel 3"), the Intesa Sanpaolo Group has undertaken adequate project initiatives, expanding the objectives of the Basel 2 Project in order to improve the measurement systems and the related risk management systems.

The Bank, in agreement with the Supervisory Authorities, is currently assessing the impacts of the decision both of the Basel Committee (27 March 2020) to postpone the implementation of the Basel III standards by one year (to 1 January 2023), and of the other regulatory measures, some of which are still being defined, designed to provide banks and Supervisory Authorities additional capacity to rapidly and effectively respond to the impact of COVID-19.

With regard to the acquisition of the UBI Group and the impacts on risk management and Pillar 1 internal models for credit, market, counterparty and operational risk, the Group has launched the appropriate analyses and measures, preparing, where necessary, a strategic plan to restore regulatory compliance (so-called Return to Compliance Strategic Plan), submitted to the Corporate Bodies and the Supervisory Authority for assessment.

With regard to credit risk, there were no changes with respect to the situation as at 31 December 2019. The periodic updating and alignment to changes in regulations governing IRB systems and their extension to international subsidiaries (according to the Group's roll-out plan) continue in accordance with the Regulatory Roadmap agreed with the Supervisory Authorities.

There were no changes in the scope of application of the internal models concerning counterparty risk for OTC derivatives and Securities Financing Transactions (SFTs) or operational risks compared to 31 December 2019.

The annual Internal Capital Adequacy Assessment Process (ICAAP) Report, based on the extensive use of internal approaches for the measurement of risk, internal capital and total capital available, was approved and sent to the ECB in April 2020.

As part of its adoption of Basel 3, the Group publishes information concerning capital adequacy, exposure to risks and the general characteristics of the systems aimed at identifying, monitoring and managing them in a document entitled "Basel 3 - Pillar 3" or simply "Pillar 3".

The document is published on the website (group.intesasanpaolo.com) on a quarterly basis.

CREDIT RISK

The Intesa Sanpaolo Group has developed a set of techniques and tools for credit risk measurement and management which ensures analytical control over the quality of loans to customers and financial institutions, and loans subject to country risk.
In particular, with regard to loans to customers, risk measurement is performed by means of different internal rating models according to borrower segment (Corporate, Retail SME, Retail, Sovereigns, Italian Public Sector Entities and Banks). These models make it possible to summarise the counterparty's credit quality in a value, the rating, which reflects the probability of default over a period of one year, adjusted on the basis of the average level of the economic cycle. These ratings are then made comparable with those awarded by rating agencies, by means of a consistent scale of reference.
Ratings and credit-risk mitigating factors (guarantees, loan types and covenants) play a key role in the loan granting and managing process.

Credit quality

(millions of euro)

Captions	30.09.2020									31.12.2019					
	Gross exposure			Total adjustments			Net exposure			Gross exposure	Total adjustments	Net exposure	Net exposure Change		
	Consolidated figure (a)	Of which: UBI Group (b)	Consolidated figure net of UBI Group (c) = (a) - (b)	Consolidated figure (a)	Of which: UBI Group (b)	Consolidated figure net of UBI Group (c) = (a) - (b)	Consolidated figure (a)	Of which: UBI Group (b)	Consolidated figure net of UBI Group (c) = (a) - (b)	Consolidated figure	Consolidated figure	Consolidated figure	Consolidated figure	Of which: UBI Group	Consolidated figure net of UBI Group
Bad loans	20,383	3,345	17,038	-12,716	-1,809	-10,907	7,667	1,536	6,131	19,418	-12,678	6,740	927	1,536	-609
Unlikely to pay	14,236	3,195	11,041	-5,692	-983	-4,709	8,544	2,212	6,332	10,995	-4,257	6,738	1,806	2,212	-406
Past due loans	953	78	875	-152	-7	-145	801	71	730	886	-142	744	57	71	-14
Non-Performing Loans	**35,572**	**6,618**	**28,954**	**-18,560**	**-2,799**	**-15,761**	**17,012**	**3,819**	**13,193**	**31,299**	**-17,077**	**14,222**	**2,790**	**3,819**	**-1,029**
Non-performing loans in Stage 3 (subject to impairment)	*35,312*	*6,435*	*28,877*	*-18,439*	*-2,701*	*-15,738*	*16,873*	*3,734*	*13,139*	*31,257*	*-17,062*	*14,195*	*2,678*	*3,734*	*-1,056*
Non-performing loans designated at fair value through profit or loss	*260*	*183*	*77*	*-121*	*-98*	*-23*	*139*	*85*	*54*	*42*	*-15*	*27*	*112*	*85*	*27*
Performing loans	**468,216**	**81,815**	**386,401**	**-2,667**	**-439**	**-2,228**	**465,549**	**81,376**	**384,173**	**376,839**	**-1,697**	**375,142**	**90,407**	**81,376**	**9,031**
Stage 2	*68,135*	*10,233*	*57,902*	*-1,752*	*-288*	*-1,464*	*66,383*	*9,945*	*56,438*	*41,146*	*-1,068*	*40,078*	*26,305*	*9,945*	*16,360*
Stage 1	*399,046*	*71,416*	*327,630*	*-915*	*-151*	*-764*	*398,131*	*71,265*	*326,866*	*334,973*	*-629*	*334,344*	*63,787*	*71,265*	*-7,478*
Performing loans designated at fair value through profit or loss	*1,035*	*166*	*869*	*-*	*-*	*-*	*1,035*	*166*	*869*	*720*	*-*	*720*	*315*	*166*	*149*
Performing loans represented by securities	**6,593**	**53**	**6,540**	**-27**	**-1**	**-26**	**6,566**	**52**	**6,514**	**5,875**	**-34**	**5,841**	**725**	**52**	**673**
Stage 2	*2,822*	*-*	*2,822*	*-20*	*-*	*-20*	*2,802*	*-*	*2,802*	*2,972*	*-30*	*2,942*	*-140*	*-*	*-140*
Stage 1	*3,771*	*53*	*3,718*	*-7*	*-1*	*-6*	*3,764*	*52*	*3,712*	*2,903*	*-4*	*2,899*	*865*	*52*	*813*
Loans held for trading	**21**	**-**	**21**	**-**	**-**	**-**	**21**	**-**	**21**	**24**	**-**	**24**	**-3**	**-**	**-3**
Total loans to customers	**510,402**	**88,486**	**421,916**	**-21,254**	**-3,239**	**-18,015**	**489,148**	**85,247**	**403,901**	**414,037**	**-18,808**	**395,229**	**93,919**	**85,247**	**8,672**
of which forborne performing	***5,821***	***1,302***	***4,519***	***-259***	***-60***	***-199***	***5,562***	***1,242***	***4,320***	***5,918***	***-255***	***5,663***	***-101***	***1,242***	***-1,343***
of which forborne non-performing	***9,556***	***2,864***	***6,692***	***-3,858***	***-982***	***-2,876***	***5,698***	***1,882***	***3,816***	***7,157***	***-3,119***	***4,038***	***1,660***	***1,882***	***-222***
Loans to customers classified as discontinued operations (*)	**671**	**-**	**671**	**-506**	**-**	**-506**	**165**	**-**	**165**	**475**	**-93**	**382**	**-217**	**-**	**-217**

Figures restated, where necessary and material, considering the changes in the scope of consolidation and discontinued operations. The figures concerning UBI Group have not been restated.

As at 30 September 2020, this caption included the portfolio of bad loans/unlikely-to-pay loans and performing loans soon to be sold (gross exposure of 671 million euro, total adjustments of 506 million euro, net exposure of 165 million euro).

As at 30 September 2020, the Group's net non-performing loans, excluding the stock of 3.8 billion euro deriving from the UBI Group, amounted to 13.2 billion euro, which is a record low since 2008. The 7.2% reduction from the beginning of the year confirms the virtuous trend already recorded during 2019. Non-performing assets also decreased as a percentage of total net loans to customers, down to 3.3%, in line with the de-risking strategy set out in the Business Plan, while the coverage ratio for non-performing loans was strengthened further (54.4%, 52.2% including UBI).
In further detail, at the end of September 2020 bad loans came to 6.1 billion euro net of adjustments and excluding the UBI component of 1.5 billion euro (down by -609 million euro on the beginning of the year, or -9%), and represented 1.5% of total loans. During the same period, the coverage ratio stood at 64%. Loans included in the unlikely-to-pay category amounted to 6.3 billion euro (excluding the contribution of 2.2 billion euro from the UBI Group), down by 6%, accounting for 1.6% of total

loans to customers, with a coverage ratio of 42.7%. Past due loans, excluding the contribution of 71 million euro from the UBI Group, amounted to 730 million euro (-1.9%), with a coverage ratio of 16.6%. Within the non-performing loan category, forborne exposures, generated by forbearance measures for borrowers experiencing difficulty in meeting their financial obligations, amounted to 3.8 billion euro, with a coverage ratio of 43% (net of the UBI component of 1.9 billion euro), while forborne exposures in the performing loans category amounted to 4.3 billion euro (excluding 1.2 billion euro from the UBI Group).

The coverage ratio for performing loans remained stable at 0.6% as a result of approximately 820 million euro of prudential provisions due to the revision of the scenario. These were in addition to approximately 490 million euro of adjustments to non-performing loans, bringing the total provisions due to the revision of the scenario following the COVID-19 pandemic to over 1.3 billion euro.

MARKET RISKS

TRADING BOOK

During the third quarter of 2020, the managerial market risks generated by the Group, net of the UBI Group, decreased compared to the average values of the second quarter of 2020. These decreased from 363.5 million euro (second quarter average) to 277.6 million euro. This effect is mainly attributable to the "rolling scenario" as well as the merger by incorporation into the Parent Company of Banca IMI into the Intesa Sanpaolo Group, which resulted in a diversification of the Group managerial VaR (including the HTCS book) attributable to the methodology for calculation of managerial VaR at Group level: previously, the total managerial VaR was obtained as the sum of the managerial VaR of Intesa Sanpaolo and managerial VaR of Banca IMI, while following the merger, it is calculated on the single legal entity. Given the managerial risk drivers of the portfolio, this resulted in a decrease in managerial VaR.
Note that, following the incorporation of Banca IMI into the Parent Company and, in particular, with regard to the risk measures of the Group Treasury and Finance Department, the metrics described hereinafter include, up to the date of incorporation of Banca IMI into the Parent Company, several trading components (XVA management) recorded on behalf of the former Banca IMI on the books of Intesa Sanpaolo. These were subsequently migrated, integrating them into the book of the IMI C&IB Division.
The trend in that indicator was determined mainly by the IMI C&IB Division (Division which comprises the operations of Banca IMI), which recorded a decrease in total VaR from 325.6 million euro to 271.6 million euro.
The sole Trading Book component recorded a total reduction in risk from 85.6 million euro to 73.3 million euro.

Daily managerial VaR of the trading book (a)

(millions of euro)

	2020					2019			
	average 3rd quarter	minimum 3rd quarter	maximum 3rd quarter	average 2nd quarter	average 1st quarter	average 4th quarter	average 3rd quarter	average 2nd quarter	average 1st quarter
Group Treasury and Finance Department	9.9	3.1	35.2	37.9	15.0	13.1	16.8	15.0	16.9
IMI C&IB Division	271.6	222.8	322.6	325.6	159.8	107.2	128.5	149.0	160.1
of which IMI C&IB Division Trading Book	*59.6*	*42.9*	*69.1*	*47.7*	*26.1*	*27.8*	*28.4*	*27.9*	*34.2*
Total	**277.6**	**221.0**	**358.8**	**363.5**	**174.8**	**120.2**	**145.3**	**164.0**	**177.0**
of which GroupTrading Book (a)	***73.3***	***65.0***	***82.2***	***85.6***	***41.1***	***40.8***	***45.2***	***42.9***	***51.1***

Each line in the table sets out past estimates of daily VaR calculated on the historical quarterly time-series of the Group Treasury and Finance Department, the IMI C&IB Division and the Intesa Sanpaolo Group (including other subsidiaries) respectively.
(a) The Group Trading Book figure includes the managerial VaR of the Group Treasury and Finance Department, the IMI C&IB Division (Trading Book perimeter) and the other subsidiaries.

In the first nine months of 2020, net of the UBI Group, the Group's average managerial VaR was 273.1 million euro, up compared to 161.8 million euro in the same period of 2019. The performance of this indicator – mainly determined by the IMI C&IB Division (which, as previously indicated, comprises the operations of Banca IMI) – once again derives from an increase in the risk measures, mainly attributable to the health emergency caused by the COVID-19 pandemic.

(millions of)

	2020			2019		
	average 30.09	minimum 30.09	maximum 30.09	average 30.09	minimum 30.09	maximum 30.09
Group Treasury and Finance Department	20.9	3.1	42.6	16.2	13.4	19.0
IMI C&IB Division	252.9	85.0	356.3	145.6	102.5	192.3
of which IMI C&IB Division Trading Book	*44.6*	*20.7*	*69.1*	*30.1*	*23.1*	*38.4*
Total	**273.1**	**96.1**	**395.9**	**161.8**	**116.6**	**208.8**
of which GroupTrading Book (b)	***67.4***	***31.4***	***98.6***	***46.3***	***40.0***	***57.1***

Each line in the table sets out past estimates of daily VaR calculated on the historical time-series of the first nine months of the year respectively of the Group Treasury and Finance Department, the IMI C&IB Division and the Intesa Sanpaolo Group (including other subsidiaries); minimum and maximum values for the overall perimeter are estimated using aggregate historical time-series and therefore do not correspond to the sum of the individual values in the column.

(a) The Group Trading Book figure includes the managerial VaR of the Group Treasury and Finance Department, the IMI C&IB Division (Trading Book perimeter) and the other subsidiaries.

The breakdown of the Group's risk profile in the third quarter of 2020 (net of the UBI Group) with regard to the different risk factors shows the prevalence of credit spread risk, which accounted for 79% of the Group's total managerial VaR (of which 69% just for the Trading Book component). Instead, the single risk taking centres show a prevalence of foreign exchange risk and interest rate risk for the Group Treasury and Finance Head Office Department (46% and 38%, respectively), while the credit spread risk factor is prevalent for the IMI C&IB Division (80%).

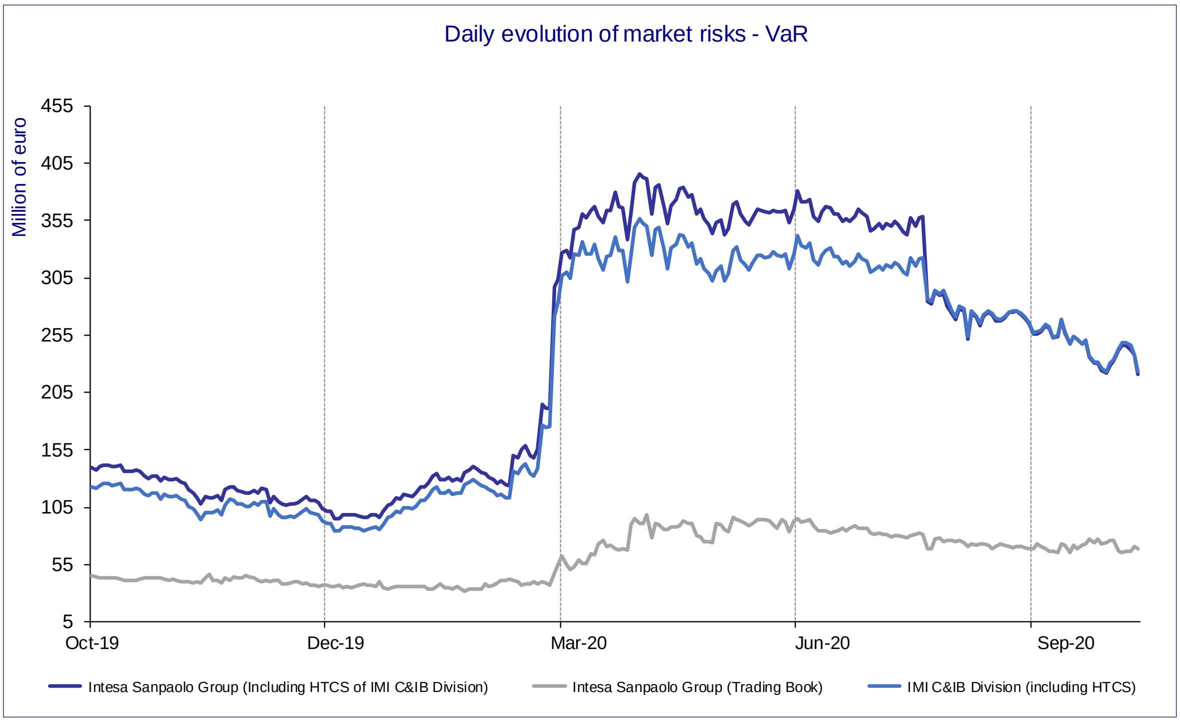
Contribution of risk factors to total managerial VaR[(a)]

3rd quarter 2020	Shares	Hedge funds	Interest rates	Credit spreads	Foreign exchange rates	Other parameters	Commodities
Group Treasury and Finance Department	0%	0%	38%	16%	46%	0%	0%
IMI C&IB Division	3%	1%	14%	80%	0%	1%	1%
Total	**3%**	**1%**	**14%**	**79%**	**1%**	**1%**	**1%**

(a) Each line in the table sets out the contribution of risk factors considering 100% the overall capital at risk, calculated as the average of daily estimates in the third quarter of 2020, broken down between the Group Treasury and Finance Department and IMI C&IB Division and indicating the distribution of the Group's overall capital at risk.

For the Intesa Sanpaolo Group (net of the UBI Group), up to June 2020 the trend in VaR in 2020 was mainly caused by the volatility on the financial markets due to the health emergency generated by the COVID-19 pandemic (the main effects were recorded on government securities in Banca IMI's HTCS book). In the third quarter, the measures decreased due to the following:

- the merger by incorporation of Banca IMI into the Parent Company, which resulted in diversification (in July) of the Group managerial VaR (including the HTCS book);
- "rolling scenario" effect in the following months: given the lower volatility of the markets, the most volatile scenarios were no longer part of the managerial VaR distributions.



Following the consolidation of the UBI Banca group into the ISP Group, the Financial and Market Risks Head Office Department estimated the managerial market risk of the HTCS securities portfolio (and related interest rate derivatives) as at 30 September 2020, using a customised calculation in accordance with the methodologies used by Intesa Sanpaolo. The estimate shows a risk for that segment of around 80 million euro.

Risk control with regard to the activity of the Intesa Sanpaolo Group also uses scenario analyses and stress tests. The shocks applied to the portfolio were subject to the usual annual assessment and updating. The impact of selected scenarios relating to the evolution of stock prices, interest rates, credit spreads, foreign exchange rates and commodity prices at the end of September is summarised in the following table (data net of the UBI Group):

(millions of euro)

	EQUITY		INTEREST RATES		CREDIT SPREADS		FOREIGN EXCHANGE RATES		COMMODITIES	
	Crash	Bullish	+40bp	lower rate	-25bp	+25bp	-5%	+5%	Crash	Bullish
Total	16	-22	-270	170	833	-781	18	3	5	-3
of which HTCS of the IMI C&IB Division	*0*	*0*	*-229*	*139*	*796*	*-759*	*0*	*0*	*0*	*0*

More specifically:

- for stock market positions, there would be a loss of 22 million euro in the event of a sharp rise in equity prices and a decrease in volatility;
- for positions in interest rates, there would be a loss of -270 million euro in the event of an increase in rate curves of 40 bps (of which -229 million euro attributable to IMI C&IB Division's HTCS portfolio);
- for positions in credit spreads, a widening of credit spreads of 25 bps would entail a loss of 781 million euro (of which -759 million euro attributable to IMI C&IB Division's HTCS portfolio);
- for foreign exchange positions, there would be a profit in both the euro's appreciation and depreciation scenarios;
- finally, for positions in commodities, there would be a loss of 3 million euro in the event of an increase in commodity prices other than precious metals and the consequent decline in volatility.

Backtesting

The soundness of the VaR calculation methods must be monitored daily via backtesting which, for the regulatory backtesting, compares:

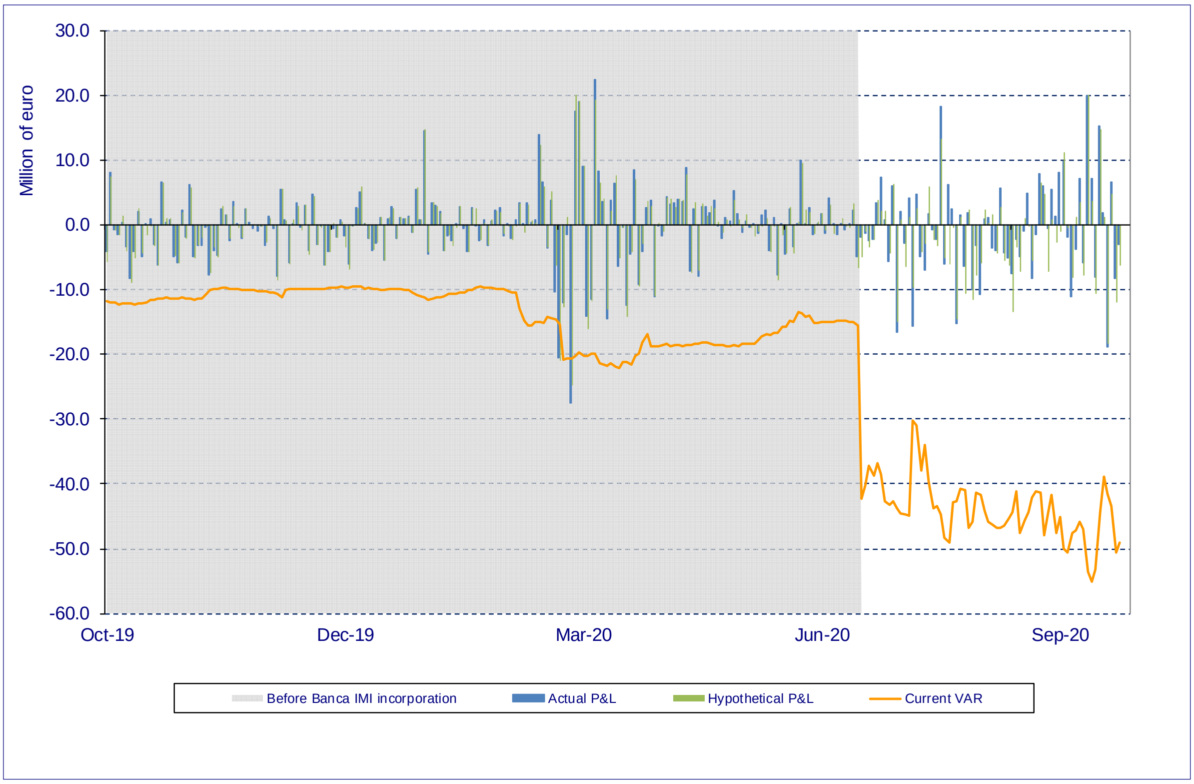
- the daily estimates of value at risk;
- the daily profits/losses based on backtesting which are determined using actual daily profits and losses achieved by the individual desks. This measure therefore needs to be stripped of the products and/or components that are not relevant to the backtesting checks: these include, for example, fees, financial costs of managing the positions that are regularly reported within the managerial area.

Backtesting allows verification of the model's capability of correctly seizing, from a statistical viewpoint, the variability in the daily valuation of trading positions, covering an observation period of one year (250 estimates). Any critical situations relative to the adequacy of the internal model are represented by situations in which daily profits/losses based on backtesting highlight more than four occasions, in the year of observation, in which the daily loss is higher than the value at risk estimate. Current regulations require that backtesting is performed by taking into consideration both the actual and hypothetical P&L series.

At 30 September 2020, the Intesa Sanpaolo Group did not benefit from the exclusion of overshootings from the calculation of the backtesting addend in view of the COVID-19 pandemic (Reg. 2020/873, Art. 500c). The exceptions set out below are the only cases recorded by Intesa Sanpaolo over the last twelve months.

The increase in the Parent Company's VaR shown in the graph below starting in July is attributable to the effects of the integration of the Banca IMI trading book.

During the quarter[8], no backtesting exceptions were recorded. The two overshootings shown in the graph for the period October 2019 – July 2020 refer to the legal entity Intesa Sanpaolo before Banca IMI incorporation. During the same period, Banca IMI recorded three exceptions. The most recent breaches were linked to the turmoil on the markets as a result of the COVID-19 crisis.



[8] The estimates do not include UBI's trading book.

BANKING BOOK

At the end of September 2020, interest rate risk generated by the Intesa Sanpaolo Group's banking book, measured through shift sensitivity of value, amounted to -1.815 million euro.
The sensitivity of net interest income – assuming a +50, -50 and +100 basis point change in interest rates – amounted to 1,182 million euro, -982 million euro and 2,339 million euro, respectively, at the end of September 2020.
Interest rate risk, measured in terms of VaR, recorded a value of 680 million euro at the end of September 2020.
Price risk generated by minority stakes in listed companies, mostly held in the HTCS (Held to Collect and Sell) category, amounted to 159 million euro at the end of September 2020.

The table below shows the changes in the main risk measures during the third quarter of 2020 relating to the Intesa Sanpaolo Group.

(millions of euro)

	3rd quarter 2020			30.09.2020	31.12.2019
	average	minimum	maximum		
Shift Sensitivity of the Economic Value +100 bp	-926	-1,815	297	-1,815	394
Shift Sensitivity of Net Interest Income -50bp	-921	-999	-847	-982	-1,037
Shift Sensitivity of Net Interest Income +50bp	999	847	1,182	1,182	939
Shift Sensitivity of Net Interest Income +100bp	1,945	1,634	2,339	2,339	1,837
Value at Risk - Interest Rate	648	271	869	680	227

Exposures as at 30 September 2020 shown in the table include the metrics of the UBI Group harmonised using the methodologies applied by Intesa Sanpaolo, which provide a slight contribution to the overall risk of the Intesa Sanpaolo Group.

Lastly, the table below shows a sensitivity analysis of the banking book to price risk, measuring the impact on Shareholders' Equity of a price shock of ±10% for the abovementioned quoted assets recorded in the HTCS category.

Price risk: impact on Shareholders' Equity

(millions of euro)

		1st quarter 2020 impact on shareholders' equity at 31.03.2020	2nd quarter 2020 impact on shareholders' equity at 30.06.2020	3rd quarter 2020 impact on shareholders' equity at 30.09.2020	Impact on shareholders' equity at 31.12.2019
Price shock	10%	49	141	159	50
Price shock	-10%	-49	-141	-159	-50

LIQUIDITY RISK

The Group's liquidity position - supported by suitable high-quality liquid assets (HQLA) and the significant contribution from stable customer deposits - remained within the risk limits set out in the current Group Liquidity Policy in the first nine months of 2020. Both regulatory indicators, LCR and NSFR, which also benefited from the positive contribution from the UBI Group from the end of August, were largely above 100%. Over the last 12 months, the Liquidity Coverage Ratio (LCR) of the Intesa Sanpaolo Group, measured according to Delegated Regulation (EU) no. 2015/61, consolidating also the UBI Group in the last two months, has amounted to an average of 154.2%.
At the end of September 2020, the amount of total unencumbered HQLA reserves at the various Treasury Departments of the Group, considering cash and deposits held with Central Banks, totalled 162 billion euro (96 billion euro in December 2019). With the other marketable reserves and/or eligible Central Bank reserves, including retained self-securitisations, added in, the Group's unencumbered liquidity reserves totalled 182 billion euro (118 billion euro in December 2019).
The stress tests, in view of the high availability of liquidity reserves, yielded results in excess of the maximum threshold for the Intesa Sanpaolo Group, with a liquidity surplus capable of meeting extraordinary cash outflows for a period longer than 3 months.
Adequate and timely information regarding the development of market conditions and the position of the Bank and/or Group was provided to the corporate bodies and internal committees in order to ensure full awareness and manageability of the main risk factors.

FAIR VALUE MEASUREMENT OF FINANCIAL ASSETS AND LIABILITIES

Fair value hierarchy – Excluding insurance companies

(millions of euro)

Assets / liabilities at fair value	**30.09.2020**			**31.12.2019**		
	Level 1	**Level 2**	**Level 3**	**Level 1**	**Level 2**	**Level 3**
1. Financial assets measured at fair value through profit or loss	26,268	32,462	3,807	17,934	28,658	2,822
a) Financial assets held for trading	25,039	31,488	555	17,161	27,622	369
of which: Equities	*582*	*-*	*1*	*713*	*-*	*1*
of which: quotas of UCI	*415*	*2*	*20*	*661*	*2*	*24*
b) Financial assets designated at fair value	*-*	*1*	*-*	*-*	*195*	*-*
c) Other financial assets mandatorily measured at fair value	*1,229*	*973*	*3,252*	*773*	*841*	*2,453*
of which: Equities	*14*	*11*	*356*	*2*	*95*	*179*
of which: quotas of UCI	*1,213*	*301*	*1,615*	*771*	*127*	*1,410*
2. Financial assets measured at fair value through other comprehensive income	72,283	8,156	506	63,815	8,173	422
of which: Equities	*1,591*	*1,827*	*467*	*611*	*2,048*	*400*
3. Hedging derivatives	-	1,323	15	8	3,008	13
4. Property and equipment	-	-	7,866	-	-	5,748
5. Intangible assets	-	-	-	-	-	-
Total	**98,551**	**41,941**	**12,194**	**81,757**	**39,839**	**9,005**
1. Financial liabilities held for trading	13,333	43,562	127	18,422	26,704	100
2. Financial liabilities designated at fair value	205	2,773	-	-	4	-
3. Hedging derivatives	-	8,001	3	-	9,284	4
Total	**13,538**	**54,336**	**130**	**18,422**	**35,992**	**104**

The Group's assets measured at fair value (excluding the insurance companies), which as at 30 September 2020 included the figures for the UBI Group, primarily consisted of level 1 instruments (around 65% as at 30 September 2020 compared to around 63% at the end of 2019), measured using market prices and therefore without any discretion by the valuator.
Level 3 assets, which are subject to greater discretion in determining fair value, made up approximately 8% of the total assets measured at fair value, with around two thirds consisting of property and equipment. The increase in the proportion compared to 31 December 2019 (6.9%) was due to the addition of the intangible assets of the UBI Group.
The increase in level 2 assets on 31 December 2019 was also driven by the growth in exposures to OTC derivative contracts, which had a similar effect on liabilities.
With regard to liabilities specifically, level 3 instruments remained at essentially insignificant levels (well below 1% of total liabilities), while level 2 instruments, mostly OTC derivatives, continued to predominate. As at September 2020, the level 2

liabilities included almost all the certificates issued that were classified at level 1 at the end of December 2019. In 2020, the liabilities designated at fair value also included the newly issued capital protected certificates.

Fair value hierarchy – Insurance companies

(millions of euro)

Assets / liabilities at fair value	30.09.2020			31.12.2019		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Financial assets held for trading	342	28	46	284	22	46
of which: Equities	-	-	-	-	-	-
of which: quotas of UCI	*117*	-	*46*	*119*	-	*46*
2. Financial assets designated at fair value through profit or loss	83,016	157	368	83,816	141	308
of which: Equities	*2,465*	-	-	*2,315*	-	-
of which: quotas of UCI	*75,562*	*109*	-	*76,521*	*99*	-
3. Financial assets available for sale	79,475	4,554	2,115	79,315	2,162	1,902
of which: Equities	*1,603*	-	*42*	*1,480*	-	-
of which: quotas of UCI	*9,542*	*22*	*2,042*	*9,917*	-	*1,902*
4. Hedging derivatives	-	370	-	-	206	-
5. Property and equipment	-	-	9	-	-	-
6. Intangible assets	-	-	-	-	-	-
Total	**162,833**	**5,109**	**2,538**	**163,415**	**2,531**	**2,256**
1. Financial liabilities held for trading	7	51	-	-	45	-
2. Financial liabilities designated at fair value through profit or loss	-	73,902	-	-	75,886	-
3. Hedging derivatives	-	-	-	-	4	-
Total	**7**	**73,953**	**-**	**-**	**75,935**	**-**

For the insurance companies, over 95% of the financial assets measured at fair value – which as at 30 September 2020 also included the figures for the UBI Group – were measured using market prices (level 1 inputs), without any discretion by the valuator.
Level 3 instruments, which are subject to greater discretion in determining fair value, made up 1.5% of the total assets, essentially unchanged on 31 December 2019.
Liabilities at fair value were almost entirely measured using level 2 inputs.

INFORMATION ON STRUCTURED CREDIT PRODUCTS

The risk exposure in structured credit products, equal to 3,794 million euro as at 31 December 2019, came to 2,854 million euro as at 30 September 2020, showing a net decrease of 940 million euro. The exposure includes investments in ABSs (asset-backed securities) of 1,481 million euro, in CLOs (collateralised loan obligations) of 1,299 million euro and, to a residual extent, in CDOs (collateralised debt obligations) of 74 million euro, for which there were essentially no additional transactions during the period.

(millions of euro)

Accounting categories	30.09.2020				31.12.2019	changes	
	Collateralized Loan Obligations	Asset Backed Securities	Collateralized Debt Obligations	Total		absolute	%
Financial assets held for sale	354	503	-	**857**	**1,514**	-657	-43.4
Financial assets mandatorily measured at fair value	-	4	-	**4**	**20**	-16	-80.0
Financial assets measured at fair value through other comprehensive income	559	656	-	**1,215**	**1,485**	-270	-18.2
Financial assets measured at amortised cost	386	318	74	**778**	**775**	3	0.4
Total	**1,299**	**1,481**	**74**	**2,854**	**3,794**	**-940**	**-24.8**

In this disclosure, structured credit products include debt securities held by the Group divided into tranches upon issue consisting of various degrees of subordination and not issued within the framework of transactions originated by entities of the Intesa Sanpaolo Group or by public entities, in addition to transactions whereby the Group finances its corporate and financial institution customers (operations implemented by the Group through the subsidiary Duomo Funding Plc).
The strategy for transactions in structured credit products involved investments aimed at exploiting market opportunities, on the one hand, and continuous disposals of the portfolio, also referring to positions which at the time were affected by the financial crisis, on the other hand.
The exposure in ABSs and CLOs measured at fair value went from 3,019 million euro in December 2019 to 2,076 million euro in September 2020, a net decrease of 943 million euro, attributable to investments, which were significantly lower than disposals, mainly made on positions of the merged Banca IMI, now within the scope of the IMI Corporate & Investment Banking Division, in the financial assets held for trading portfolio and, to a lesser extent, in the assets measured at fair value through other comprehensive income portfolio.
The exposure to debt securities classified as assets measured at amortised cost amounted to 775 million euro in December 2019, compared with an exposure of 778 million euro in September 2020.
From profit or loss perspective, a loss of -17 million euro was posted for 2020, compared to +28 million euro for the first nine months of 2019.
This loss from trading activities – caption 80 of the income statement – of -18 million euro, due to net valuation losses (compared to a profit of +13 million euro in the first nine months of 2019) was due to exposures in ABSs amounting to -11 million euro and to exposures in CLOs amounting to -7 million euro.
That performance, pertaining to the unrealised component, marks a recovery on the negative impact of the previous quarters (-34 million euro as at 30 June 2020 and -39 million euro as at 31 March 2020), attributable to the downturn in the markets in the period due to the COVID-19 health emergency.
The loss from financial assets mandatorily measured at fair value was -1 million euro, compared to a profit of +14 million euro as at 30 September 2019.
The exposures to ABSs and CLOs of debt securities classified as assets measured at fair value through other comprehensive income recorded a decrease in fair value of -13 million euro in 2020 through a shareholders' equity reserve (from a positive reserve of +2 million euro in December 2019 to a negative reserve of -11 million euro in September 2020); there was also an impact of +4 million euro from sales during the period (+1 million euro in the first nine months of 2019).
Adjustments recognised on the debt securities classified as assets measured at amortised cost amounted -2 million euro as at 30 September 2020, compared to nil in the same period of 2019.
With regard to the monoline and non-monoline packages, in line with the situation as at the end of 2019, there were no positions held at the end of the first nine months of 2020.

(millions of euro)

Income statement results broken down by accounting category	30.09.2020				30.09.2019	changes	
	Collateralized Loan Obligations	Asset Backed Securities	Collateralized Debt Obligations	**Total**		**absolute**	**%**
Financial assets held for sale	-7	-11	-	**-18**	**13**	-31	
Financial assets mandatorily measured at fair value	-	-1	-	**-1**	**14**	-15	
Financial assets measured at fair value through other comprehensive income	-	4	-	**4**	**1**	3	
Financial assets measured at amortised cost	-	-2	-	**-2**	**-**	2	-
Total	**-7**	**-10**	**-**	**-17**	**28**	**-45**	

Note that there are no structured credit products within the scope of the former UBI Group.

INFORMATION ON ACTIVITIES PERFORMED THROUGH SPECIAL PURPOSE ENTITIES (SPES)

For the purpose of this analysis, legal entities established to pursue a specific, clearly defined and limited objective (raising funds on the market, acquiring/selling/managing assets both for asset securitisations, acquisition of funding through self-securitisations and the issue of covered bonds, developing and/or financing specific business initiatives, undertaking leveraged buy-out transactions, or managing credit risk inherent in an entity's portfolio) are considered Special Purpose Entities.

The sponsor of the transaction is normally an entity which requests the structuring of a transaction that involves the SPE for the purpose of achieving certain objectives. In some cases the Bank is the sponsor and establishes a SPE to achieve one of the objectives cited above.

For the SPE categories identified as not consolidated structured entities, no amendments are recorded to the criteria based on which the Intesa Sanpaolo Group decides on whether to include the companies in the scope of consolidation, compared to the information already provided in the 2019 financial statements.

No issues were carried out in the third quarter of 2020. As part of the covered bond issue programme guaranteed by ISP CB Pubblico, the notional amount of the 10th series was partially redeemed in July for an amount of 300 million euro, bringing the nominal amount to the current 250 million euro.

Under the covered bond issue programme guaranteed by ISP CB Ipotecario, the retained 20th series was redeemed early in August for a residual amount of 550 million euro. As regards the first six months of the year, reference is made to the Half-yearly Report as at 30 June 2020.

In the UBI Banca Group, two covered bond programmes are currently active, run by two special purpose vehicles named UBI Finance Srl and UBI Finance CB2 Srl, respectively.

The 1st Programme, UBI Finance, was launched by the UBI Banca Group in 2008 and still provides the Parent Company UBI Banca with the right to issue securities, targeted to institutional investors, for a maximum amount of 15 billion euro. The programme includes a portfolio of residential mortgage loans assigned by the Group's network banks. These banks participated in the programme as Originator Banks as well as Lending Banks.

Currently, UBI Banca and IWBank are participating in the programme.

During the first nine months of 2020, no new issues of securities or repayments of outstanding issues were carried out. Therefore, considering the various bonds issued in the previous years, the nominal value of the securities as at 30 September 2020 totalled 13.545 billion euro.

At the same date, those bonds were assigned an Aa3 rating from Moody's and AA from DBRS.

The 2nd Covered Bond Programme, UBI Finance CB2, was established in 2012 and aims at issuing new retained bonds, i.e. subscribed by UBI Banca itself and used as eligible securities for operations with the Eurosystem.

The ceiling set for this Covered Bond Programme is 5 billion euro.

During the first nine months of 2020, no new issues of securities or repayments of previous issues were carried out. Therefore, considering the bonds issued in the previous years, the nominal value of the securities outstanding as at 30 September 2020 totalled 1.825 billion euro.

At the same date, those bonds were assigned an "A high" rating from DBRS.

INFORMATION ON LEVERAGED TRANSACTIONS

In 2017, the ECB published specific Guidance on Leveraged Transactions, which applies to all significant entities subject to direct supervision by the ECB. The declared purpose of the regulations is to strengthen company controls over "leveraged" transactions, where such transactions increase globally and in the context of a highly competitive market, marked by a long period of low interest rates and the resulting search for yields.
The scope identified in the ECB Guidance includes exposures in which the borrower's level of leverage, measured as the ratio of total financial debt to EBITDA, is greater than 4, in addition to exposures to parties whose majority of capital is held by one or more financial sponsors. Moreover, counterparties with Investment Grade ratings, individuals, credit institutions, financial institutions and companies in the financial sector in general, public entities, non-profit entities, as well as counterparties with credit facilities below a certain materiality threshold (5 million euro), Retail SME counterparties and Corporate SME counterparties if not owned by financial sponsors, are explicitly excluded from the scope of Leveraged Transactions. Specialised lending transactions (project finance, real estate and object financing) and certain other types of credit, such as trade finance operations, are also excluded.
As at 30 September 2020, for the Intesa Sanpaolo Group (net of the UBI Group), the transactions that meet the definition of Leveraged Transactions in the ECB Guidance amounted to approximately 21 billion euro, relating to approximately 1,700 credit lines (as at 31 December 2019 the amount was 20.8 billion euro, relating to around 1,900 credit lines).
In accordance with the requirements of the ECB Guidance, a specific limit for the outstanding stock of leveraged transactions was submitted for approval to the Board of Directors, within the framework of the 2020 Credit Risk Appetite.
With regard to UBI Banca, the transactions that meet the definition of Leveraged Transactions in the ECB Guidance amounted approximately to 8 billion euro as at 30 September.

INFORMATION ON INVESTMENTS IN HEDGE FUNDS

The Hedge Fund portfolio as at 30 September 2020 amounted to 38 million euro in the trading book and 255 million euro in the banking book, compared to 115 million euro and 194 million euro respectively in December 2019.
The investments allocated to the banking book are recognised under financial assets mandatorily measured at fair value and consist of funds that adopt medium/long-term investment strategies and redemption times that are longer than those of UCITS (Undertakings for Collective Investment in Transferable Securities) funds.
During 2020, disposals of positions were made for 80 million euro in the trading books, which occurred in the first three months of the year as an action to reduce the intrinsic risk of this portfolio in a situation of extreme volatility and downturn in the markets, as a result of the COVID-19 health emergency, by using the greater dynamism allowed for trading books.
In the third quarter, new investments were made for 56 million euro (50 million euro in the banking book and the remaining 6 million euro in the trading book), considering a renewed stability of the international financial markets, due to both an economic recovery post-COVID and the robust support measures implemented by the various monetary and fiscal authorities and sales for 2 million in the trading book.
In terms of profit or loss effect, the profits (losses) on trading – caption 80 of the income statement (trading book) – showed a loss of 23 million euro at the end of September compared to a profit of +1 million euro in September 2019. The result for the period included valuation losses of 7 million euro and losses on disposals of 16 million euro, the latter relating to the de-risking decision adopted by the Investment Committee on 12 March 2020, which resulted in a reduction of the trading book.
The net profit (loss) on financial assets mandatorily measured at fair value – caption 110 of the income statement (banking book) – recorded a profit of approximately 8 million euro (compared to a profit of 3 million euro in September 2019), attributable to valuation components, marking a recovery from the valuations recorded for the first six months of the year.
There are no investments in hedge funds within the scope of the former UBI Group.

INFORMATION ON TRADING TRANSACTIONS IN DERIVATIVES WITH CUSTOMERS

Considering relations with customers only, as at 30 September 2020, the Intesa Sanpaolo Group, in relation to derivatives trading with retail customers, non-financial companies and public entities (therefore excluding banks, financial and insurance companies), presented a positive fair value, not having applied netting agreements, of 9,281 million euro which, net of the contribution of the UBI Group for 331 million euro, came to 8,950 million euro (7,694 million euro as at 31 December 2019). The notional value of these derivatives totalled 78,339 million euro which, net of the contribution of the UBI Group of 10,102 million euro, came to 68,297 million euro (62,528 million euro as at 31 December 2019). The positive fair value of contracts outstanding with the 10 customers with the highest exposures was 6,003 million euro (5,269 million euro as at 31 December 2019).
Conversely, the negative fair value referring to total contracts outstanding, determined with the same criteria, for the same types of contracts and with the same counterparties, was 1,521 million euro as at 30 September 2020 which, net of the contribution of the UBI Group of 11 million euro, came to 1,510 million euro (1,410 million euro as at 31 December 2019). The notional value of these derivatives totalled 19,723 million euro which, net of the contribution of the UBI Group of 1,526 million euro, came to 18,197 million euro (20,334 million euro as at 31 December 2019).
The fair value of derivative financial instruments entered into with customers was determined considering, as for all other OTC derivatives, the creditworthiness of the single counterparty ("Bilateral Credit Value Adjustment"). With regard to contracts outstanding as at 30 September 2020, this led to a negative effect of 63 million euro being recorded under "Profits (Losses) on trading" in the income statement which, net of the contribution of the UBI Group of -1 million euro, came to 62 million euro.
As regards the methodologies used in determining the fair value of financial instruments, see the specific paragraphs of the section on accounting policies in the Notes to the 2019 Financial Statements and the Half-yearly Report 2020.

OPERATIONAL RISK

Operational risk is defined as the risk of suffering losses due to inadequacy or failures of processes, human resources and internal systems, or as a result of external events.
The Intesa Sanpaolo Group has for some time defined the overall operational risk management framework by setting up a Group policy and organisational processes for measuring, managing and controlling operational risk.
To determine its capital requirements, the Group uses a combination of the methods allowed under applicable regulations (advanced measurement approach partially used along with the standardised approach and basic indicator approach). The capital absorption resulting from this process amounted to 2,103 million euro as at 30 September 2020. The increase compared to 1,781 million euro as at 30 June 2020 is due to the addition of the operational risk requirements of the UBI Group.

Legal risks

Legal risks are thoroughly analysed by the Parent Company and Group companies. Provisions are made to the allowances for risks and charges in the event of disputes for which it is probable that funds will be disbursed and where the amount of the disbursement may be reliably estimated.
There were no new significant legal disputes during the third quarter.
For the main pending disputes, the significant developments in the quarter are described below. For previous disputes and a detailed illustration of significant individual disputes, see the Notes to the 2019 Annual Report and the Half-yearly Report 2020 of the Intesa Sanpaolo Group.

Private banker (Sanpaolo Invest) – In relation to the serious violations committed by a private banker of Sanpaolo Invest, at the end of September the subsidiary had received a total of 272 complaints with a total remedy sought of approximately 59.8 million euro. Of those complaints, 63 relate to misappropriations (with a remedy sought of approximately 17 million euro, for which the internal checks conducted determined the lesser amount of 13 million euro) and other types of damages (11 million euro). A further 209 claims for a total remedy of around 31 million euro relate to false accounting and unauthorised transactions, as well as requests for reimbursement of fees.
So far, 26 of the compensation claims have been satisfied, for approximately 5.4 million euro, while 40 have been withdrawn by the petitioner, mostly as a result of commercial agreements. Therefore, to date 206 are pending, for a present value of around 52.4 million euro. At the same time, the Company is continuing out-of-court and legal actions against the unlawful beneficiaries for the recovery of the amounts misappropriated.
The residual risk of disbursement resulting from the illegal acts committed by the private banker is covered by a provision of approximately 9 million euro. This provision was determined on the basis of an assessment of the claims for the confirmed appropriations and the claims relating to incorrect reports and unauthorised transactions, without considering the discovery orders issued and the coverage provided by the insurance policy, which the Company promptly triggered.

Raulet Tirmant Dispute (formerly Dargent Morange Tirmant) – The bankruptcy receiver referred the dispute to the Court of Appeal of Metz and filed its brief at the end of July, through which it requested again the payment of 55.6 million euro (equal to the entire amount of insolvency liabilities, minus the amount obtained from the sale of the property whose purchase was financed by the Bank). In turn, the Bank filed its own reply brief, challenging the opposing party's claims. This will be followed by the exchange of additional briefs, a hearing for discussion will be scheduled thereafter, then the court will rule on the dispute (estimated within the first half of 2022).

Judgement of the Court of Council of the European Union on derivatives with local entities - By way of judgement no. 8770/2020, handed down by its Joint Sections on 12 May 2020, the Court of Cassation affirmed the nullity of several OTC derivative contracts (Interest Rate Swaps with upfront payments) entered into by an Italian bank and a Municipality, essentially establishing that: 1) the upfront payment was a type of new debt resulting in long-term expenditure borne by the entity and, therefore, derivative contracts that comprise an upfront payment require the authorisation of the Municipal Council (not the Municipal Executive Committee), which, if lacking, shall invalidate the derivatives; 2) swap contracts constitute a "*legal bet*", permitted only in the amount in which these contracts acquire the form of a "*rational bet*", concluded in terms which enable both parties to understand the risks underlying the contract, which thus, must indicate the mark to market, implicit costs and probabilistic scenario.
The judgement of the Court of Cassation was issued with regard to derivative contracts governed by Italian law. Thus, it should not have significant effects on derivative contracts governed pursuant to the ISDA general agreement (subject to UK law) and referred to the jurisdiction of UK courts (as regards the issues of index-linking the mark to market, implicit costs and probabilistic scenarios).

The decision has already been criticised by many authors and several lower courts have already deviated from the principles confirmed by the Court of Cassation.

Nonetheless, in September, two decisions unfavourable to the Bank in this sense were issued: 1) the Court of Pavia ordered the Bank to refund approximately 9.3 million euro, in addition to ancillary charges, to the Province of Pavia, stating the grounds for the ruling of the Court of Cassation, word-for-word; 2) the Court of Appeal of Milan rejected the appeal lodged by the Bank in the proceedings promoted by the Municipality of Mogliano Veneto. That ruling (which is only partially based on the arguments of the Court of Cassation) confirmed the first instance ruling which had ordered the Bank to refund the Municipality 5.8 million euro, a payment made in 2018. Both decisions are being challenged.
In light of the evolution of case-law, a specific reassessment was conducted of risks connected with the disputes regarding derivative contracts entered into with local entities and, where deemed appropriate, specific provisions were allocated.

With regard to the UBI Group, in referring to the 2019 Consolidated Financial Statements and the Interim Statements for 2020 of the acquired entity for a detailed illustration of the main disputes pending and their evolution, it is noted that no significant events occurred in the third quarter.

Tax litigation

The Group's tax litigation risks are covered by adequate provisions to the allowances for risks and charges.
As at 30 September 2020, Intesa Sanpaolo had 639 pending litigation proceedings (612 as at 31 December 2019) for a total amount claimed (taxes, penalties and interest) of 138 million euro (111 million euro as at 31 December 2019), considering both administrative and judicial proceedings at various instances. Compared to the figures as at 30 June 2020, the main events that gave rise to significant changes almost exclusively comprised decreases in the amount claimed, due to the settlement of the former Centro Leasing dispute, discussed below.
During the quarter, no new cases of significant amounts arose.
In relation to these proceedings, the actual risks were quantified at 50 million euro as at 30 September 2020 (54 million euro as at 31 December 2019).
With regard to disputes settled during the period, after the Court of Cassation ruled against the notice of payment of registration tax issued against the merged company Centro Leasing in relation to the sale of a leased property in Rome, in Via Tuscolana, the position was closed using risk provisions of around 2 million euro, eliminating deferred tax assets provisionally paid in pending the ruling.
There were no significant evolutions at the other Group companies.
With regard to the former UBI Group, the tax payable litigation pending as at 30 September 2020 totalled 7.4 million euro, primarily deriving from the three “Good Banks” (remedy sought 4.9 million euro) acquired in 2017 (Nuova Banca dell’Etruria e del Lazio and subsidiary Banca Federico del Vecchio; Nuova Banca delle Marche and subsidiary Cassa di Risparmio di Loreto and Nuova Cassa di Risparmio di Chieti).
All the more significant disputes were settled in 2019 through the so-called “tax amnesty” set out in Law Decree no. 119/2018. As a result of that decision, the tax dispute of the UBI Group decreased substantially (-93% in terms of total value of tax risk) compared to the situation set out in the financial statements as at 31 December 2018. No measures refusing tax settlement were notified by 31 July 2020. Therefore, the disputes may be now concluded on a substantive basis.

INSURANCE RISKS

Investment portfolios

The investments of the insurance companies of the Intesa Sanpaolo Group (Intesa Sanpaolo Vita, Intesa Sanpaolo Assicura, Intesa Sanpaolo Life, Fideuram Vita, Intesa Sanpaolo RBM Salute and BAP Vita e Previdenza) are made with their free capital and to cover contractual obligations with customers. These refer to traditional revaluable life insurance policies, Index- and Unit-linked policies, pension funds and non-life policies.
BAP Vita e Previdenza joined the Group's insurance segment in the third quarter of 2020, with the acquisition of the UBI Group, and contributed an increase of 2,366 million euro in the total portfolio managed. This contribution was included in the analysis shown below.
As at 30 September 2020, the investment portfolios of Group companies, recorded at book value, amounted to 172,592 million euro. Of these, a part amounting to 89,062 million euro relates to traditional revaluable life policies (the financial risk of which is shared with the policyholders by virtue of the mechanism whereby the returns on assets subject to segregated management are determined), non-life policies and free capital. The other component, whose risk is borne solely by the policyholders, consists of investments related to Unit-linked policies and pension funds and amounted to 83,530 million euro.
Considering the various types of risks, the analysis of investment portfolios, described below, concentrates on the assets held to cover traditional revaluable life policies, non-life policies and free capital.
In terms of breakdown by asset class, net of derivative financial instruments, 84.5% of assets, i.e. 74,983 million euro, was bonds, whereas equity instruments represented 1.9% of the total and amounted to 1,646 million euro. The remainder (12,041 million euro) consisted of investments relating to UCI, Private Equity and Hedge Funds (13.6%).
The carrying value of derivatives came to approximately 393 million euro, of which 370 million euro relating to effective management derivatives[9], and the remaining portion (23 million euro) is attributable to hedging derivatives.
At the end of the first nine months of 2020, investments made with the free capital of Intesa Sanpaolo Vita and Fideuram Vita amounted to approximately 1.068 million euro at market value, and presented a risk in terms of VaR (99% confidence level, 10-day holding period) of approximately 14 million euro.
The breakdown of the bond portfolio in terms of fair value sensitivity to interest rate changes showed that a +100 basis points parallel shift in the curve leads to a decrease of approximately 4,626 million euro.
The distribution of the portfolio by rating class is as follows. AAA/AA bonds represented approximately 5.4% of total investments and A bonds approximately 6.5%. Low investment grade securities (BBB) were approximately 85.5% of the total and the portion of speculative grade or unrated was minimal (2.6%).
A considerable portion of the BBB area is made up of securities issued by the Italian Republic.
The analysis of the exposure in terms of the issuers/counterparties produced the following results: securities issued by Governments and Central Banks approximately made up 80.3% of the total investments, while financial companies (mostly banks) contributed approximately 11.1% of exposure and industrial securities made up approximately 8.6%.
At the end of the third quarter of 2020, the fair value sensitivity of bonds to a change in issuer credit rating, intended as a market credit spread shock of +100 basis points, was 4,231 million euro, with 3,958 million euro due to government issuers and 643 million euro to corporate issuers (financial institutions and industrial companies).

[9] ISVAP Regulation 36 of 31 January 2011 on investments defines as "effective management derivatives" all derivatives aimed at achieving pre-established investment objectives in a faster, easier, more economical or more flexible manner than would have been possible acting on the underlying assets.

Accounting policies

Criteria for the preparation of the Interim Statement

General preparation principles

As known, with Legislative Decree 25 of 15 February 2016, Directive 2013/50/EU, amending Directive 2004/109/EC (i.e. “Transparency Directive”), has been transposed into the Italian legal system. By transposing the European regulation, the provisions concerning financial reports were changed, among others, innovating the rules regarding the publication, by the listed issuers with Italy as Member State of origin, of additional periodic information other than the annual report and half-yearly report. The wording of Article 154-ter (Financial reports), paragraphs 5 and 5-bis, of the Consolidated Law on Finance, allows CONSOB to arrange, towards the issuers stated above, the obligation to publish the additional periodic information. However, in exercising its duties – and following a consultation process – CONSOB has given the issuers the choice on publishing the Interim Statements.
In this context, Intesa Sanpaolo publishes – on a voluntary basis – financial information as at 31 March and 30 September of each financial year, in addition to the annual report and half-yearly report. This information consists of interim statements on operations approved by the Board of Directors, basically providing continuity with the interim statements published in the past.

The Interim Statement as at 30 September 2020 has been prepared, in consolidated form, in compliance with the recognition and measurement criteria required by the IAS/IFRS issued by the International Accounting Standards Board (IASB) and the relative interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and endorsed by the European Commission as provided for by Community Regulation 1606 of 19 July 2002.

The accounting standards adopted in preparation of this Consolidated interim report on operations, with regard to the classification, recognition, measurement and derecognition of the balance sheet assets and liabilities, and the recognition methods for revenues and costs, have remained unchanged compared to those adopted for the Intesa Sanpaolo Group 2019 Annual Report, which should be consulted for the complete details.

With regard to the contribution of the UBI Group, consolidated during the year, note that the accounting standards used by that Group are substantially in line with those of Intesa Sanpaolo, save for the basis of measurement of valuable art assets (measured according to the revaluation model by Intesa Sanpaolo and using the cost method by UBI). With regard to the processes of estimating and measuring assets, several models and parameters show insignificant application differences from that carried out by Intesa Sanpaolo. Nonetheless, it must be noted that the Purchase Price Allocation (PPA) process is being defined and will be completed by the term for preparing the financial statements as at 31 December 2020. Pursuant to IFRS 3, based on this process, the liabilities of the acquired entity are recognised in the Acquirer’s financial statements at their fair value, determined at the acquisition date. As a result, any differences deriving from the application of parameters, thresholds and models used shall be absorbed or, in any event, significantly mitigated by the recognition of assets and liabilities at fair value, as mentioned above.

It is also noted that, starting in the quarterly report as at 30 September 2020, the contribution to the consolidated financial statements of the UBI Group’s insurance company, BancAssurance Popolari (BAP), is recognised according to the approach adopted by the Intesa Sanpaolo Group, which envisages the application of the deferral approach, with the resulting application of IAS 39 for the measurement of financial instruments, in place of IFRS 9, adopted for the purposes of the contribution to the consolidated financial statements of UBI. That adjustment had marginal impacts.

In addition, the indications provided by the authorities and the IASB, together with the application decisions made by Intesa Sanpaolo, as described in the chapter "The first nine months of 2020", should be consulted on the consequences of the impact of the COVID-19 health emergency.

Some amendments to existing accounting standards, endorsed by the European Commission, are applicable for the first time starting in 2020, but none of them is particularly significant for the Intesa Sanpaolo Group.
A summary of the endorsing Regulations is provided below:

- Regulation 2075/2019: this regulation of 29 November 2019 adopted several amendments to the IFRS relating to references to the Conceptual Framework[10]. The amendments are designed to update the references – in the various IAS/IFRS and interpretations – to the previous framework, by replacing them with the references to the framework revised in March 2018. The Conceptual Framework is not an accounting standard and is therefore not subject to endorsement, whereas this particular document is subject to endorsement because it amends some IAS/IFRS.
- Regulation 2104/2019: this regulation of 29 November 2019 adopts several amendments to IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* in order to clarify the definition of material information and to improve its understandability. The materiality depends on the nature and significance of the information or both. An entity shall also verify whether an item of information, either individually or in combination with other information, is material in the overall context of the financial statements.

[10] The purpose of the Conceptual Framework is to support the Board in developing standards according to a coherent systematic framework of reference and to provide support to financial statement preparers in developing accounting policies, for example governing events and transactions for which no specific treatment is envisaged in IAS/IFRS. It is not an accounting standard and therefore is not subject to the endorsement process. Conversely, it is immediately applicable for the Board and IFRIC.

- Regulation 1434/2020: the regulation of 9 October 2020 introduced several amendments to IFRS 16 Leases, to implement the changes "COVID-19-Related Rent Concessions", published by the IASB on 28 May 2020 in order to provide an optional, temporary practical expedient to lessees, i.e. the option not to apply the rules of accounting for lease modifications in the event of rent concessions deriving directly as a consequence of COVID-19. The regulation is applicable from 1 June 2020 for financial years starting on or after 1 January 2020. These cases are not significant for the Intesa Sanpaolo Group.

In addition, the Intesa Sanpaolo Group exercised the option of early adoption of Regulation (EU) 34/2020 of 15 January 2020 for the 2019 Financial Statements, which adopted the document issued by the IASB in September 2019 on "Interest Rate Benchmark Reform (amendments to IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures)", application of which is mandatory with effect from 1 January 2020. Conversely, that option was not exercised by the UBI Group. This regulation introduced several amendments regarding hedges (hedge accounting) designed to prevent uncertainties about the amount and timing of the cash flows arising from the rate reform from resulting in the discontinuation of existing hedges and difficulties in designating new hedging relationships. To that end, a simplification was introduced, which assumes that the interest rate benchmarks used to set existing interest rates will not be changed as a result of the interbank rate reform.

The Interim Statement as at 30 September 2020, drawn up in euro as the functional currency, contains the Balance sheet, the Income statement, the Statement of comprehensive income for the period, the Changes in shareholders' equity, and the explanatory notes. They are also complemented by information on significant events which occurred in the period, and on the main risks and uncertainties to be faced in the remaining months of the year.
The amounts indicated in the financial statements and explanatory notes are expressed in millions of euro, unless otherwise specified.
In addition to the amounts for the reporting period, the financial statements also indicate the corresponding comparison figures for the period ended 30 September 2019 for the Income statement and as at 31 December 2019 for the Balance sheet.

The assets held for sale comprise the assets and liabilities attributable to Autostrade Lombarde (of which Intesa Sanpaolo holds 55.8%) and its operating subsidiary Brebemi, the concessionaire of the Milano-Brescia motorway section (A35). Therefore, on 26 June 2020, Intesa Sanpaolo reached an agreement with Aleàtica S.A.U., a Spanish company specialising in infrastructure investments, wholly-owned by the Australian IFM Global Infrastructure Fund, for the sale of the entire equity investment held in the two companies. After the usual authorisations were acquired from the competent authorities, the transaction was finalised on 26 October 2020.
The assets held for sale also include a residual portion of the non-performing credit exposures arising from lease activities and contemplated in the agreement with Prelios, for which the transfer has yet to be completed in view of the inability, relating to the restrictions imposed by the COVID-19, to proceed with the inspections required to allow the sale deeds to be prepared for the properties. According to the conditions agreed between the parties, the transfer of this portion of the portfolio will occur by the end of November. Lastly, discontinued operations include a portfolio of non-performing consumer finance loans, which will be sold during the fourth quarter to IFIS NPL, a company in the Banca IFIS Group.

The Interim Statement as at 30 September 2020 is accompanied by certification of the Manager responsible for preparing the Company's financial reports pursuant to Article 154-bis of the Consolidated Law on Finance, and the consolidated financial statements are subject to a limited review by the Independent Auditors KPMG for the sole purpose of issuing the certification required by Art. 26 (2) of European Union Regulation no. 575/2013 and European Central Bank Decision no. 2015/656.

Scope of consolidation and consolidation methods

Scope of consolidation

The Consolidated Interim Statement includes Intesa Sanpaolo and the companies that it directly and indirectly controls, jointly controlled or subject to significant influence, also including – as specified by IAS/IFRS – companies operating in sectors different from that of the Parent Company and private equity investments. Similarly, structured entities are included when the requisite of effective control recurs, even if there is no stake in the company.
Certain companies in which the Parent Company holds an equity stake exceeding 20% of voting share capital, and in any case of limited absolute amount, are excluded from the scope of consolidation and are classified based on the provisions of IFRS 9, since Intesa Sanpaolo, directly or indirectly, exclusively holds rights on a portion of the rewards of the investment, does not have access to management policies and may exercise limited governance rights to safeguard its economic interests. Equity investments held, directly or through funds, in companies involved in the venture capital business are also excluded from the line-by-line scope of consolidation.
These equity investments are included in the category of Financial assets measured at fair value through profit or loss. Companies for which the shares have been received as pledges with voting rights exceeding 20% are not consolidated, in consideration of the substance underlying the pledge, which has the purpose of guaranteeing loans and not of exercising control and direction over financial and economic policies in order to benefit from the economic return on the shares.

Intesa Sanpaolo does not perform management and coordination activity over Risanamento S.p.A., Autostrade Lombarde S.p.A. and their subsidiaries pursuant to Article 2497 et seq. of the Italian Civil Code.

During the third quarter, UBI Banca and its subsidiaries joined the scope of line-by-line consolidation:
- Fondo Immobiliare Porta Nuova Gioia;
- BancAssurance Popolari;
- BPB Immobiliare;
- IWBank;
- KEDOMUS;
- Prestitalia;
- UBI Factor;
- UBI Leasing;
- UBI Sicura;
- UBI Sistemi e Servizi;
- Pramerica SGR;
- UBI Finance CB 2;
- UBI Finance;
- Pramerica Management Company;
- Marche M6.

Intesa Sanpaolo (Qingdao) Service Company Limited was also consolidated on a line-by-line basis.
Note that the significant change in the first half regarded the inclusion in the scope of line-by-line consolidation of RBM Assicurazione Salute, in relation to the finalisation of the acquisition of the majority shareholding of the company in the second quarter.
The exits in the third quarter regarded the mergers by incorporation of Banca IMI into the Parent Company and of Neva Finventures into Intesa Sanpaolo Innovation Center, as well as the ceasing of operations of Morval Vonwiller Asset Management Co. Ltd.
In the interest of completeness, we also report that in the first half, Trade Receivables Investment Vehicle S.a.r.l., Cib Factor Financial Service LTD Under voluntary liquidation, and Trade Receivables Investment Vehicle S.a.r.l exited the scope of consolidated due to ceased operations, and, with regard to entities under common control, PBZ Nekretnine D.O.O. exited the scope (merged by incorporation into PBZ Card D.O.O. within the PBZ Group).

Consolidation methods

The methods used for line-by-line consolidation of subsidiaries and consolidation by the equity method of associates and companies subject to joint control have remained unchanged with respect to those adopted for the 2019 Intesa Sanpaolo Group Annual Report, to which reference should therefore be made.
The financial statements of the Parent Company and of other companies used to prepare the Interim Statement as at 30 September 2020 refer to the same date.
In certain limited cases, for subsidiaries which are not material, the latest official figures are used.
Where necessary – and only in wholly marginal cases – the financial statements of consolidated companies which are drawn up using different accounting criteria are restated to be compliant with the standards used by the Group.
The financial statements of non-Eurozone companies are translated into euro by applying the spot exchange rate at period-end to assets and liabilities in the Balance sheet, and the average exchange rate for the period to Income statement captions.

The Board of Directors

Milan, 4 November 2020

Declaration of the Manager responsible for preparing the Company's financial reports

Pursuant to art. 154-bis, subsection 2 of the Italian Consolidated Law on Finance, the Manager responsible for preparing the Company's financial reports, Fabrizio Dabbene, hereby declares that the accounting information contained in this Interim Statement as at 30 September 2020 corresponds to corporate records, books and accounts.

Milan, 4 November 2020

Fabrizio Dabbene
Manager responsible for preparing
the Company's financial reports

Attachments

Reconciliation between published consolidated financial statements and adjusted consolidated financial statements

Reconciliation between published consolidated balance sheet as at 31 December 2019 and adjusted consolidated balance sheet as at 31 December 2019

Reconciliation between the published consolidated income statement as at 30 September 2019 and the adjusted income statement as at 30 September 2019

Reconciliation between adjusted/published consolidated financial statements and restated consolidated financial statements

Reconciliation between published consolidated balance sheet as at 31 December 2019 and restated consolidated balance sheet as at 31 December 2019

Reconciliation between adjusted consolidated income statement as at 30 September 2019 and the restated consolidated income statement as at 30 September 2019

Reconciliation between the consolidated income statement as at 30 September 2020 and the restated consolidated income statement as at 30 September 2020

Restated consolidated financial statements

Restated consolidated balance sheet

Restated consolidated income statement

Reconciliation between restated consolidated financial statements and reclassified consolidated financial statements

Reconciliation between consolidated balance sheet and reclassified consolidated balance sheet

Reconciliation between restated consolidated income statement and reclassified consolidated income statement

Reconciliation between published consolidated financial statements and adjusted consolidated financial statements

Reconciliation between published consolidated balance sheet as at 31 December 2019 and adjusted consolidated balance sheet as at 31 December 2019

The published consolidated balance sheet as at 31 December 2019 did not require any adjustments.

Reconciliation between the published consolidated income statement as at 30 September 2019 and the adjusted consolidated income statement as at 30 September 2019

(millions of euro)

		30.09.2019 Published	**Effect of application of IFRS 5 (a)**	30.09.2019 Adjusted
10.	Interest and similar income	7,715	-	7,715
	of which: interest income calculated using the effective interest rate method	*7,790*	-	*7,790*
20.	Interest and similar expense	-2,518	-	-2,518
30.	**Interest margin**	**5,197**	**-**	**5,197**
40.	Fee and commission income	7,326	-316	7,010
50.	Fee and commission expense	-1,810	247	-1,563
60.	**Net fee and commission income**	**5,516**	**-69**	**5,447**
70.	Dividend and similar income	107	-	107
80.	Profits (Losses) on trading	420	3	423
90.	Fair value adjustments in hedge accounting	-65	-	-65
100.	Profits (Losses) on disposal or repurchase of:	1,135	-	1,135
	a) financial assets measured at amortised cost	*64*	-	*64*
	b) financial assets measured at fair value through other comprehensive income	*1,028*	-	*1,028*
	c) financial liabilities	*43*	-	*43*
110.	Profits (Losses) on other financial assets and liabilities measured at fair value through profit or loss	55	-	55
	a) financial assets and liabilities designated at fair value	*-103*	-	*-103*
	b) other financial assets mandatorily measured at fair value	*158*	-	*158*
115.	Profits (Losses) on financial assets and liabilities pertaining to insurance companies pursuant to IAS 39	3,040	-	3,040
120.	**Net interest and other banking income**	**15,405**	**-66**	**15,339**
130.	Net losses/recoveries for credit risks associated with:	-1,481	-	-1,481
	a) financial assets measured at amortised cost	*-1,474*	-	*-1,474*
	b) financial assets measured at fair value through other comprehensive income	*-7*	-	*-7*
135.	Net losses/recoveries pertaining to insurance companies pursuant to IAS39	-8	-	-8
140.	Profits (Losses) on changes in contracts without derecognition	-8	-	-8
150.	**Net income from banking activities**	**13,908**	**-66**	**13,842**
160.	Net insurance premiums	7,335	-	7,335
170.	Other net insurance income (expense)	-9,282	-	-9,282
180.	**Net income from banking and insurance activities**	**11,961**	**-66**	**11,895**
190.	Administrative expenses:	-7,171	2	-7,169
	a) personnel expenses	*-4,292*	-	*-4,292*
	b) other administrative expenses	*-2,879*	*2*	*-2,877*
200.	Net provisions for risks and charges	23	-	23
	a) commitments and guarantees given	*69*	-	*69*
	b) other net provisions	*-46*	-	*-46*
210.	Net adjustments to / recoveries on property and equipment	-389	-	-389
220.	Net adjustments to / recoveries on intangible assets	-493	1	-492
230.	Other operating expenses (income)	628	-	628
240.	**Operating expenses**	**-7,402**	**3**	**-7,399**
250.	Profits (Losses) on investments in associates and companies subject to joint control	43	-	43
260.	Valuation differences on property, equipment and intangible assets measured at fair value	-	-	-
270.	Goodwill impairment	-	-	-
280.	Profits (Losses) on disposal of investments	3	-	3
290.	**Income (Loss) before tax from continuing operations**	**4,605**	**-63**	**4,542**
300.	Taxes on income from continuing operations	-1,302	17	-1,285
310.	**Income (Loss) after tax from continuing operations**	**3,303**	**-46**	**3,257**
320.	Income (Loss) after tax from discontinued operations	-	46	46
330.	**Net income (loss)**	**3,303**	**-**	**3,303**
340.	Minority interests	7	-	7
350.	**Parent Company's net income (loss)**	**3,310**	**-**	**3,310**

(a) Income Statement figures of the first nine months of 2019 relating to the business line to be contributed to Nexi, pursuant to the agreement signed in December 2019 and finalized in the first half of 2020.

Reconciliation between adjusted/published consolidated financial statements and restated consolidated financial statements

Reconciliation between published consolidated balance sheet as at 31 December 2019 and restated consolidated balance sheet as at 31 December 2019

(millions of euro)

Assets		31.12.2019 Adjusted	Changes in the scope of consolidation (a)	31.12.2019 Restated
10.	Cash and cash equivalents	9,745	-	9,745
20.	Financial assets measured at fair value through profit or loss	49,414	-	49,414
	a) financial assets held for trading	*45,152*	-	*45,152*
	b) financial assets designated at fair value	*195*	-	*195*
	c) other financial assets mandatorily measured at fair value	*4,067*	-	*4,067*
30.	Financial assets measured at fair value through other comprehensive income	72,410	-	72,410
35.	Financial assets pertaining to insurance companies, measured at fair value pursuant to IAS 39	168,202	31	168,233
40.	Financial assets measured at amortised cost	467,815	-	467,815
	a) due from banks	*49,027*	-	*49,027*
	b) loans to customers	*418,788*	-	*418,788*
45.	Financial assets pertaining to insurance companies measured at amortised cost pursuant to IAS 39	612	37	649
50.	Hedging derivatives	3,029	-	3,029
60.	Fair value change of financial assets in hedged portfolios (+/-)	1,569	-	1,569
70.	Investments in associates and companies subject to joint control	1,240	-	1,240
80.	Technical insurance reserves reassured with third parties	28	-	28
90.	Property and equipment	8,878	4	8,882
100.	Intangible assets	9,211	-	9,211
	of which:			
	- goodwill	*4,055*	-	*4,055*
110.	Tax assets	15,467	9	15,476
	a) current	*1,716*	-	*1,716*
	b) deferred	*13,751*	*9*	*13,760*
120.	Non-current assets held for sale and discontinued operations	494	-	494
130.	Other assets	7,988	387	8,375
Total assets		**816,102**	**468**	**816,570**

(a) The restatement refers to the inclusion in the Group of the company RBM Assicurazione Salute S.p.A.

(millions of euro)

Liabilities and Shareholders' Equity		31.12.2019 Adjusted	Changes in the scope of consolidation (a)	31.12.2019 Restated
10.	Financial liabilities measured at amortised cost	519,382	-	519,382
	a) due to banks	*103,324*	-	*103,324*
	b) due to customers	*331,181*	-	*331,181*
	c) securities issued	*84,877*	-	*84,877*
15.	Financial liabilities pertaining to insurance companies measured at amortised cost pursuant to IAS 39	826	-	826
20.	Financial liabilities held for trading	45,226	-	45,226
30.	Financial liabilities designated at fair value	4	-	4
35.	Financial liabilities pertaining to insurance companies measured at fair value pursuant to IAS 39	75,935	-	75,935
40.	Hedging derivatives	9,288	-	9,288
50.	Fair value change of financial liabilities in hedged portfolios (+/-)	527	-	527
60.	Tax liabilities	2,321	1	2,322
	a) current	*455*	-	*455*
	b) deferred	*1,866*	*1*	*1,867*
70.	Liabilities associated with non-current assets held for sale and discontinued operations	41	-	41
80.	Other liabilities	12,070	52	12,122
90.	Employee termination indemnities	1,134	-	1,134
100.	Allowances for risks and charges	3,997	1	3,998
	a) commitments and guarantees given	*482*	-	*482*
	b) post-employment benefits	*232*	-	*232*
	c) other allowances for risks and charges	*3,283*	*1*	*3,284*
110.	Technical reserves	89,136	107	89,243
120.	Valuation reserves	-157	-	-157
125.	Valuation reserves pertaining to insurance companies	504	-	504
130.	Redeemable shares	-	-	-
140.	Equity instruments	4,103	-	4,103
150.	Reserves	13,279	-	13,279
160.	Share premium reserve	25,075	-	25,075
170.	Share capital	9,086	-	9,086
180.	Treasury shares (-)	-104	-	-104
190.	Minority interests (+/-)	247	307	554
200.	Net income (loss) (+/-)	4,182	-	4,182
Total liabilities and shareholders' equity		**816,102**	**468**	**816,570**

(a) The restatement refers to the inclusion in the Group of the company RBM Assicurazione Salute S.p.A.

Reconciliation between adjusted consolidated income statement as at 30 September 2019 and the restated consolidated income statement as at 30 September 2019

(millions of euro)

		30.09.2019 Adjusted	Change in the scope of consolidation (a)	Servicing UTP (b)	30.09.2019 Restated
10.	Interest and similar income	7,715	-	-	7,715
	of which: interest income calculated using the effective interest rate method	*7,790*	-	-	*7,790*
20.	Interest and similar expense	-2,518	-	-	-2,518
30.	**Interest margin**	**5,197**	**-**	**-**	**5,197**
40.	Fee and commission income	7,010	-	-	7,010
50.	Fee and commission expense	-1,563	-	-	-1,563
60.	**Net fee and commission income**	**5,447**	**-**	**-**	**5,447**
70.	Dividend and similar income	107	-	-	107
80.	Profits (Losses) on trading	423	-	-	423
90.	Fair value adjustments in hedge accounting	-65	-	-	-65
100.	Profits (Losses) on disposal or repurchase of:	1,135	-	-	1,135
	a) financial assets measured at amortised cost	*64*	-	-	*64*
	b) financial assets measured at fair value through other comprehensive income	*1,028*	-	-	*1,028*
	c) financial liabilities	*43*	-	-	*43*
110.	Profits (Losses) on other financial assets and liabilities measured at fair value through profit or loss	55	-	-	55
	a) financial assets and liabilities designated at fair value	*-103*	-	-	*-103*
	b) other financial assets mandatorily measured at fair value	*158*	-	-	*158*
115.	Profits (Losses) on financial assets and liabilities pertaining to insurance companies pursuant to IAS 39	3,040	-	-	3,040
120.	**Net interest and other banking income**	**15,339**	**-**	**-**	**15,339**
130.	Net losses/recoveries for credit risks associated with:	-1,481	-	-	-1,481
	a) financial assets measured at amortised cost	*-1,474*	-	-	*-1,474*
	b) financial assets measured at fair value through other comprehensive income	*-7*	-	-	*-7*
135.	Net losses/recoveries pertaining to insurance companies pursuant to IAS39	-8	-	-	-8
140.	Profits (Losses) on changes in contracts without derecognition	-8	-	-	-8
150.	**Net income from banking activities**	**13,842**	**-**	**-**	**13,842**
160.	Net insurance premiums	7,335	323	-	7,658
170.	Other net insurance income (expense)	-9,282	-251	-	-9,533
180.	**Net income from banking and insurance activities**	**11,895**	**72**	**-**	**11,967**
190.	Administrative expenses:	-7,169	-15	-80	-7,264
	a) personnel expenses	*-4,292*	*-3*	-	*-4,295*
	b) other administrative expenses	*-2,877*	*-12*	*-80*	*-2,969*
200.	Net provisions for risks and charges	23	-	-	23
	a) commitments and guarantees given	*69*	-	-	*69*
	b) other net provisions	*-46*	-	-	*-46*
210.	Net adjustments to / recoveries on property and equipment	-389	-	-	-389
220.	Net adjustments to / recoveries on intangible assets	-492	-	-	-492
230.	Other operating expenses (income)	628	-	-	628
240.	**Operating expenses**	**-7,399**	**-15**	**-80**	**-7,494**
250.	Profits (Losses) on investments in associates and companies subject to joint control	43	-	-	43
260.	Valuation differences on property, equipment and intangible assets measured at fair value	-	-	-	-
270.	Goodwill impairment	-	-	-	-
280.	Profits (Losses) on disposal of investments	3	-	-	3
290.	**Income (Loss) before tax from continuing operations**	**4,542**	**57**	**-80**	**4,519**
300.	Taxes on income from continuing operations	-1,285	-18	26	-1,277
310.	**Income (Loss) after tax from continuing operations**	**3,257**	**39**	**-54**	**3,242**
320.	Income (Loss) after tax from discontinued operations	46	-	-	46
330.	**Net income (loss)**	**3,303**	**39**	**-54**	**3,288**
340.	Minority interests	7	-39	54	22
350.	**Parent Company's net income (loss)**	**3,310**	**-**	**-**	**3,310**

(a) The restatement refers to the economic results of the first nine months of 2019 of RBM Assicurazione Salute S.p.A.

(b) Effect related to the fees due to Prelios following the UTP loans servicing agreement, effective from the end of 2019.

Reconciliation between the consolidated balance sheet as at 30 September 2020 and the restated consolidated balance sheet as at 30 September 2020

The consolidated balance sheet as at 30 September 2020 did not require any adjustments.

Reconciliation between the consolidated income statement as at 30 September 2020 and the restated consolidated income statement as at 30 September 2020

(millions of euro)

		30.09.2020	Changes in the scope of consolidation (a)	30.09.2020 Restated
10.	Interest and similar income	7,396	-	7,396
	of which: interest income calculated using the effective interest rate method	*7,556*	-	*7,556*
20.	Interest and similar expense	-1,830	-	-1,830
30.	**Interest margin**	**5,566**	**-**	**5,566**
40.	Fee and commission income	7,157	-	7,157
50.	Fee and commission expense	-1,682	-	-1,682
60.	**Net fee and commission income**	**5,475**	**-**	**5,475**
70.	Dividend and similar income	70	-	70
80.	Profits (Losses) on trading	457	-	457
90.	Fair value adjustments in hedge accounting	58	-	58
100.	Profits (Losses) on disposal or repurchase of:	726	-	726
	a) financial assets measured at amortised cost	*17*	-	*17*
	b) financial assets measured at fair value through other comprehensive income	*741*	-	*741*
	c) financial liabilities	*-32*	-	*-32*
110.	Profits (Losses) on other financial assets and liabilities measured at fair value through profit or loss	108	-	108
	a) financial assets and liabilities designated at fair value	*120*	-	*120*
	b) other financial assets mandatorily measured at fair value	*-12*	-	*-12*
115.	Profits (Losses) on financial assets and liabilities pertaining to insurance companies pursuant to IAS 39	2,278	-	2,278
120.	**Net interest and other banking income**	**14,738**	**-**	**14,738**
130.	Net losses/recoveries for credit risks associated with:	-2,671	-	-2,671
	a) financial assets measured at amortised cost	*-2,658*	-	*-2,658*
	b) financial assets measured at fair value through other comprehensive income	*-13*	-	*-13*
135.	Net losses/recoveries pertaining to insurance companies pursuant to IAS39	-78	-	-78
140.	Profits (Losses) on changes in contracts without derecognition	-13	-	-13
150.	**Net income from banking activities**	**11,976**	**-**	**11,976**
160.	Net insurance premiums	7,175	165	7,340
170.	Other net insurance income (expense)	-8,301	-88	-8,389
180.	**Net income from banking and insurance activities**	**10,850**	**77**	**10,927**
190.	Administrative expenses:	-7,505	-7	-7,512
	a) personnel expenses	*-4,344*	*-2*	*-4,346*
	b) other administrative expenses	*-3,161*	*-5*	*-3,166*
200.	Net provisions for risks and charges	-233	-	-233
	a) commitments and guarantees given	*-11*	-	*-11*
	b) other net provisions	*-222*	-	*-222*
210.	Net adjustments to / recoveries on property and equipment	-405	-	-405
220.	Net adjustments to / recoveries on intangible assets	-566	-	-566
230.	Other operating expenses (income)	3,938	-	3,938
240.	**Operating expenses**	**-4,771**	**-7**	**-4,778**
250.	Profits (Losses) on investments in associates and companies subject to joint control	-29	-	-29
260.	Valuation differences on property, equipment and intangible assets measured at fair value	-	-	-
270.	Goodwill impairment	-	-	-
280.	Profits (Losses) on disposal of investments	36	-	36
290.	**Income (Loss) before tax from continuing operations**	**6,086**	**70**	**6,156**
300.	Taxes on income from continuing operations	-850	-21	-871
310.	**Income (Loss) after tax from continuing operations**	**5,236**	**49**	**5,285**
320.	Income (Loss) after tax from discontinued operations	1,136	-	1,136
330.	**Net income (loss)**	**6,372**	**49**	**6,421**
340.	Minority interests	4	-49	-45
350.	**Parent Company’s net income (loss)**	**6,376**	**-**	**6,376**

(a) The restatement refers to the economic results of the first four months of 2020 of RBM Assicurazione Salute S.p.A.

Restated consolidated financial statements

Restated consolidated balance sheet

(millions of euro)

Assets		30.09.2020	31.12.2019 Restated	Changes amount	%
10.	Cash and cash equivalents	7,625	9,745	-2,120	-21.8
20.	Financial assets measured at fair value through profit or loss	62,537	49,414	13,123	26.6
	a) financial assets held for trading	*57,082*	*45,152*	*11,930*	*26.4*
	b) financial assets designated at fair value	*1*	*195*	*-194*	*-99.5*
	c) other financial assets mandatorily measured at fair value	*5,454*	*4,067*	*1,387*	*34.1*
30.	Financial assets measured at fair value through other comprehensive income	80,945	72,410	8,535	11.8
35.	Financial assets pertaining to insurance companies, measured at fair value pursuant to IAS 39	170,471	168,233	2,238	1.3
40.	Financial assets measured at amortised cost	616,364	467,815	148,549	31.8
	a) due from banks	*86,964*	*49,027*	*37,937*	*77.4*
	b) loans to customers	*529,400*	*418,788*	*110,612*	*26.4*
45.	Financial assets pertaining to insurance companies measured at amortised cost pursuant to IAS 39	1,050	649	401	61.8
50.	Hedging derivatives	1,338	3,029	-1,691	-55.8
60.	Fair value change of financial assets in hedged portfolios (+/-)	3,404	1,569	1,835	
70.	Investments in associates and companies subject to joint control	1,766	1,240	526	42.4
80.	Technical insurance reserves reassured with third parties	34	28	6	21.4
90.	Property and equipment	11,473	8,882	2,591	29.2
100.	Intangible assets	8,623	9,211	-588	-6.4
	of which:				
	- goodwill	*4,184*	*4,055*	*129*	*3.2*
110.	Tax assets	19,256	15,476	3,780	24.4
	a) current	*2,945*	*1,716*	*1,229*	*71.6*
	b) deferred	*16,311*	*13,760*	*2,551*	*18.5*
120.	Non-current assets held for sale and discontinued operations	2,601	494	2,107	
130.	Other assets	9,361	8,375	986	11.8
Total assets		**996,848**	**816,570**	**180,278**	**22.1**

(millions of euro)

Liabilities and Shareholders' Equity		30.09.2020	31.12.2019 Restated	Changes amount	%
10.	Financial liabilities measured at amortised cost	655,755	519,382	136,373	26.3
	a) due to banks	*118,559*	*103,324*	*15,235*	*14.7*
	b) due to customers	*440,180*	*331,181*	*108,999*	*32.9*
	c) securities issued	*97,016*	*84,877*	*12,139*	*14.3*
15.	Financial liabilities pertaining to insurance companies measured at amortised cost pursuant to IAS 39	1,864	826	1,038	
20.	Financial liabilities held for trading	57,022	45,226	11,796	26.1
30.	Financial liabilities designated at fair value	2,978	4	2,974	
35.	Financial liabilities pertaining to insurance companies measured at fair value pursuant to IAS 39	73,960	75,935	-1,975	-2.6
40.	Hedging derivatives	8,004	9,288	-1,284	-13.8
50.	Fair value change of financial liabilities in hedged portfolios (+/-)	918	527	391	74.2
60.	Tax liabilities	2,584	2,322	262	11.3
	a) current	*414*	*455*	*-41*	*-9.0*
	b) deferred	*2,170*	*1,867*	*303*	*16.2*
70.	Liabilities associated with non-current assets held for sale and discontinued operations	2,380	41	2,339	
80.	Other liabilities	21,596	12,122	9,474	78.2
90.	Employee termination indemnities	1,333	1,134	199	17.5
100.	Allowances for risks and charges	5,277	3,998	1,279	32.0
	a) commitments and guarantees given	*565*	*482*	*83*	*17.2*
	b) post-employment benefits	*302*	*232*	*70*	*30.2*
	c) other allowances for risks and charges	*4,410*	*3,284*	*1,126*	*34.3*
110.	Technical reserves	94,536	89,243	5,293	5.9
120.	Valuation reserves	-894	-157	737	
125.	Valuation reserves pertaining to insurance companies	596	504	92	18.3
130.	Redeemable shares	-	-	-	
140.	Equity instruments	7,423	4,103	3,320	80.9
150.	Reserves	17,452	13,279	4,173	31.4
160.	Share premium reserve	27,422	25,075	2,347	9.4
170.	Share capital	10,076	9,086	990	10.9
180.	Treasury shares (-)	-87	-104	-17	-16.3
190.	Minority interests (+/-)	277	554	-277	-50.0
200.	Net income (loss) (+/-)	6,376	4,182	2,194	52.5
Total liabilities and shareholders' equity		**996,848**	**816,570**	**180,278**	**22.1**

Restated consolidated income statement

(millions of euro)

		30.09.2020 Restated	30.09.2019 Restated	Changes amount	Changes %
10.	Interest and similar income	7,396	7,715	-319	-4.1
	of which: interest income calculated using the effective interest rate method	*7,556*	*7,790*	*-234*	*-3.0*
20.	Interest and similar expense	-1,830	-2,518	-688	-27.3
30.	**Interest margin**	**5,566**	**5,197**	**369**	**7.1**
40.	Fee and commission income	7,157	7,010	147	2.1
50.	Fee and commission expense	-1,682	-1,563	119	7.6
60.	**Net fee and commission income**	**5,475**	**5,447**	**28**	**0.5**
70.	Dividend and similar income	70	107	-37	-34.6
80.	Profits (Losses) on trading	457	423	34	8.0
90.	Fair value adjustments in hedge accounting	58	-65	123	
100.	Profits (Losses) on disposal or repurchase of:	726	1,135	-409	-36.0
	a) financial assets measured at amortised cost	*17*	*64*	*-47*	*-73.4*
	b) financial assets measured at fair value through other comprehensive income	*741*	*1,028*	*-287*	*-27.9*
	c) financial liabilities	*-32*	*43*	*-75*	
110.	Profits (Losses) on other financial assets and liabilities measured at fair value through profit or loss	108	55	53	96.4
	a) financial assets and liabilities designated at fair value	*120*	*-103*	*223*	
	b) other financial assets mandatorily measured at fair value	*-12*	*158*	*-170*	
115.	Profits (Losses) on financial assets and liabilities pertaining to insurance companies pursuant to IAS 39	2,278	3,040	-762	-25.1
120.	**Net interest and other banking income**	**14,738**	**15,339**	**-601**	**-3.9**
130.	Net losses/recoveries for credit risks associated with:	-2,671	-1,481	1,190	80.4
	a) financial assets measured at amortised cost	*-2,658*	*-1,474*	*1,184*	*80.3*
	b) financial assets measured at fair value through other comprehensive income	*-13*	*-7*	*6*	*85.7*
135.	Net losses/recoveries pertaining to insurance companies pursuant to IAS39	-78	-8	70	
140.	Profits (Losses) on changes in contracts without derecognition	-13	-8	5	62.5
150.	**Net income from banking activities**	**11,976**	**13,842**	**-1,866**	**-13.5**
160.	Net insurance premiums	7,340	7,658	-318	-4.2
170.	Other net insurance income (expense)	-8,389	-9,533	-1,144	-12.0
180.	**Net income from banking and insurance activities**	**10,927**	**11,967**	**-1,040**	**-8.7**
190.	Administrative expenses:	-7,512	-7,264	248	3.4
	a) personnel expenses	*-4,346*	*-4,295*	*51*	*1.2*
	b) other administrative expenses	*-3,166*	*-2,969*	*197*	*6.6*
200.	Net provisions for risks and charges	-233	23	-256	
	a) commitments and guarantees given	*-11*	*69*	*-80*	
	b) other net provisions	*-222*	*-46*	*176*	
210.	Net adjustments to / recoveries on property and equipment	-405	-389	16	4.1
220.	Net adjustments to / recoveries on intangible assets	-566	-492	74	15.0
230.	Other operating expenses (income)	3,938	628	3,310	
240.	**Operating expenses**	**-4,778**	**-7,494**	**-2,716**	**-36.2**
250.	Profits (Losses) on investments in associates and companies subject to joint control	-29	43	-72	
260.	Valuation differences on property, equipment and intangible assets measured at fair value	-	-	-	
270.	Goodwill impairment	-	-	-	
280.	Profits (Losses) on disposal of investments	36	3	33	
290.	**Income (Loss) before tax from continuing operations**	**6,156**	**4,519**	**1,637**	**36.2**
300.	Taxes on income from continuing operations	-871	-1,277	-406	-31.8
310.	**Income (Loss) after tax from continuing operations**	**5,285**	**3,242**	**2,043**	**63.0**
320.	Income (Loss) after tax from discontinued operations	1,136	46	1,090	
330.	**Net income (loss)**	**6,421**	**3,288**	**3,133**	**95.3**
340.	Minority interests	-45	22	-67	
350.	**Parent Company's net income (loss)**	**6,376**	**3,310**	**3,066**	**92.6**

Reconciliation between restated consolidated financial statements and reclassified consolidated financial statements

Reconciliation between consolidated balance sheet and reclassified consolidated balance sheet

(millions of euro)

Assets		30.09.2020 Consolidated figure (including UBI Group)	31.12.2019 Restated
Due from banks		**85,307**	**47,170**
Caption 40a (partial)	Financial assets measured at amortised cost - Due from banks	85,282	47,164
Caption 20a (partial)	Financial assets held for trading - Due from banks	-	-
Caption 20b (partial)	Financial assets designated at fair value - Due from banks	-	-
Caption 20c (partial)	Other financial assets mandatorily measured at fair value - Due from banks	25	6
Caption 30 (partial)	Financial assets measured at fair value through other comprehensive income - Due from banks	-	-
Loans to customers		**489,148**	**395,229**
Loans to customers measured at amortised cost		***487,629***	***394,093***
Caption 40b (partial)	Financial assets measured at amortised cost - Loans to customers	481,029	388,881
- Caption 40b (partial)	Financial assets measured at amortised cost - Loans to customers (concession rights - financial component)	-	-670
Caption 40b (partial)	Financial assets measured at amortised cost - Debt securities (public entities, non-financial companies and others)	6,600	5,882
Loans to customers at fair value through other comprehensive income and through profit or loss		***1,519***	***1,136***
Caption 20a (partial)	Financial assets held for trading - Loans to customers	20	24
Caption 20b (partial)	Financial assets designated at fair value - Loans to customers	-	-
Caption 20c (partial)	Other financial assets mandatorily measured at fair value - Loans to customers	1,174	748
Caption 30 (partial)	Financial assets measured at fair value through other comprehensive income - Loans to customers	325	364
Financial assets measured at amortised cost which do not constitute loans		**43,453**	**25,888**
Caption 40a (partial)	Financial assets measured at amortised cost - Debt securities (banks)	1,682	1,863
Caption 40b (partial)	Financial assets measured at amortised cost - Debt securities (governments, financial and insurance companies)	41,771	24,025
Financial assets at fair value through profit or loss		**61,317**	**48,636**
Caption 20a (partial)	Financial assets held for trading	57,061	45,128
Caption 20b (partial)	Financial assets designated at fair value - Debt securities	1	195
Caption 20c (partial)	Other financial assets mandatorily measured at fair value	4,255	3,313
Financial assets at fair value through other comprehensive income		**80,621**	**72,046**
Caption 30 (partial)	Financial assets measured at fair value through other comprehensive income	80,621	72,046
Financial assets pertaining to insurance companies measured at fair value pursuant to IAS 39		**170,471**	**168,233**
Caption 35	Financial assets pertaining to insurance companies measured at fair value pursuant to IAS 39	170,471	168,233
Financial assets pertaining to insurance companies measured at amortised cost pursuant to IAS 39		**1,050**	**649**
Caption 45	Financial assets pertaining to insurance companies measured at amortised cost pursuant to IAS 39	1,050	649
Investments in associates and companies subject to joint control		**1,766**	**1,240**
Caption 70	Investments in associates and companies subject to joint control	1,766	1,240
Property, equipment and intangible assets		**20,096**	**17,157**
Assets owned		***18,248***	***15,659***
Caption 90 (partial)	Property and equipment	9,625	7,384
Caption 100	Intangible assets	8,623	9,211
- Caption 100 (partial)	Intangible assets (concession rights - intangible component)	-	-936
Rights of use acquired under leases		***1,848***	***1,498***
Caption 90 (partial)	Property and equipment	1,848	1,498
Tax assets		**19,256**	**15,476**
Caption 110	Tax assets	19,256	15,476
Non-current assets held for sale and discontinued operations		**2,601**	**494**
Caption 120	Non-current assets held for sale and discontinued operations	2,601	494
Other assets		**21,762**	**24,352**
Caption 10	Cash and cash equivalents	7,625	9,745
+ Caption 40b (partial)	Financial assets measured at amortised cost - Loans to customers (concession rights - financial component)	-	670
Caption 50	Hedging derivatives	1,338	3,029
Caption 60	Fair value change of financial assets in hedged portfolios (+/-)	3,404	1,569
Caption 80	Technical insurance reserves reassured with third parties	34	28
+Caption 100 (partial)	Intangible assets (concession rights - intangible component)	-	936
Caption 130	Other assets	9,361	8,375
Total Assets		**996,848**	**816,570**

(millions of euro)

Liabilities			30.09.2020 Consolidated figure (including UBI Group)	31.12.2019 Restated
Due to banks at amortised cost			**118,554**	**103,316**
	Caption 10 a)	Financial liabilities measured at amortised cost - Due to banks	118,559	103,324
	- Caption 10 a) (partial)	Financial liabilities measured at amortised cost - Due to banks (of which lease payables)	-5	-8
Due to customers at amortised cost and securities issued			**535,391**	**414,578**
	Caption 10 b)	Financial liabilities measured at amortised cost - Due to customers	440,180	331,181
	Caption 10 c)	Financial liabilities measured at amortised cost - Securities issued	97,016	84,877
	- Caption 10 b) (partial)	Financial liabilities measured at amortised cost - Due to customers (of which lease payables)	-1,805	-1,480
Financial liabilities held for trading			**57,022**	**45,226**
	Caption 20	Financial liabilities held for trading	57,022	45,226
Financial liabilities designated at fair value			**2,978**	**4**
	Caption 30	Financial liabilities designated at fair value	2,978	4
Financial liabilities pertaining to insurance companies measured at amortised cost pursuant to IAS 39			**1,857**	**818**
	Caption 15	Financial liabilities pertaining to insurance companies measured at amortised cost pursuant to IAS 39	1,864	826
	- Caption 15 (partial)	Financial liabilities pertaining to insurance companies measured at amortised cost pursuant to IAS 39 (of which lease payables)	-7	-8
Financial liabilities pertaining to insurance companies measured at fair value pursuant to IAS 39			**73,960**	**75,935**
	Caption 35	Financial liabilities pertaining to insurance companies measured at fair value pursuant to IAS 39	73,960	75,935
Tax liabilities			**2,584**	**2,322**
	Caption 60	Tax liabilities	2,584	2,322
Liabilities associated with non-current assets held for sale and discontinued operations			**2,380**	**41**
	Caption 70	Liabilities associated with non-current assets held for sale and discontinued operations	2,380	41
Other liabilities			**32,335**	**23,433**
	Caption 40	Hedging derivatives	8,004	9,288
	Caption 50	Fair value change of financial liabilities in hedged portfolios (+/-)	918	527
	Caption 80	Other liabilities	21,596	12,122
	Caption 10 a) (partial)	Financial liabilities measured at amortised cost - Due to banks (of which lease payables)	5	8
	Caption 10 b) (partial)	Financial liabilities measured at amortised cost - Due to customers (of which lease payables)	1,805	1,480
	Caption 15 (partial)	Financial liabilities pertaining to insurance companies measured at amortised cost pursuant to IAS 39 (of which lease payables)	7	8
Technical reserves			**94,536**	**89,243**
	Caption 110	Technical reserves	94,536	89,243
Allowances for risks and charges			**6,610**	**5,132**
	Caption 90	Employee termination indemnities	1,333	1,134
	Caption 100 a)	Allowances for risks and charges - Loan commitments and guarantees given	565	482
	Caption 100 b)	Allowances for risks and charges - Post-employment benefits	302	232
	Caption 100 c)	Allowances for risks and charges - Other allowances for risks and charges	4,410	3,284
Share capital			**10,076**	**9,086**
	Caption 170	Share capital	10,076	9,086
Reserves			**44,787**	**38,250**
	Caption 130	Redeemable shares	-	-
	Caption 150	Reserves	17,452	13,279
	Caption 160	Share premium reserve	27,422	25,075
	- Caption 180	Treasury shares	-87	-104
Valuation reserves			**-894**	**-157**
	Caption 120	Valuation reserves	-894	-157
Valuation reserves pertaining to insurance companies			**596**	**504**
	Caption 125	Valuation reserves pertaining to insurance companies	596	504
Equity instruments			**7,423**	**4,103**
	Caption 140	Equity instruments	7,423	4,103
Minority interests			**277**	**554**
	Caption 190	Minority interests	277	554
Net income (loss)			**6,376**	**4,182**
	Caption 200	Net income (loss) (+/-)	6,376	4,182
Total Liabilities and Shareholders' Equity			**996,848**	**816,570**

Reconciliation between restated consolidated income statement and reclassified consolidated income statement

(millions of euro)

		30.09.2020 Restated	30.09.2019 Restated
Net interest income		**5,596**	**5,258**
Caption 30	Interest margin	5,566	5,197
- Caption 30 (partial)	Interest margin (Effect of purchase price allocation)	36	73
+ Caption 80 (partial)	Components of profits (losses) on trading relating to net interest	-	14
+ Caption 80 (partial)	Hedging swap differentials	-51	-64
+ Caption 190 a) (partial)	Personnel expenses (Time value employee termination indemnities and other)	-14	-21
+ Caption 200 (partial)	Net provisions for risks and charges (Time value allowances for risks and charges)	-	-1
- Caption 30 (partial)	Interest margin - Intragroup transactions between Banks/Other companies and the Insurance Segment	-20	-27
- Caption 30 (partial)	Interest margin - Reclassification of operations of entities not subject to management and coordination	79	87
Net fee and commission income		**5,721**	**5,796**
Caption 60	Net fee and commission income	5,475	5,447
- Caption 60 (partial)	Net fee and commission income - Contribution of insurance business	157	211
- Caption 60 (partial)	Net fee and commission income - Reclassification of operations of entities not subject to management and coordination	3	3
- Caption 60 (partial)	Net fee and commission income - Share of the certificates issue premium paid to the placement agent	111	165
- Caption 60 (partial)	Net fee and commission income (Effect of purchase price allocation)	9	-
+ Caption 110 b) (partial)	Profits (Losses) on financial assets and liabilities measured at fair value through profit or loss (b) other financial assets mandatorily measured at fair value (Return components of insurance policies taken out for the benefit of financial advisor networks)	-	5
+ Caption 190 b) (partial)	Other administrative expenses (Recovery of other expenses)	-34	-35
Income from insurance business		**1,034**	**948**
Caption 160	Net insurance premiums	7,340	7,658
Caption 170	Other net insurance income (expense)	-8,389	-9,533
+ Caption 135 (partial)	Impairment of securities through other comprehensive income - share attributable to insured parties	-62	-6
+ Caption 60 (partial)	Net fee and commission income - Contribution of insurance business	-157	-211
Caption 115	Profits (Losses) on financial assets and liabilities pertaining to insurance companies pursuant to IAS 39	2,278	3,040
+ Caption 30 (partial)	Interest margin - Intragroup transactions between Banks/Other companies and the Insurance Segment	20	27
+ Caption 80 (partial)	Intragroup transactions between Banks/Other companies and the Insurance Segment	6	-25
+ Caption 210 (partial)	Net adjustments to / recoveries on property and equipment	-2	-2
Profits (Losses) on financial assets and liabilities designated at fair value		**1,383**	**1,572**
Caption 80	Profits (Losses) on trading	457	423
Caption 90	Fair value adjustments in hedge accounting	58	-65
Caption 110 a)	Profits (Losses) on other financial assets and liabilities measured at fair value through profit or loss (a) financial assets and liabilities designated at fair value	120	-103
Caption 110 b)	Profits (Losses) on other financial assets and liabilities measured at fair value through profit or loss (b) other financial assets mandatorily measured at fair value	-12	158
Caption 100 b)	Profits (Losses) on disposal or repurchase of financial assets measured at fair value through other comprehensive income	741	1,028
Caption 100 c)	Profits (Losses) on disposal or repurchase of financial liabilities	-32	43
+ Caption 60 (partial)	Net fee and commission income - Share of the certificates issue premium paid to the placement agent	-111	-165
+ Caption 70 (partial)	Dividend and similar income on equity instruments held for trading, designated at fair value through profit or loss or for which the option has been exercised of their designation at fair value through other comprehensive income (including dividends on UCIs)	70	107
+ Caption 100 a) (partial)	Profits (Losses) on disposal or repurchase of financial assets measured at amortised cost - Debt securities (governments, financial and insurance companies) - Effect associated with profits (losses) on trading	87	101
- Caption 80 (partial)	Components of profits (losses) on trading relating to net interest	-	-14
- Caption 80 (partial)	Intragroup transactions between Banks/Other companies and the Insurance Segment	-6	25
- Caption 80 (partial)	Hedging swap differentials	51	64
- Caption 80 (partial)	Profits (losses) on trading (Components relating to Profits (losses) on investments in associates and companies subject to joint control (carried at equity)	-47	-
- Caption 90 (partial)	Fair value adjustments in hedge accounting - Reclassification of operations of entities not subject to management and coordination	4	-
- Caption 110 b) (partial)	Profits (Losses) on financial assets and liabilities measured at fair value through profit or loss (b) other financial assets mandatorily measured at fair value (Return components of insurance policies taken out for the benefit of financial advisor networks)	1	-17
- Caption 110 b) (partial)	Profits (Losses) on other financial assets and liabilities measured at fair value through profit or loss (b) other financial assets mandatorily measured at fair value (Charges concerning the banking industry)	2	-13

(millions of euro)

		30.09.2020 Restated	30.09.2019 Restated
Other operating income (expenses)		**-1**	**14**
Caption 70	Dividend and similar income	70	107
Caption 230	Other operating expenses (income)	3,938	628
+ Caption 30 (partial)	Interest margin - Reclassification of operations of entities not subject to management and coordination	-79	-87
+ Caption 60 (partial)	Net fee and commission income - Reclassification of operations of entities not subject to management and coordination	-3	-3
+ Caption 90 (partial)	Fair value adjustments in hedge accounting - Reclassification of operations of entities not subject to management and coordination	-4	
- Caption 70 (partial)	Dividend and similar income on equity instruments held for trading, designated at fair value through profit or loss or for which the option has been exercised of their designation at fair value through other comprehensive income (including dividends on UCIs)	-70	-107
+ Caption 80 (partial)	Profits (losses) on trading (Components relating to Profits (losses) on investments in associates and companies subject to joint control (carried at equity)	47	-
- Caption 230 (partial)	Other operating expenses (income) (Recovery of expenses)	-12	-13
- Caption 230 (partial)	Other operating expenses (income) (Recovery of indirect taxes)	-587	-550
- Caption 230 (partial)	Other operating expenses (income) (Non-recurring expenses)	18	-
- Caption 230 (partial)	Other operating expenses (income) (Valuation effects of other assets)	64	-
- Caption 230 (partial)	Other operating expenses (income) (Impairment losses on repurchased property and equipment)	-	-
- Caption 230 (partial)	Other operating expenses (income) (Profits/losses on disposal of repurchased property and equipment)	-	-
- Caption 230 (partial)	Other operating expenses (income) (Effect of purchase price allocation)	-3,365	-
+ Caption 250 (partial)	Profits (losses) on investments in associates and companies subject to joint control (carried at equity)	-18	39
Operating income		**13,733**	**13,588**
Personnel expenses		**-4,331**	**-4,229**
Caption 190 a)	Personnel expenses	-4,346	-4,295
- Caption 190 a) (partial)	Personnel expenses (Charges for integration and exit incentives)	1	44
- Caption 190 a) (partial)	Personnel expenses (Time value employee termination indemnities and other)	14	21
+ Caption 230 (partial)	Other operating expenses (income) (Recovery of expenses)	-	1
Other administrative expenses		**-1,794**	**-1,849**
Caption 190 b)	Other administrative expenses	-3,166	-2,969
- Caption 190 b) (partial)	Other administrative expenses (Charges for integration)	34	26
- Caption 190 b) (partial)	Other administrative expenses (Resolution fund and deposit guarantee scheme)	684	497
- Caption 190 b) (partial)	Other administrative expenses (Recovery of other expenses)	34	35
- Caption 190 b) (partial)	Other administrative expenses (Effect of purchase price allocation)	21	-
+ Caption 230 (partial)	Other operating expenses (income) (Recovery of indirect taxes)	587	550
+ Caption 230 (partial)	Other operating expenses (income) (Recovery of expenses)	12	12
Adjustments to property, equipment and intangible assets		**-834**	**-773**
Caption 210	Net adjustments to / recoveries on property and equipment	-405	-389
Caption 220	Net adjustments to / recoveries on intangible assets	-566	-492
- Caption 210 (partial)	Net adjustments to / recoveries on property and equipment	2	2
- Caption 220 (partial)	Net adjustments to / recoveries on intangible assets (Entities not subject to management and coordination - concession rights)	14	14
- Caption 210 (partial)	Net adjustments to / recoveries on property and equipment (Charges for integration)	17	13
- Caption 220 (partial)	Net adjustments to / recoveries on intangible assets (Charges for integration)	53	32
- Caption 210 (partial)	Net adjustments to / recoveries on property and equipment (Impairment)	-	-
- Caption 220 (partial)	Net adjustments to / recoveries on intangible assets (Impairment)	-	1
- Caption 220 (partial)	Net adjustments to/recoveries on intangible assets (Effect of purchase price allocation)	51	46
Operating costs		**-6,959**	**-6,851**
Operating margin		**6,774**	**6,737**
Net adjustments to loans		**-2,739**	**-1,396**
+ Caption 100 a) (partial)	Profits (Losses) on disposal or repurchase of financial assets measured at amortised cost - Loans	-69	-46
+ Caption 100 a) (partial)	Profits (Losses) on disposal or repurchase of financial assets measured at amortised cost - Debt securities (public entities, non-financial companies and others)	-	9
+ Caption 130 a) (partial)	Net losses/recoveries for credit risk associated with financial assets measured at amortised cost - Loans	-2,677	-1,455
+ Caption 130 a) (partial)	Net losses/recoveries for credit risk associated with financial assets measured at amortised cost - Debt securities (public entities, non-financial companies and others)	9	-9
+ Caption 130 b) (partial)	Net losses/recoveries for credit risk associated with financial assets measured at fair value through other comprehensive income - Loans	-4	-
- Caption 130 a) (partial)	Net losses/recoveries for credit risk associated with financial assets measured at amortised cost - Loans (Charges for integration)	-	14
Caption 140	Profits/losses from changes in contracts without derecognition	-13	-8
Caption 200 a)	Net provisions for risks and charges for credit risk related to commitments and guarantees given	-11	69
+ Caption 100 a) (partial)	Profits (Losses) on disposal or repurchase of financial assets measured at amortised cost - Loans (Effect of purchase price allocation)	26	30

(millions of euro)

		30.09.2020 Restated	30.09.2019 Restated
Other net provisions and net impairment losses on other assets		**-224**	**-86**
+ Caption 130 a) (partial)	Net losses/recoveries for credit risk associated with financial assets measured at amortised cost - Debt securities (governments, financial and insurance companies)	13	-10
+ Caption 130 a) (partial)	Net losses/recoveries for credit risk associated with financial assets measured at amortised cost - Debt securities (Banks)	-3	-
+ Caption 130 b) (partial)	Net losses/recoveries for credit risk associated with financial assets measured at fair value through other comprehensive income - Debt securities	-9	-7
Caption 135	Net losses/recoveries pertaining to insurance companies pursuant to IAS 39	-78	-8
Caption 260	Valuation differences on property, equipment and intangible assets measured at fair value	-	-
Caption 200 b)	Net provisions for risks and charges - Other net provisions	-222	-46
+ Caption 110 b) (partial)	Profits (Losses) on financial assets and liabilities measured at fair value through profit or loss (b) other financial assets mandatorily measured at fair value (Return components of insurance policies taken out for the benefit of financial advisor networks)	-1	12
- Caption 135 (partial)	Impairment of securities through other comprehensive income - share attributable to insured parties	62	6
- Caption 200 b) (partial)	Net provisions for risks and charges (Time value allowances for risks and charges)	-	1
- Caption 200 b) (partial)	Net provisions for risks and charges (Effect of purchase price allocation)	90	3
- Caption 200 b) (partial)	Net provisions for risks and charges - Other net provisions (Charges for integration)	1	-24
- Caption 200 b) (partial)	Net provisions for risks and charges - Other net provisions (settlement of tax litigation)	-	-9
+ Caption 210 (partial)	Net adjustments to / recoveries on property and equipment (Impairment)	-	-
+ Caption 220 (partial)	Net adjustments to / recoveries on intangible assets (Impairment)	-	-1
+ Caption 230 (partial)	Other operating expenses (income) (Impairment losses on repurchased property and equipment)	-	-
+ Caption 230 (partial)	Other operating expenses (income) (Valuation effects of other assets)	-64	
+ Caption 250 (partial)	Profits (Losses) on investments in associates and companies subject to joint control (Adjustments/recoveries due to impairment of associates)	-13	-3
Other income (expenses)		**5**	**5**
Caption 100 a) (partial)	Profits (Losses) on disposal or repurchase of financial assets measured at amortised cost - Debt securities (governments, financial and insurance companies)	86	101
Caption 100 a) (partial)	Profits (Losses) on disposal or repurchase of financial assets measured at amortised cost - Debt securities (Banks)	-	-
Caption 250	Profits (Losses) on investments in associates and companies subject to joint control	-29	43
Caption 280	Profits (Losses) on disposal of investments	36	3
- Caption 100 a) (partial)	Profits (Losses) on disposal or repurchase of financial assets measured at amortised cost - Debt securities (governments, financial and insurance companies) - Effect associated with profits (losses) on trading	-87	-101
+ Caption 200 b) (partial)	Net provisions for risks and charges - Other net provisions (settlement of tax litigation)	-	9
+ Caption 220 (partial)	Net adjustments to / recoveries on intangible assets (Entities not subject to management and coordination - concession rights)	-14	-14
+ Caption 230 (partial)	Other operating expenses (income) (Profits/losses on disposal of repurchased property and equipment)	-	-
+ Caption 230 (partial)	Other operating expenses (income) (Non-recurring expenses)	-18	
- Caption 250 (partial)	Profits (Losses) on investments in associates and companies subject to joint control (carried at equity)	18	-39
- Caption 250 (partial)	Profits (Losses) on investments in associates and companies subject to joint control (Adjustments/recoveries due to impairment of associates)	13	3
Income (Loss) from discontinued operations		1,163	63
Caption 320	Income (Loss) after tax from discontinued operations	1,136	46
+ Caption 300 (partial)	Taxes on income from continuing operations (Discontinued operations)	27	17
Gross income (loss)		**4,979**	**5,323**
Taxes on income		**-1,194**	**-1,513**
Caption 300	Taxes on income from continuing operations	-871	-1,277
- Caption 300 (partial)	Taxes on income from continuing operations (Discontinued operations)	-27	-17
- Caption 300 (partial)	Taxes on income from continuing operations (Charges for integration)	-29	-26
- Caption 300 (partial)	Taxes on income from continuing operations (Effect of purchase price allocation)	-55	-47
- Caption 300 (partial)	Taxes on income from continuing operations (Resolution fund and deposit guarantee scheme)	-212	-146
Charges (net of tax) for integration and exit incentives		**-77**	**-79**
- Caption 130 a) (partial)	Net losses/recoveries for credit risk associated with financial assets measured at amortised cost - Loans (Charges for integration)	-	-14
+ Caption 190 a) (partial)	Personnel expenses (Charges for integration and exit incentives)	-1	-44
+ Caption 190 b) (partial)	Other administrative expenses (Charges for integration)	-34	-26
+ Caption 200 (partial)	Net provisions for risks and charges (Charges for integration)	-1	24
+ Caption 210 (partial)	Net adjustments to / recoveries on property and equipment (Charges for integration)	-17	-13
+ Caption 220 (partial)	Net adjustments to / recoveries on intangible assets (Charges for integration)	-53	-32
+ Caption 300 (partial)	Taxes on income from continuing operations (Charges for integration)	29	26

(millions of euro)

		30.09.2020 Restated	30.09.2019 Restated
Effect of purchase price allocation (net of tax)		**3,187**	**-105**
+ Caption 30 (partial)	Interest margin (Effect of purchase price allocation)	-36	-73
+ Caption 60 (partial)	Net fee and commission income (Effect of purchase price allocation)	-9	
+ Caption 100 a) (partial)	Profits (Losses) on disposal or repurchase of financial assets measured at amortised cost - Loans (Effect of purchase price allocation)	-26	-30
+ Caption 190 b) (partial)	Other administrative expenses (Effect of purchase price allocation)	-21	-
+ Caption 200 b) (partial)	Net provisions for risks and charges (Effect of purchase price allocation)	-90	-3
+ Caption 220 (partial)	Net adjustments to / recoveries on intangible assets (Effect of purchase price allocation)	-51	-46
- Caption 230 (partial)	Other operating expenses (income) (Effect of purchase price allocation)	3,365	-
+ Caption 300 (partial)	Taxes on income from continuing operations (Effect of purchase price allocation)	55	47
Levies and other charges concerning the banking industry (net of tax)		**-474**	**-338**
+ Caption 110 b) (partial)	Profits (Losses) on other financial assets and liabilities measured at fair value through profit or loss (b) other financial assets mandatorily measured at fair value (Charges concerning the banking industry)	-2	13
+ Caption 190 b) (partial)	Other administrative expenses (Resolution fund and deposit guarantee scheme)	-684	-497
+ Caption 300 (partial)	Taxes on income from continuing operations (Resolution fund and deposit guarantee scheme)	212	146
Impairment (net of tax) of goodwill and other intangible assets		**-**	**-**
Caption 270	Goodwill impairment	-	-
Minority interests		**-45**	**22**
Caption 340	Minority interests	-45	22
Net income (loss)		**6,376**	**3,310**

Glossary

ABS – Asset-Backed Securities
Financial securities whose yield and redemption are guaranteed by a pool of assets (collateral) of the issuer (usually a Special Purpose Vehicle – SPV), exclusively intended to ensure satisfaction of the rights attached to said financial securities.
Examples of assets pledged as collateral include mortgages, credit card receivables, short-term trade receivables and auto loans.

ABS (receivables)
ABS whose collateral is made up of receivables.

Acquisition finance
Leveraged buy-out financing.

Additional return
Type of remuneration of the junior securities arising from securitisation transactions. In addition to a fixed dividend, such securities accrue periodic earnings (quarterly, semi-annual, etc.), whose amount is linked to the profit generated by the transaction (which in turn reflects the performance of the securitised assets).

Advisor
Financial broker assisting government authorities or companies involved in privatisation or other corporate finance transactions, whose tasks range from arranging appraisals to drawing up documents and providing general professional advice about specific transactions.

AIRB (Advanced Internal Rating Based) Approach
Approach to using internal ratings within the framework of the New Basel Accord, which provides for either the Foundation or the Advanced Approach. The Advanced Approach may be used only by institutions meeting more stringent requirements compared to the Foundation Approach. In this case, the Bank uses its own internal estimates for all inputs (PD, LGD, EAD and Maturity) for credit risk assessment, whereas for Foundation IRB it only estimates PD.

ALM – Asset & Liability Management
Integrated management of assets and liabilities designed to allocate the resources with a view to optimising the risk/yield ratio.

ALT-A Agency
Securities whose collateral consists of Alt-A mortgages, guaranteed by specialised Government Agencies.

ALT- A - Alternative A Loan
Residential mortgages generally of “prime” category, but which, due to various factors such as LTV ratio, documentation provided, borrower’s income/employment situation, type of property etc., cannot be classified as standard contracts usable in subscription programmes.
Incomplete documentation is the main reason for a loan being classified as “Alt-A”.

Alternative investment
Alternative investments comprise a wide range of investment products, including private equity and hedge funds (see definitions below).

Other related parties – close relatives
An individual’s “close relatives” comprise those family members likely to influence or be influenced by such individual in their relations with the entity. They include the individual’s non-separated spouse/domestic partner and the individual’s children, his/her spouse’s/domestic partner’s children, and the individual’s or his/her spouse’s/domestic partner’s dependents.

AP – Attachment Point
Level above which a protection seller will cover the losses of a protection buyer. It is typically used in synthetic CDOs.

Arrangement fee
A fee paid for professional advice and assistance provided in the loan structuring and arranging stage.

Arranger
In the structured finance sector, the arranger is the entity that – albeit in different forms and with different titles (mandated lead arranger, joint lead arranger, sole arranger etc.) – coordinates the organisational aspects of the transaction.

Asset allocation
The distribution of assets in an investment portfolio among different markets, geographical areas, sectors and products.

Asset management
The various activities relating to the management and administration of different customer assets.

AT1
Additional Tier 1 Capital (AT1). In general, the AT1 category includes equity instruments other than ordinary shares (which are eligible for Common Equity) and which meet the regulatory requirements for inclusion in that level of own funds (e.g. savings shares).

Intangible asset
An identifiable, non-monetary asset lacking physical substance.

Discounting
Process of determining the present value of a payment or payment flows to be received in the future

Audit
In listed companies, it indicates the various examinations of the business activities and bookkeeping of a company, performed by both in-house staff (internal audit) and independent audit firms (external audit).

AVA (Additional Valuation Adjustment)
Additional valuation adjustments necessary to adjust the fair value to the prudent value of the positions. To perform a prudent valuation of the positions measured at fair value, the EBA envisages two approaches for calculating the AVA (the Simplified approach and Core approach). The prudent valuation requirements apply to all positions measured at fair value regardless of whether they are held in the trading book or not, where the term ‘positions’ refers solely to financial instruments and commodities.

AUM Assets under management
Overall market value of assets such as deposits, securities and funds managed by the Group on behalf of customers

β
The beta coefficient of an issuer or a group of comparable issuers, an expression of the relationship between an equity's actual return and the total return of the market in question.

Back office
The unit of a bank or financial company that processes all the transactions performed by the operational units (front office).

Backtesting
Retrospective analyses performed to verify the reliability of the measurement of risk sources associated with different asset portfolios.

Banking book
Usually referred to securities or financial instruments in general, it identifies the portion of a portfolio dedicated to “proprietary” trading.

Basis swap
Contract providing for the exchange between two parties, of two floating-rate payments linked to a different index.

Best practice
It generally identifies conduct in line with state-of-the-art skills and techniques in a given technical/professional area.

Bid-ask spread
The difference between the buying and selling price of a given financial instrument or set of financial instruments.

Bookrunner
See Lead manager and Joint lead manager.

Brand name
IFRS 3 considers the “brand name” a potential, marketing related intangible asset, which may be recorded in the purchase price allocation process. The term "brand” is used in accounting standards with an extensive meaning and not as a synonym of trademark (the logo and the name). It is considered a general marketing term which defines a set of complementary intangible assets (in addition to the name and the logo, also the competencies, consumer trust, service quality, etc.) which concur to form brand equity.

Budget
Forecast of cost and revenue performance of a company over a period of time.

Business combinations
In accordance with IFRS 3, a transaction or other event in which an acquirer obtains control of one or more company assets.

Business model
The business model within which financial assets are managed.
With regard to the business models, IFRS 9 identifies three cases relating to the way in which cash flows and sales of financial assets are managed: Hold to Collect (HTC), Hold to Collect and Sell (HTCS), Others/Trading.

CAGR (Compound Annual Growth Rate)
Compound annual growth rate of an investment over a specified period of time. If n is the number of years, the CAGR is calculated as follows: (Ending value/Beginning value)^(1/n) -1.

Capital Asset Pricing Model (CAPM)
An economic model for determining the “opportunity cost” i.e. the amount of income for the period necessary to remunerate the cost of capital.

Capital structure
It is the entire set of the various classes of bonds (tranches) issued by a special purpose vehicle (SPV), and backed by its asset portfolio, which have different risk and return characteristics, to meet the requirements of different categories of investors. Subordination relationships between the various tranches are regulated by a set of rules on the allocation of losses generated by the collateral:
Equity Tranche (B): the riskiest portion of the portfolio, it is also known as “first loss” and is subordinated to all other tranches; hence, it is the first to bear the losses which might occur in the recovery of the underlying assets.
Mezzanine Tranche (B): the tranche with intermediate subordination level between equity and senior tranches. The mezzanine tranche is normally divided into 2-4 tranches with different risk levels, subordinated to one another. They are usually rated in the range between BBB-AAA.
Senior/Supersenior Tranche (B): the tranche with the highest credit enhancement, i.e. having the highest priority claim on remuneration and reimbursement. It is normally also called super-senior tranche and, if rated, it has a rating higher than AAA since it is senior with respect to the AAA mezzanine tranche.

Captive
Term generically referring to “networks” or companies that operate in the exclusive interest of their parent company or group.

Carry trade
The carry trade is a financial transaction in which funds are procured in a country with a low cost of money and then invested in a country with high interest rates to take advantage of the difference in returns.

Securitisation
A transaction in which the risk associated with financial or real assets is transferred to a special-purpose vehicle by selling the underlying assets or using derivative contracts. In Italy the primary applicable statute is Law 130 of 30 April 1999.

Cash flow hedge
Coverage against exposure to variability in cash flows associated with a particular risk.

Cash-generating Unit (CGU)
The smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Cash management
A banking service that in addition to informing companies on the status of their relations with the bank, is an operational tool enabling companies to transfer funds, thus leading to more efficient treasury management.

Certificates
Financial instruments which, based on their contracts, may be classified as optional derivatives that replicate the performance of an underlying asset. By purchasing a certificate, an investor acquires the right to receive – at a set date – an amount linked to the value of the underlying. In other words, through certificates investors can acquire an indirect position in the underlying asset. In some cases, investors can use the option structure to obtain full or partial protection of the invested capital, which takes the form of full or partial return of the premiums paid, irrespective of the performance of the parameters set in the contracts.
Certificates are securitised instruments and, as such, they can be freely traded as credit securities (traded on the SeDeX - Securitised Derivatives Exchange - managed by Borsa Italiana, and on the EuroTLX market).

Sale without recourse
Transfer of a loan or receivable in which the transferor does not offer any guarantees in the event of default by the debtor. The transferor thus only guarantees the transferee that the transferred loan or receivable exists, but not that the debtor is solvent.

Sale with recourse
Transfer of a loan or receivable in which the transferor guarantees payment by the debtor. The transferor thus guarantees the transferee both that the transferred loan or receivable exists and that the debtor is solvent.

CCF - Credit Conversion Factor
In determining credit risk, the CCF is the factor used to transform the EAD (Exposure At Default) of an off-balance sheet exposure into that of an on-balance sheet exposure. Where the Bank does not use internal models to estimate those factors (internal CCF), these are indicated as follows by the supervisory rules (regulatory CCF):
a) 100 % if it is a full risk item;
b) 50 % if it is a medium-risk item;
c) 20 % if it is a medium/low-risk item;
d) 0 % if it is a low-risk item.

CCP (Central Counterparty Clearing House)
A central counterparty is an institution interposed in securities trades between the two contracting parties, protecting the latter against default risk and guaranteeing the successful execution of the transaction. The central counterparty protects itself against its own risk by taking securities or cash collateral (margins) commensurate with the value and risk of the contracts guaranteed. Central counterparty services can be provided not only in the markets that expressly provide for them but also in respect of over-the-counter trading outside regulated markets.

CDO – Collateralised Debt Obligation
Financial instruments issued within the framework of securitisation transactions, backed by a pool of loans, bonds and other financial assets (including securitisation tranches). In the case of synthetic CDOs the risk is backed by credit derivatives instead of the sale of assets (cash CDOs).

CDSs on ABX
An Asset-backed security index (ABX) is an index with asset-backed securities as an underlying. Each ABX refers to a basket of 20 reference obligations belonging to a specific ABS sector. Each ABX (there are five in total) reproduces a rating class (AAA, AA, A, BBB, and BBB-).
In particular, the ABX.HE index, launched on 19 January 2006 (Annex Date), is made up of reference obligations of the home equity segment of ABS (Residential Mortgage-Backed Security – RMBS). The CDS on an ABX.HE therefore hedges the credit risk of underlying RMBSs or the risk relative to the 20 reference obligations which make up the index.
For ABX, the market does not provide credit curves but directly price valuation. The settlement admitted for contracts on ABX indices, as described in ISDA 2005 documentation, is PAUG (Pay As You Go): the protection seller pays the protection buyer the losses incurred as these emerge, without leading to termination of the contract.
Please note that the coverage achieved via the purchase of ABX indices, even if it is structured so as to match as closely as possible the characteristics of the hedged portfolio, remains in any case exposed to basis risks. In other words, since it is not a specific hedge of individual exposures, it may generate volatility in the income statement whenever there is imperfect correlation between index prices and market value of the hedged positions.

CLO - Collateralised Loan Obligation
CDOs backed by a portfolio of corporate loans.

CMBS - Commercial Mortgage-Backed Securities
securitisationsDebt instruments backed by mortgages on commercial real estate.

CMO - Collateralised Mortgage Obligation
Securities backed by mortgages in which the total amount of the issue is divided into tranches with different maturities and return. The tranches are repaid according to an order specified in the issue.

Commercial paper
Short-term notes issued in order to collect funds from third-party underwriters as an alternative to other forms of indebtedness.

Consumer ABS
ABS whose collateral is made up of consumer credits.

Core Business
Main area of business on which company's strategies and policies are focused.

Core deposits
"Core deposits" are "customer-related intangibles", generally recorded in business combinations between banks. The intangible value of core deposits stems from the future benefits for the acquirer deriving from the normally lower funding cost compared to market parameters. Basically, the acquirer may use funding for its lending and investment activities which, under normal conditions, pays less than the market interest rate.

Common Equity Tier 1 Ratio (CET1 Ratio)
The ratio of Common Equity Tier 1 capital (CET1) to total risk-weighted assets.

Corporate
Customer segment consisting of medium- and large-sized companies (mid-corporate, large corporate).

Cost/income ratio
Economic indicator consisting of the ratio of operating costs to net operating income.

Amortised cost
Differs from "cost" in that it provides for the progressive amortisation of the differential between the book value and nominal value of an asset or liability on the basis of the effective rate of return.

Transaction costs
Incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. It is a cost that would not have been incurred if the entity had not acquired issued or disposed of the financial instrument.

Covenant
A covenant is a clause, expressly agreed upon during the contractual phase, under which a lender is entitled to renegotiate and revoke a loan upon the occurrence of the events set out in the clause, linking the debtor's financial performance to events that trigger termination/amendment of contractual conditions (maturity, rates, etc.).

Coverage ratio
It represents the percentage coverage of the value adjustment with respect to the gross exposure.

Covered bond
Special bank bond that, in addition to the guarantee of the issuing bank, is also backed by a portfolio of mortgage loans or other high-quality loans sold to a special purpose vehicle.

CPPI (Constant Proportion Insurance Portfolio)
A technique consisting of forming a portfolio of two assets, one without risk that offers a certain rate of return (risk-free) and one with risk that offers a generally higher return. The purpose of the re-balancing procedure is to prevent the value of the portfolio from falling below a predetermined level (floor), which rises at the risk-free rate over time and coincides with the capital to be guaranteed at maturity.

Credit default swap/option
Contract under which one party transfers to another - in exchange for payment of a premium - the credit risk of a loan or security contingent on occurrence of a default event (in the case of an option the right must be exercised by the purchaser).

Credit derivatives
Derivative contracts for the transfer of credit risks. These products allow investors to perform arbitrage and/or hedging on the credit market, mainly by means of instruments other than cash, to acquire credit exposures of varying maturities and intensities, to modify the risk profile of a portfolio and to separate credit risks from other market risks.

Credit enhancement
Techniques and instruments used by issuers to improve the credit rating of their issues (providing sureties, cash credit lines, etc.).

Credit/emerging markets (Funds)
Funds that invest in securities with credit risk exposure, since they are issued by financial or corporate entities, which may be located in emerging countries.

Credit-linked notes
Similar to bonds issued by a protection buyer or a special purpose vehicle whose holders (protection sellers) – in exchange for a yield equal to the yield of a bond with the same maturity plus the premium received for credit risk hedging – take the risk of losing (in whole or in part) the maturing capital and the related flow of interest, upon occurrence of a default event.

Credit Risk Adjustment (CRA)
A technique that aims to draw attention to the penalty resulting from the counterparty's creditworthiness used in determining the fair value of unlisted derivative financial instruments.

Credit spread option
Contract under which the protection buyer reserves the right, against payment of a premium, to collect from the protection seller a sum depending on the positive difference between the market spread and that fixed in the contract, applied to the notional value of the bond.

Past due loans
"Past due exposures" are non-performing exposures on which payments are past due on a continuing basis for over 90 days, in accordance with the definition set forth in current supervisory reporting rules.

CreditVaR
Value that indicates an unexpected loss with respect to a credit portfolio at a specified confidence interval and a specified time horizon. CreditVaR is estimated through loss distribution and represents the difference between the average value of the distribution and the value corresponding to a certain percentile (usually 99.9%), which reflects the Bank's risk appetite.

Cross selling
Activity designed to increase customer loyalty through the sale of integrated products and services.

CRM – Credit Risk Mitigation
Techniques used by institutions to reduce the credit risk associated with their exposures.

CRP (Country Risk Premium)
Country risk premium; it expresses the component of the cost of capital aimed specifically at providing compensation for the risk implicit in a particular country (namely the risk associated with financial, political and monetary instability).

CR01
Referred to a credit portfolio, it indicates the change in portfolio value that would occur for a 1-basis-point increase in credit spreads.

CSA (Credit Support Annex)
A document through which counterparties trading in an over-the-counter derivative instrument establish the terms of contribution and transfer of the underlying guarantees to mitigate credit risk in the event of in-the-money position of the instrument. This document, although not mandatory for the transaction, is one of the four components that contribute to the establishment of the Master Agreement according to the standards established by the International Swaps and Derivatives Association (ISDA).

Reclassification date
The first day of the first reporting period following the change in business model that results in an entity reclassifying financial assets.

Default
Declared inability to honour one's debts and/or make the relevant interest payments.

Delinquency
Failure to make loan payments at a certain date, normally provided at 30, 60 and 90 days.

Delta
Value that expresses the sensitivity of the price of the underlying asset for an option. Delta is positive for call options because the price of the option rises along with the price of the underlying asset. Delta is negative for put options because a rise in the price of the underlying asset yields a decrease in the price of the option.

Embedded derivatives
Embedded derivatives are clauses (contractual terms) included in a financial instrument that generate the same effects as an independent derivative.

Desk
It usually designates an operating unit dedicated to a particular activity.

Dynamics of funding
Sum of deposits in a current account (free current accounts and bank drafts), returnable deposits upon prior notice (free savings deposits), time deposits (time current accounts and time deposits, certificates of deposit), repo agreements and bonds (including subordinated loans). All contract types, with the exception of bonds, refer to Italian customers, excluding the Central Administration, in euro and foreign currency. Bonds refer to the total amount issued, irrespective of residence and sector of the holder.

Directional (Funds)
Funds that invest in financial instruments that profit from directional market movements, also through macroeconomic forecasting.

Domestic Currency Swap
Contract settled in euro, whose economic effect is equal to that of a time purchase or sale of a foreign currency in exchange for domestic currency. On expiry, the difference between the forward and the spot exchange rates is settled in euro.

Duration
An indicator of the interest rate risk of a bond or bond portfolio. In its most frequent form, it is calculated as a weighted average of the due dates of interest and principal payments associated with a bond.

EAD – Exposure At Default
Relating to on- or off-balance sheet positions, it is defined as the estimated future value of an exposure upon default of a debtor. Only banks meeting the requirements for using the AIRB approach are entitled to estimate EAD. The others are required to make reference to statutory estimates.

ECAI – External Credit Assessment Institution
An external credit assessment institution.

EDF – Expected Default Frequency
Frequency of default, normally based on a sample internal or external to the bank, which represents the average risk level associable with a counterparty.

EHQLA (Extremely High Quality Liquid Asset)
Encumbered assets that are notionally eligible to be classified as extremely high quality liquid assets. Notionally eligible encumbered EHQLA and HQLA are the assets listed in Articles 11, 12 and 13 of Commission Delegated Regulation (EU) 2015/61.

ETD – Exchange Trade Derivatives
Standard derivative contracts (futures and options with various types of underlying) traded on regulated markets.

Embedded value
A measure of the underlying value of a life insurance company. It is the sum of the company's adjusted net asset value and the present value of the future income margins from the policies already in force over the period of their residual life.

Eonia (Euro overnight index average)
Weighted average of the overnight rates transmitted to the ECB by a sample of banks operating in the Euro area.

Equity hedge / long-short (Funds)
Funds that predominantly invest in stocks with the possibility of creating hedging strategies by means of short sales of the same stocks or strategies in derivative contracts involving securities or market indices.

Equity origination
Increase of a company's risk capital achieved by floating a new issue of stock.

ERP (Equity Risk Premium)
Risk premium demanded by investors in the market in question. ISP uses the risk premium calculated according to the historical approach (geometric average of the difference between equity and risk-free returns for the period 1928-2009) by New York University - Stern School of Business.

Exotics (derivatives)
Non-standard instruments unlisted on the regular markets, whose price is based on mathematical models.

EVA (Economic Value Added)
An indicator that provides a snapshot of the amount of value created (if positive) or destroyed (if negative) by enterprises. In contrast to other parameters that measure business performance, EVA is calculated net of the cost of equity capital, that is to say the investment made by shareholders.

Event-driven (Funds)
Funds that invest in opportunities arising out of significant events regarding the corporate sphere, such as mergers, acquisitions, defaults and reorganisations.

EVT – Extreme Value Theory
Statistical methodologies that deal with extreme hypothetical deviations from median of probability distributions of specific events.

Expected Credit Losses (ECL)
Expected credit risk adjustments, determined based on reasonable and supportable information about past events, current conditions and forecasts of future economic conditions.
Calculated as the difference between all contractual flows that are due to an entity in accordance with the contract and all the cash flows that the entity expects to receive (i.e., all cash shortfalls) discounted at the original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets).

12-Month Expected Loss
Portion of the lifetime expected loss that arises if the default occurs within 12 months from the reporting date (or a shorter period if the expected life is less than 12 months), weighted by the probability of that default.

Facility (fee)
Fee calculated with reference to the disbursed amount of a loan.

Factoring
Sale of trade receivables to factoring companies, for credit management and collection, normally associated with the granting of a loan to the seller.

Fair value
The amount at which an asset could be bought or sold or a liability incurred or settled, in a current transaction between willing parties.

Fair value hedge
Hedging against the risk of change in the fair value of a financial statement item, attributable to a particular risk.

Fair Value Option (FVO)
The Fair Value Option is an option for classifying a financial instrument.
When the option is exercised, even a non-derivative financial instrument not held for trading may be measured at fair value through profit or loss.

Fairness/Legal opinion
An opinion provided on request by experts of recognised professionalism and competence, on the adequacy of the economic terms and/or lawfulness and/or technical aspects of a given transaction.

"G" factor ("g" growth rate)
It is the factor used for perpetuity projection of cash flows in order to calculate "Terminal value".

FICO Score
In the US, a credit score is a number (usually between 300 and 850) based on the statistical analysis of an individual's credit report. The FICO score is an indicator of the borrower's creditworthiness. A mortgage lender will use the "score" to assess borrower default risk and to correctly price risk.

FIFO: First In First Out
Criterion used to recognise the expected credit losses (ECL) recorded on a security through profit or loss at the time of sale

Prudential filters
In schemes for calculating regulatory capital, corrections made to line items with the aim of safeguarding the quality of regulatory capital and reducing its potential volatility as a result of the application of international accounting standards (IAS/IFRS).

Harmonised mutual funds
Mutual funds within the scope of Directive 85/611/EEC of 20 December 1985, as amended, characterised by their open form, the possibility of offering units to the public and certain investment limits. Investment limits include the obligation to invest primarily in quoted financial instruments.

Forward Rate Agreement
See "Forwards".

Forwards
Forward contracts on interest rates, exchange rates or stock indices, generally negotiated in over-the-counter markets and whose conditions are established at the time when the contract is entered into, but which will be executed at a specified future date, by means of the receipt or payment of differentials calculated with reference to parameters that vary according to the object of the contract.

Front office
The divisions of a company designed to deal directly with customers.

Funding
The raising of capital, in various forms, to finance the company business or particular financial transactions.

Futures
Standardised forward contracts under which the parties agree to exchange securities or commodities at a specified price on a specified future date. Futures are normally traded on organised markets, where their execution is guaranteed. In practice, futures on securities often do not involve the physical exchange of the underlying.

FVTOCI: Fair Value Through Other Comprehensive Income
Method of recognition of changes in the fair value of financial assets through other comprehensive income (therefore in shareholders' equity) and not through profit or loss.

FVTPL: Fair Value Through Profit or Loss
Method of recognition of changes in the fair value of financial assets through profit or loss

Global custody
An integrated package of services including, in addition to the custody of securities, the performance of administrative activities relating to the settlement of securities, collections and payments, acting as depositary bank and cash management, as well as various forms of portfolio performance reporting.

GMSLA
Global Master Securities Lending Agreement: these are margin agreements used to mitigate counterparty risk in securities lending transactions

GMRA
Global Master Repurchase Agreement: these are margin agreements used to mitigate counterparty risk in repurchase agreement transactions

Goodwill
The value attached to intangible assets as part of the purchase price of a shareholding in a going concern.

Governance
The set of instruments, rules and standards regulating the life of the company, particularly as regards the transparency of documents and company records, and the completeness of information made available to the market.

Grandfathering
The new composition of own funds under Basel 3 and other less significant measures will enter into force following a transitional period. Specifically, old instruments included in Basel 2 regulatory capital, which are not included under Basel 3, will be gradually eliminated (referred to as the grandfathering period).

Greeks
Greeks are the quantities that identify the greater or lesser sensitivity of a derivative contract, typically an option, to changes in the value of the underlying asset or other parameters (e.g. intrinsic volatility, interest rates, stock prices, dividends and correlations).

Hedge accounting
Rules pertaining to the accounting of hedging transactions.

Hedge funds
Mutual fund that employs hedging instruments in order to achieve a better result in terms of risk/return ratio.

HELs – Home Equity Loans
Loans granted up to the current market value of the real estate property used as collateral (therefore with a loan-to-value ratio higher than the ordinary thresholds), by means of first or second lien mortgages. Standard & Poor's considers Subprime and Home Equity Loan largely synonymous when the home equity loan borrowers have low credit score (FICO<659).

HQLA (High Quality Liquid Asset)
Encumbered assets that are notionally eligible to be classified as high quality liquid assets. Notionally eligible encumbered EHQLA and HQLA are the assets listed in Articles 11, 12 and 13 of Commission Delegated Regulation (EU) 2015/61.

HY CBO – High-Yield Collateralised Bond Obligation
CDOs with collateral represented by High-Yield securities.

IAS/IFRS
The IAS (International Accounting Standards) are issued by the International Accounting Standards Board (IASB). The standards issued after July 2002 are called IFRS (International Financial Reporting Standards).

IASB (International Accounting Standard Board)
The IASB (previously known as the IASC) is the entity responsible for issuing international accounting standards (IAS/IFRS).

ICAAP (Internal Capital Adequacy Assessment Process)
The "Second Pillar" provisions require that banks implement processes and instruments of Internal Capital Adequacy Assessment Process (ICAAP), to determine the amount of internal capital needed to cover all risks, including risks different from those covered by the total capital requirement ("First Pillar"), when assessing current and potential future exposure, taking into account business strategies and developments in the economic and business environment.

IFRIC (International Financial Reporting Interpretations Committee)
A committee within the IASB that establishes official interpretations of international accounting standards (IAS/IFRS).

IMA (Internal Models Approach)
Approach for calculating the capital requirement for market risk using internal models.

IMM (Internal Model Method)
Method for calculating Exposure at Default, within the counterparty risk assessment, through internal models based on the concept of Expected Positive Exposure.

Impairment
When referred to a financial asset, a situation of impairment is identified when the book value of an asset exceeds its estimated recoverable amount.

Deferred tax (tax liabilities or assets)
Deferred tax liabilities are the amounts of income tax that will be payable in future periods and arising from taxable temporary differences.
Deferred tax assets are the amounts of income taxes claimable in future periods and arising from:
(a) deductible temporary differences;
(b) the carry forward of unused tax losses; and
(c) the carry forward of unused tax credits.
Temporary difference is the difference between the carrying amount of an asset or liability and its tax base.
There are two types of temporary difference:
a) taxable temporary difference, i.e. a temporary difference that, when determining the taxable income (tax loss) of future periods, will result in taxable amounts in the future when the carrying amount of the asset is recovered or the liability is settled; or
b) deductible temporary difference: a temporary difference that, when determining the taxable income (tax loss) of future periods, will result in amounts that are tax deductible in the future when the carrying amount of the asset is recovered or the liability is settled.

Significant increase in credit risk "SICR"
Criterion used to verify the transition between stages: if the credit risk of the financial instrument has increased significantly since initial recognition, the value adjustments are equal to the lifetime expected credit losses of the instrument (lifetime ECL). The bank establishes whether there has been a significant increase in credit risk based on qualitative and quantitative information. Exposures are considered to have had a significant increase in credit risk when:
- the weighted average lifetime PD has increased beyond the threshold at the time of the origination. Other measures of PD deterioration can also be used. The relative thresholds are defined as percentage increases and set at a particular value or segment;
- exposures are determined to be of higher credit risk and subject to closer monitoring;
- exposures are more than 30 days past due, used as a backstop rather than a primary driver

Incurred loss
Loss already inherent in a portfolio, but not yet identifiable at the level of an individual loan or receivable, also known as an "incurred but not reported loss." It represents the risk level inherent in a portfolio of performing loans and is the basic indicator for determining the size of the stock of collective adjustments recognised in the financial statements.

Index-linked
Policies whose performance at maturity depends on the performance of a reference parameter, which may be a stock index, a basket of securities or some other indicator.

CMBX index
The same as the ABX index, the only difference being that the reference entities are CMBSs.

Internal dealing
Transactions between different operating units of the same company. These transactions are recognised in the accounts and contribute to determining the position (trading or hedging) of the individual units involved.

Intraday
Used to refer to an investment/disinvestment transaction performed in the course of a single day involving the negotiation of a security. It is also used with reference to prices quoted during any one day.

Investment property
Real estate owned for the purpose of obtaining income and/or benefiting from an increase in their value.

Investment grade
Term used with reference to high-quality bonds that have received a medium/high rating (e.g., not less than BBB on Standard & Poor's index).

IRC – Incremental Risk Charge
The maximum potential loss in the trading book resulting from an upgrade/downgrade or bankruptcy of the issuers, over a 1-year period, with a 99.9% confidence level.

IRS – Interest Rate Swap
A binding agreement between two parties to exchange two flows calculated over a notional amount with fixed/floating or floating/floating rate.

ISDA - International Swaps and Derivatives Association
An association of participants in the over-the-counter derivatives market. It is based in New York and has created a standard contract for entering into derivatives transactions.

Joint venture
Agreement between two or more firms for the performance of a given economic activity, generally through the incorporation of a joint-stock company.

Junior
In a securitisation transaction, it is the lowest-ranking tranche of the securities issued, being the first to bear losses that may occur in the course of the recovery of the underlying assets.

Ke (Cost of Equity)
Cost of equity, the minimum return demanded for investments of the same risk level.

Ke – g
Difference between the cash flow discounting rate and the long-term growth rate. If cash flows remain equal, value in use increases as that difference decreases.

Lambda (λ)
Coefficient that measures the assessed item's specific exposure to country risk. In the model used by Intesa Sanpaolo, it is estimated to be 1, in that it is presumed that it is necessary to vary the country's risk level.

LCRE: Low Credit Risk Exemption
Exemption from the ordinary credit risk measurement according to which it can be assumed that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk (at least equal to investment grade) at the reporting date.

LDA - Loss Distribution Approach
Method of quantitative assessment of the risk profile through actuarial analysis of individual internal and external loss events; by extension, the term Loss Distribution Approach also refers to the calculation model for the historical capital per business unit.

Lead manager - Bookrunner
Lead bank of a bond issue syndicate. The lead manager deals with the debtor and is responsible for choosing the co-lead managers and the other members of the underwriting syndicate in agreement with the debtor. It also determines the terms and conditions of issue and coordinates its execution (usually placing the largest share of the issue on the market) and keeps the books (bookrunner); in addition to reimbursement of expenses and usual fees, the lead manager receives a special commission for its services.

Risk-based lending
A methodology applied to a credit portfolio to identify the most suitable pricing conditions taking into account the risk factor of each credit.

Leveraged & acquisition finance
See “Acquisition finance”.

Liquidity Coverage Ratio (LCR)
It aims to ensure that a bank maintains an adequate level of unencumbered, high-quality liquid assets that may be converted into cash to meet its liquidity needs within a period of 30 days under conditions of severe stress. The liquidity coverage ratio is equal to the ratio of liquidity reserves to net outflows of liquidity over a stress period of 30 calendar days.

LTV – Loan-to-Value Ratio
The ratio between the loan and the value of the asset for which the loan was requested or the price paid by the borrower to buy the asset.
The LTV ratio measures the weight of the borrower’s own funds used to buy the asset on the value of the asset used as guarantee of the loan. The higher the LTV ratio, the lower the borrower’s own funds used to buy the asset, the lower the creditor’s protection.

Cumulative loss
Cumulative loss incurred, at a certain date, on the collateral of a specific structured product.

Loss Given Default (LGD)
It represents the percentage of loans that are estimated to be irrecoverable in the event of default by the debtor.

M–Maturity
The remaining time of an exposure, calculated according to the prudence principle. For banks authorised to use internal ratings, it is explicitly considered if the advanced approach is adopted, while it is fixed at 2.5 years if the foundation approach is used.

Macro-hedging
Use of macro-hedging. Hedging procedure involving a single derivative product for various positions.

Mark to Market
Process of determining the value of a portfolio of securities or other financial instruments by reference to the prices expressed by the market.

Market dislocation
Turbulence in financial markets characterised by a strong reduction in volumes traded on financial markets with difficulties in finding significant prices on specialised information providers.

Market making
Financial activity carried out by brokerage houses that ensure market liquidity and depth, both through their ongoing presence and by means of their role as competitive guides in determining prices.

Market neutral
Operating strategies involving securities designed to minimise the relevant portfolios’ exposure to market volatility.

Mark-down
Difference between the 1-month Euribor and interest rates on household and business current accounts.

Mark-up
Difference between the overall interest rate applied to households and businesses on loans with a duration of less than one year and 1-month Euribor.

Merchant banking
A range of activities including the underwriting of securities – both equities and bonds – issued by corporate customers for subsequent offering on the market, the acquisition of equity investments for longer periods but always with the aim of selling them later, and the provision of advisory services on mergers, acquisitions and reorganisations.

Mezzanine
In a securitisation transaction it is the tranche ranking between junior and senior tranche.

Monoline
Insurance companies which, in exchange for a commission, guarantee the reimbursement of certain bond issues. Formed in the 1970s to guarantee municipal bond issues from default, their services were subsequently particularly appreciated for issues of complex financial products: the structure and the assets underlying such issues are often highly complex; the debt positions guaranteed by monoline insurers become easier to value and more appealing for risk-averse investors, since default risk is borne by the insurer.

Multistrategy / Funds of funds (Funds)
Funds that do not invest in a single strategy but in a portfolio reflecting different strategies, i.e. in a portfolio of investment funds managed by third parties.

NAV - Net Asset Value
The market value of one share of the fund's managed assets.

Net Stable Funding Ratio (NSFR).
It is aimed at promoting the increased use of stable funding, to prevent medium/long-term operations from giving rise to excessive imbalances to be financed in the short term. Net stable funding requirement is equal to the ratio of the stable funding available to the entity to the stable funding required by the entity and is expressed as a percentage.

Non-performing
Term generally referring to loans for which payments are overdue.

Covered bond
See "Covered Bond".

Option
Against payment of a premium, the buyer acquires the right, but not the obligation, to purchase (call option) or to sell (put option) a financial instrument at a set price (strike price) within (American option) or on (European option) a given future date.

Outsourcing
The transfer of business processes to external providers.

Overnight Indexed Swap (OIS)
Contract involving the exchange of the net flow deriving from the difference between a fixed and floating interest rate applied to a notional principal amount. The fixed rate is set at the inception of the contract, while the floating rate is determined at maturity as the average of the overnight rates surveyed during the term of the contract, with compound interest.

Over-The-Counter (OTC)
It designates transactions carried out directly between the parties outside organised markets.

Packages
Strategy made up of a funded asset whose credit risk is hedged by a specific credit default swap. If present, any interest rate and foreign exchange rate risks can be hedged with financial derivatives.

Expected credit loss
It is calculated as the product of the Probability of Default (PD) and Loss Given Default (LGD) multiplied by the exposure value (EAD). It represents the ratio of the amount expected to be lost on the exposure, over a time horizon of one year, as a result of a potential default by the counterparty and the amount of the exposure at the time of default.

Lifetime expected loss
Expected credit loss that results from all possible default events over the expected life of a financial instrument.

Performing
Term generally referring to loans characterised by regular performance.

Plain vanilla (derivatives)
Products whose price depends on that of the underlying instrument, which is listed on the regulated markets.

POCI: Purchased or Originated Credit-Impaired Assets – Assets for which the lifetime expected losses are recognised upon initial recognition and which are automatically classed as Stage 3.

Index-linked life insurance policies
Life insurance policies the benefits of which are based on indexes, normally drawn from equity markets. Policies may guarantee capital or offer a minimum return.

Pool (transactions)
See "Syndicated lending".

Held for trading
A financial asset or financial liability that:
- is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
- on initial recognition is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking;
- is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

Pricing
Broadly speaking, it generally refers to the methods used to determine yields and/or costs of products and services offered by the Bank.

Prime broker
The Prime Broker is an international financial intermediary that operates as agent in the settlement process, carrying out the financial transactions ordered by the hedge fund's manager with the utmost confidentiality. The Prime Broker also acts as the fund's lender, providing credit lines and securities lending for short selling, and directly obtaining guarantees in respect of the financing granted to the fund. The Prime Broker also provides risk management services, monitoring the hedge fund's risk exposure to ensure conditions of financial stability. Other services provided by the Prime Broker are holding and deposit of the fund's cash and securities, handling of the netting and settlement process, and recording of all market transactions.

Prime loan
Mortgage loan in which both the criteria used to grant the loan (loan-to-value, debt-to-income, etc.) and to assess the borrower's history (no past due reimbursements of loans, no bankruptcy, etc.) are sufficiently conservative to rank the loan as high-quality (as concerns the borrower) and low-risk.

Private banking
Business designed to provide preferred customers with asset management, professional advice and other personalised services.

Private equity
Activity aimed at the acquisition of equity investments and their subsequent sale to specific counterparties, without public offerings.

One-year Probability of Default (PD)
The likelihood that a debtor will default within the space of 1 year.

Lifetime PD
The likelihood that a debtor will default within a period equal to the expected life of the financial instrument.

Project finance
Technique for the financing of industrial projects based upon a forecast of the cash flow generated by the projects themselves. The analysis is based upon a series of evaluations differing from those generally made when assessing ordinary credit risk and covering, in addition to cash flow analysis, technical examination of the project, the suitability of the sponsors engaged in its implementation and the markets where the product will be placed.

PV01
Measures the price value change of a financial asset following a one basis point shift in the yield curve.

Indirect customer deposits
The holding of third parties' securities and similar valuables not issued by the bank, at nominal value, excluding certificates of deposit and bank bonds.

Rating
An evaluation of the quality of a company or of its bond issues, based on the company's financial strength and outlook. Such evaluation is performed by specialised agencies or by the Bank based on internal models.

Real estate (finance)
Structured finance transactions in the real estate sector.

Real Estate Investment Trust (REITs)
REITs are entities that invest in different types of real estate or financial assets related to real estate, including malls, hotels, offices and mortgage loans.

Relative value/Arbitrage (Funds)
Funds that invest in market neutral strategies, profiting from the price differentials of particular securities or financial contracts, neutralising the underlying market risk.

Retail
Customer segment mainly including households, professionals, retailers and artisans.

Counterparty risk
Counterparty risk is a particular type of credit risk, relating to OTC derivatives and SFTs (Securities Financing Transactions), which refers to the possible default of the counterparty before the expiry of a contract that has a positive market value.

Credit risk
The risk that an unexpected change in a counterparty's creditworthiness, in the value of the collateral provided, or in the margins used in case of default might generate an unexpected variation in the value of the bank's exposure.

Market risk
Risk deriving from the fluctuation in the value of quoted financial instruments (shares, bonds, derivatives, securities denominated in foreign currency) and of financial instruments whose value is linked to market variables (loans to customers as concerns the interest rate component, deposits in euro and in foreign currency, etc.).

Liquidity risk
The risk that a company will be unable to meet its payment obligations due to its inability to liquidate assets or obtain adequate funding from the market (funding liquidity risk) or due to the difficulty/impossibility of rapidly converting financial assets into cash without negatively and significantly affecting their price due to inadequate market depth or temporary market disruptions (market liquidity risk).

Operational risk
Risk of incurring losses due to inadequacy or failures of processes, human resources or internal systems, or as a result of external events. Operational risk includes legal risk and compliance risk, model risk, ICT risk and financial reporting risk; strategic and reputational risk are not included.

Risk-free
Return on risk-free investments. For the Italy CGU and countries in the International Subsidiary Banks CGU with "normal" growth prospects, the return on 10-year Bunds has been adopted, while for countries with "strong" growth prospects, the return on 30-year Bunds has been used.

Risk Management
Activity pertaining to the identification, measurement, evaluation and overall management of various types of risk and their hedging.

RMBS - Residential Mortgage-Backed Securities
Asset-backed securities guaranteed by mortgages on residential real estate.

ROE (Return On Equity)
It expresses the return on equity in terms of net income. It is the indicator of greatest interest to shareholders in that it allows them to assess the return on their equity investment.

RTS (Regulation Technical Standards)
Regulatory technical standards

Risk-Weighted Assets (RWA)
On- and off-balance sheet assets (derivatives and guarantees) that are classified and weighted by means of several risk ratios, in accordance with the rules issued by regulatory authorities on the calculation of capital ratios.

Scoring
System for the analysis of company customers, yielding an indicator obtained by examination of financial statements data and sector performance forecasts, analysed by means of statistical methods.

Senior/Super senior tranche
In a securitisation transaction, this is the tranche that has first claim on interest and principal payments.

Sensitivity
It refers to the degree of sensitivity with which certain assets/liabilities react to changes in rates or other input variables.

Servicer
In securitisation transactions, it is the organisation that – on the basis of a specific servicing contract – continues to manage the securitised credits or assets after they have been transferred to the special purpose vehicle tasked with issuing the securities.

SGR (Società di gestione del risparmio)
Joint-stock companies reserved the possibility of providing both collective and individual asset management service jointly. In particular, they are authorised to set up mutual funds, manage their own or others' mutual funds and the assets of SICAVs and provide individual investment portfolio management service.

SPE/SPV
A Special Purpose Entity or Special Purpose Vehicle is a company established by one or more entities to perform a specific transaction. Generally, SPEs/SPVs have no operating and managerial structures of their own and rely on those of the other parties involved in the transaction.

Speculative grade
Term used to identify issuers with a low credit rating (e.g., below BBB on Standard & Poor’s index).

SPPI TEST
One of the two classification drivers (the other is the “business model”) that the classification of the financial assets and the measurement basis depend on. The objective of the SPPI test is to identify the instruments, which can be defined as “basic lending arrangements” in accordance with the standard, whose contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI - solely payment of principal and interest). Assets with contractual characteristics other than SPPI are mandatorily measured at FVTPL.

Spread
This term can indicate the difference between two interest rates, the difference between the bid and ask price of a security or the price an issuer of stocks and bonds pays above a benchmark rate.

SpreadVar
Value that indicates the maximum possible loss on a trading portfolio due to the market performance of CDS spreads or bond spreads, with a certain degree of probability and assuming a certain amount of time needed for the disposal of positions.

Stage 1
Represents the financial instruments whose credit risk has not significantly increased since the initial recognition date. A 12-month expected loss is recognised for these financial Instruments.

Stage 2
Represents the financial instruments whose credit risk has significantly increased since the initial recognition date. A lifetime expected loss is recognised for these financial Instruments.

Stage 3
Represents financial instruments that are credit impaired or in default. A lifetime expected loss is recognised for these financial Instruments.

Stakeholders
Subjects who, acting in different capacities, interact with the firm's activity, sharing in its profits, influencing its performance/services, and evaluating its economic, social and environmental impact.

Stock options
Term used to indicate the right granted to company managers to purchase the company's shares at a certain price (strike price).

Stress tests
A simulation procedure designed to assess the impact of extreme market scenarios on a bank's overall exposure to risk.

Structured export finance
Structured finance transactions in the goods and services export financing sector.

Financial instruments listed in an active market
A financial instrument is regarded as listed in an active market if listed prices are promptly and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Subprime
A universally agreed-upon definition of sub-prime loans does not exist. In short, this term refers to loans granted to borrowers with low creditworthiness, either because of bad credit history (non-payment, debt settlements or bad loans) or because their debt-to-income or loan-to-value ratio is high.

Swaps
Transactions normally consisting of an exchange of financial flows between operators under various contractual arrangements. In an interest-rate swap, the parties exchange flows which may or may not be benchmarked on interest rates, calculated on a notional principal amount (e.g., one party pays a fixed-rate flow while the other pays a floating-rate flow). In the case of a currency swap, the parties exchange specific amounts of two different currencies at the outset, repaying them over time according to arrangements that may regard both the principal and the indexed interest flows.

Syndicated lending
Loans arranged and guaranteed by a pool of banks and other financial institutions.

Effective interest rate
The effective interest rate is the rate that exactly discounts estimated future cash payments of the loan, for principal and interest, to the amount disbursed inclusive of the costs/revenues attributable to the loan. This measurement method uses a financial approach and allows distribution of the economic effect of the costs/revenues through the expected residual maturity of the loan.

Tax rate
The effective tax rate, determined by the ratio of income taxes to income before tax.

Terminal value
An enterprise's value at the end of an analytical cash-flow forecasting period, calculated by multiplying the analytical cash flow for the final period by (1 + g) and dividing that amount by (Ke-g).

Impairment test
The impairment test is an estimate of the recoverable amount (the higher of an asset's fair value less costs to sell and its value in use) of an asset or group of assets. Pursuant to IAS 36, the following assets should be tested for impairment annually:
- intangible assets with indefinite useful life;
- goodwill acquired in a business combination;
- any asset, if there is any indication of impairment losses.

Tier 1
Tier 1 Capital consists of Common Equity Tier 1 Capital (CET1) and Additional Tier 1 Capital (AT1).

Tier 1 capital ratio
Ratio of Tier 1 Capital, which consists of Common Equity Tier 1 (CET1) and Additional Tier 1 (AT1), to total risk-weighted assets.

Tier 2
Tier 2 capital is mainly composed of eligible subordinated liabilities and any excess of adjustments over and above expected losses (the excess reserve) for positions weighted according to IRB approaches.

Specific transitional provisions (grandfathering) have also been established for subordinated instruments that do not meet the requirements envisaged in the new Basel 3 regulatory provisions, aimed at the gradual exclusion of instruments no longer regarded as eligible from own funds (over a period of eight years).

Time value
Change in the financial value of an instrument with regard to the time frame in which certain monetary flows will become available or due.

Total capital ratio
Capital ratio referred to regulatory capital components of Own Funds (Tier 1 plus Tier 2).

Total return swap
A contract under which one party, usually the owner of a security or a debt instrument, agrees to make periodic payments to an investor (protection seller) of the capital gains and interest generated by the asset. On the other side, the investor agrees to make payments based on a floating rate, as well as any negative price changes of the asset from the date of the contract.

Trading book
The portion of a portfolio of securities or other financial instruments earmarked for trading activity.

Trustee (Real estate)
Real estate vehicles.

Trust-preferred Securities (TruPS)
Financial instruments similar to preferred shares, which are entitled to particular tax benefits.

Underwriting fee
Fee received in advance by the bank as compensation for assuming the underwriting risk associated with the granting of a loan.

Value in use
Value in use is the present value of estimated future cash flows expected to arise from an asset or from a cash-generating unit.

Collective assessment of performing loans
With reference to a homogeneous group of regularly performing financial assets, collective assessment defines the degree of credit risk potentially associated with them, though it is not yet possible to tie risk to a specific position.

Fundamental Valuation
Stock price analysis performed by estimating the fair value of stocks and comparing it with their market value.

VaR - Value at Risk
The maximum value likely to be lost on a portfolio as a result of market trends, estimating probability and assuming that a certain amount of time is required to liquidate positions.

Vega
Coefficient that measures the sensitivity of an option's value in relation to a change (increase or decrease) in volatility.

Vega 01
Referred to a portfolio, it indicates the change in value that it would undergo as a consequence of a one percent increase in the volatility of the underlying financial instruments.

Vintage
Date of generation of the collateral underlying the securitisation. It is an important factor in the assessment of the risk of the mortgage portfolios underlying securitisations.

Expected life
This refers to the maximum contractual life and takes into account expected prepayment, extension, call and similar options. The exceptions are certain revolving financial instruments, such as credit cards and bank overdrafts, that include both a drawn and an undrawn component where the bank’s contractual ability to demand repayment and cancel the undrawn commitment does not limit the bank’s exposure to credit losses to the contractual notice period. The expected life for these credit facilities is their behavioural life. Where data is insufficient or analysis inconclusive, an additional ‘maturity factor’ may be incorporated to reflect the full estimated life, based upon other experienced cases or similar cases of peers. Potential future modifications of contracts are not taken into account when determining the expected life or exposure at default until they occur.

Warrant
Negotiable instrument that entitles the holder to purchase from or sell to the issuer fixed-income securities or shares according to specific procedures.

Waterfall
Characteristic of a CDO’s cash flow projection that is used in the CDO pricing process to model and allocate flows. It establishes the priority of payment of the various tranches in the event of failure of the tests on overcollateralisation and interest coverage ratios.

Wealth management
See “Asset management”.

What-if
Form of analysis that attempts to predict the response of specific elements to changes in baseline parameters.

Wholesale banking
Banking activity mainly consisting of high-value transactions concluded with major counterparties.

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