INTESA SANPAOLO

PRESS RELEASE

INTESA SANPAOLO: CONSOLIDATED RESULTS AS AT 31 MARCH 2020

RESULTS FOR Q1 2020 STRENGTHEN INTESA SANPAOLO'S ABILITY TO FACE EFFECTIVELY THE CHALLENGING AFTERMATH OF THE COVID-19 EPIDEMIC. THEY REFLECT THE GROUP'S SUSTAINABLE PROFITABILITY – WHICH DERIVES FROM A SOLID CAPITAL BASE AND A STRONG LIQUIDITY POSITION, A RESILIENT AND WELL-DIVERSIFIED BUSINESS MODEL, AND THE STRATEGIC FLEXIBILITY IN MANAGING OPERATING COSTS – AND ITS SUPPORT TO ITALY, INCLUDING THROUGH THE COMMITMENT TO BECOMING A REFERENCE MODEL IN TERMS OF SUSTAINABILITY AND SOCIAL AND CULTURAL RESPONSIBILITY.

INTESA SANPAOLO'S INITIATIVES TO FACE THE COVID-19 IMPACTS:

- **PROVIDING SAFE CONDITIONS FOR THE GROUP PEOPLE AND CUSTOMERS;**
- **SUPPORTING HEALTHCARE INITIATIVES WITH DONATIONS EXCEEDING €100 MILLION;**
- **€125 MILLION DRAWN ON THE FUND FOR IMPACT (50% OF ITS CAPACITY) TO REDUCE SOCIO-ECONOMIC DISTRESS;**
- **FIRST BANK IN ITALY TO SUSPEND MORTGAGE AND LOAN INSTALMENTS, BEFORE THE REGULATION CAME INTO FORCE, AND TO SIGN THE COLLABORATION PROTOCOL WITH SACE THUS PROVIDING IMMEDIATE SUPPORT TO ENTERPRISES UNDER THE LIQUIDITY DECREE;**
- **MAKING UP TO €50 BILLION IN NEW LOANS AVAILABLE TO ENTERPRISES AND PROFESSIONALS TO PROTECT JOBS AND MANAGE PAYMENTS DURING THE EMERGENCY.**

THE TRENDS OF THE NEW ENVIRONMENT FIND INTESA SANPAOLO FULLY EQUIPPED, THANKS TO THE GROUP'S COMPETITIVE ADVANTAGES:

- **LEADERSHIP IN WEALTH MANAGEMENT & PROTECTION AND STRONGER POSITIONING IN THE HEALTH INSURANCE SECTOR THROUGH RBM;**
- **EFFECTIVE PROACTIVE CREDIT MANAGEMENT AND GROUP'S STRATEGIC PARTNERSHIPS WITH NPL LEADING INDUSTRIAL PLAYERS;**
- **STRONG DIGITAL PROPOSITION, WITH AROUND TEN MILLION MULTICHANNEL CUSTOMERS AND AROUND SIX MILLION CUSTOMERS USING THE INTESA SANPAOLO APP;**
- **OVER 35,000 GROUP'S PEOPLE IN SMART WORKING AND OPTIMISATION OF THE DISTRIBUTION MODEL WITH BRANCH RATIONALISATION, THE BANCA 5 - SISALPAY STRATEGIC PARTNERSHIP, AND MOST CUSTOMERS WHO WILL BE SERVED THROUGH ALTERNATIVE CHANNELS;**
- **LEADERSHIP IN INCLUSION IN SUSTAINABILITY INDICES AND ESG INTERNATIONAL ASSESSMENTS.**

THE CAPITAL POSITION WAS SOLID AND WELL ABOVE REGULATORY REQUIREMENTS. PRO-FORMA FULLY LOADED COMMON EQUITY TIER 1 RATIO WAS 14.5%, TAKING THE DIVIDENDS ACCRUED IN Q1 2020 INTO ACCOUNT.

IN Q1 2020, NET INCOME WAS €1,151 MILLION (UP 9.6% ON Q1 2019), AT AROUND €1,360 MILLION WHEN EXCLUDING THE PROVISIONS FOR COVID-19 (AROUND €300 MILLION PRE-TAX IN THE ALLOWANCES FOR RISKS AND CHARGES) AND AT AROUND €2.3 BILLION PRO-FORMA WHEN – IN ADDITION TO EXCLUDING THESE PROVISIONS – TAKING INTO ACCOUNT THE AROUND €900 MILLION NET CAPITAL GAIN FROM NEXI (ALLOWING TO ABSORB AROUND €1.2 BILLION PRE-TAX OF PROVISIONS), WITH A CONSEQUENT BUFFER OF AROUND €1.5 BILLION PRE-TAX TO TACKLE THE POSSIBLE COVID-19 IMPACTS FOR THE ENTIRE YEAR.

GROSS INCOME WAS UP 9% ON Q1 2019, OPERATING MARGIN WAS UP 26.8%, OPERATING INCOME WAS UP 11.7%, OPERATING COSTS WERE DOWN 2.7% AND COST/INCOME WAS 44.4%.

CREDIT QUALITY IMPROVED. GROSS NPLs WERE REDUCED AT NO EXTRAORDINARY COST TO SHAREHOLDERS BY 3.6% ON YEAR-END 2019, AND BY AROUND €23 BILLION SINCE THE END OF 2017 ACHIEVING AS MUCH AS 88% OF THE TARGET SET FOR THE ENTIRE FOUR-YEAR PERIOD OF THE 2018-2021 BUSINESS PLAN. GROSS NPL RATIO DOWN TO 7.1% AND NET NPL RATIO DOWN TO 3.5%. ANNUALISED COST OF RISK IN Q1 2020 DECREASED TO 40 BASIS POINTS.

INTESA SANPAOLO CONTINUES TO OPERATE AS A GROWTH ACCELERATOR IN THE REAL ECONOMY IN ITALY. IN Q1 2020, MEDIUM/LONG-TERM NEW LENDING GRANTED BY THE GROUP TO ITALIAN HOUSEHOLDS AND BUSINESSES AMOUNTED TO AROUND €14 BILLION. IN Q1 2020, THE GROUP FACILITATED THE RETURN TO PERFORMING STATUS OF OVER 3,100 COMPANIES, THUS SAFEGUARDING AROUND 16,000 JOBS. THIS BROUGHT THE TOTAL TO AROUND 115,000 COMPANIES SINCE 2014, WITH AROUND 575,000 JOBS SAFEGUARDED OVER THE SAME PERIOD.

THE GROUP'S SOCIAL AND CULTURAL RESPONSIBILITY HAS TRANSLATED, IN ITALY, INTO: INITIATIVES TO REDUCE CHILD POVERTY AND SUPPORT PEOPLE IN NEED, DELIVERING, SINCE 2018, AROUND 9.3 MILLION MEALS, 533,000 DORMITORY BEDS, 140,000 MEDICINE PRESCRIPTIONS AND 103,000 ITEMS OF CLOTHING; SUPPORT PROVIDED TO FAMILIES WHO HAVE BEEN VICTIMS OF NATURAL DISASTERS, BY GRANTING, IN Q1 2020, AROUND 100 *MORATORIA* FOR AROUND €790 MILLION OF RESIDUAL LOANS AND AROUND €40 MILLION IN SUBSIDISED LOANS (AROUND €374 MILLION SINCE 2018); THE FUND FOR IMPACT, WITH €47 MILLION GRANTED BY PER MERITO (THE FIRST LINE OF CREDIT WITHOUT COLLATERAL DEDICATED TO ALL ITALIAN UNIVERSITY STUDENTS) SINCE ITS LAUNCH; A €5 BILLION CIRCULAR ECONOMY CREDIT PLAFOND TO SUPPORT SUSTAINABLE DEVELOPMENT WITH 322 PROJECTS EVALUATED, OF WHICH 94 HAVE ALREADY BEEN FINANCED FOR AROUND €936 MILLION (€177 MILLION IN Q1 2020); IN Q1 2020, AROUND 600 START-UPS EVALUATED (OVER 1,800 SINCE 2018) IN TWO ACCELERATION PROGRAMS WITH 21 COACHED START-UPS (256 SINCE 2018); GIOVANI E LAVORO PROGRAM UNDERWAY AIMED AT INTRODUCING 5,000 YOUNG PEOPLE TO THE ITALIAN LABOUR MARKET: IN Q1 2020, AROUND 3,900 YOUNG PEOPLE APPLIED TO THE PROGRAM (AROUND 13,200 SINCE 2019), OVER 700 STUDENTS WERE INTERVIEWED AND AROUND 320 STUDENTS TRAINED THROUGH 14 COURSES, WITH OVER 1,300 COMPANIES INVOLVED SINCE THE LAUNCH OF THE PROGRAM; THE CANOVA/THORVALDSEN EXHIBITION AT GALLERIE D'ITALIA IN MILAN WAS ONE OF THE MOST VISITED EXHIBITIONS IN ITALY (ALMOST 200,000 VISITORS); #ISTAYATHOME CAMPAIGN WITH 424,000 VIEWS AND 33,000 TOTAL INTERACTIONS.

- **ROBUST NET INCOME:**
  - **€1,151M IN Q1 2020 VS €872M IN Q4 2019 AND €1,050M IN Q1 2019**

- **GROSS INCOME UP 9% ON Q1 2019**

- **OPERATING MARGIN UP 26.8% ON Q1 2019**

- **OPERATING INCOME UP 11.7% ON Q1 2019**

- **OPERATING COSTS DOWN 2.7% ON Q1 2019**

- **IMPROVEMENT IN CREDIT QUALITY TREND:**
  - **DECREASE IN NPLs, ACHIEVED AT NO EXTRAORDINARY COST TO SHAREHOLDERS**
    - **GROSS NPL REDUCTION: AROUND €23BN SINCE DECEMBER 2017 AND AROUND €35BN SINCE THE SEPTEMBER 2015 PEAK (*) (AROUND €9BN AND AROUND €22BN, RESPECTIVELY, EXCLUDING THE SALE TO INTRUM AND THAT TO PRELIOS)**
    - **NPL STOCK DOWN 3.6% GROSS AND 1.6% NET ON YEAR-END 2019 (DOWN 4.1% GROSS AND 2.4% NET EXCLUDING THE NEW DEFINITION OF DEFAULT); NPL TO TOTAL LOAN RATIO DOWN TO 7.1% GROSS AND 3.5% NET**
  - **ANNUALISED COST OF RISK IN Q1 2020 DOWN TO 40 BASIS POINTS**

- **SOLID CAPITAL POSITION, WELL ABOVE REGULATORY REQUIREMENTS:**
  - **COMMON EQUITY TIER 1 RATIO AS AT 31 MARCH 2020, AFTER THE DEDUCTION OF €863M OF DIVIDENDS ACCRUED IN Q1 2020, OF**
    - **14.5% PRO-FORMA FULLY LOADED** (1) (2)
    - **14.2% PHASED-IN** (2) (**)

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(1) Estimated by applying the fully loaded parameters to the financial statements as at 31 March 2020, taking into account the total absorption of deferred tax assets (DTAs) related to goodwill realignment, loan adjustments, the first time adoption of IFRS 9 and the non-taxable public cash contribution of €1,285m covering the integration and rationalisation charges relating to the acquisition of the Aggregate Set of Banca Popolare di Vicenza and Veneto Banca, as well as the expected absorption of DTAs on losses carried forward and the expected distribution of the Q1 2020 net income of insurance companies.

(2) After the deduction of dividends accrued in Q1 2020 and the coupons accrued on the Additional Tier 1 issues.

(*) Excluding the new definition of default adopted in November 2019.

(**) Equal to 13.5% excluding the mitigation of the impact of the first time adoption of IFRS 9.

HIGHLIGHTS:

OPERATING INCOME:	Q1 2020	+6.9% +11.7%	€4,882M FROM €4,567M IN Q4 2019 FROM €4,369M IN Q1 2019
OPERATING COSTS:	Q1 2020	-15% -2.7%	€2,169M FROM €2,552M IN Q4 2019 FROM €2,230M IN Q1 2019
OPERATING MARGING:	Q1 2020	+34.6% +26.8%	€2,713M FROM €2,015M IN Q4 2019 FROM €2,139M IN Q1 2019
GROSS INCOME:	Q1 2020	€1,923M	FROM €1,229M IN Q4 2019 FROM €1,765M IN Q1 2019
NET INCOME:	Q1 2020	€1,151M	FROM €872M IN Q4 2019 FROM €1,050M IN Q1 2019

CAPITAL RATIOS: COMMON EQUITY TIER 1 RATIO AFTER DIVIDENDS ACCRUED IN Q1 2020:
14.5% PRO-FORMA FULLY LOADED (3) (4);
14.2% PHASED-IN (4) (5)

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(3) Estimated by applying the fully loaded parameters to the financial statements as at 31 March 2020, taking into account the total absorption of deferred tax assets (DTAs) related to goodwill realignment, loan adjustments, the first time adoption of IFRS 9 and the non-taxable public cash contribution of €1,285m covering the integration and rationalisation charges relating to the acquisition of the Aggregate Set of Banca Popolare di Vicenza and Veneto Banca, as well as the expected absorption of DTAs on losses carried forward and the expected distribution of the Q1 2020 net income of insurance companies.

(4) After the deduction of dividends accrued in Q1 2020 and the coupons accrued on the Additional Tier 1 issues.

(5) Equal to 13.5% excluding the mitigation of the impact of the first time adoption of IFRS 9.

Turin - Milan, 5 May 2020 – At its meeting today, the Board of Directors of Intesa Sanpaolo approved the consolidated interim statement as at 31 March 2020 (°) (6).

Results for the first quarter of 2020 strengthen Intesa Sanpaolo's ability to face effectively the challenging aftermath of the COVID-19 epidemic. They reflect both **the Group's sustainable profitability**, which derives from a **solid capital base and a strong liquidity position**, a **resilient and well-diversified business model** and the **strategic flexibility in managing operating costs**, and its **support to Italy**, which includes the commitment to **becoming a reference model in terms of sustainability and social and cultural responsibility**.

Specifically, Intesa Sanpaolo, in the quarter, recorded a **further improvement in capital ratios, efficiency, asset quality and cost of risk**. In the presence of a decrease in non-performing loans and the cost of risk, the Group, **with a perspective view**, has already **set aside around €300m provisions in the allowances for risks and charges** which, together with the **capital gain on the Nexi transaction over the year** (a net capital gain of around €900m allowing to **absorb around €1.2bn** pre-tax of **provisions**), will build up a **robust buffer of around €1.5bn to tackle the possible COVID-19 epidemic impacts** for the entire year.

The trends of the new environment find Intesa Sanpaolo fully equipped thanks to the Group's competitive advantages:
- growing **demand for** health, wealth and business **protection**: **Intesa Sanpaolo leadership in Wealth Management & Protection** and stronger positioning in the **health** insurance sector enhanced through the acquisition of RBM;
- **riskier environment**: **effective proactive credit management** and Group's **strategic partnerships** with NPL leading industrial players;
- **customer digitalisation**: **top positioning in Europe for mobile app functionalities** and Group's **strong digital proposition,** with around **ten million multichannel customers** and around **six million customers using the Intesa Sanpaolo App**;
- **digital way of working**: already **over 35,000 Group's people in smart working** and **optimisation of the distribution model** with **around 1,000 branches rationalised** since 2018 and possible further branch reduction following the Banca 5 - SisalPay strategic partnership and changes in the behaviour of customers due to COVID-19, with most of them who will continue to be served by the Group via its high quality alternative channels;
- growing **importance of sustainability and social responsibility (ESG)**: Intesa Sanpaolo is the **only Italian bank listed in three of the main sustainability indices**, Dow Jones Sustainability Indices, CDP Climate Change A List 2018 and 2019 Corporate Knights "Global 100 Most Sustainable Corporations in the World Index", and ranks **first among European banks** by MSCI, CDP and Sustainalytics, **three of the top ESG international assessments**.

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

(6) Methodological note on the scope of consolidation on page 21.

In the first quarter of 2020, the Group recorded:

- **<u>net income</u> at €1,151m** versus €872m in Q4 2019 and €1,050m in Q1 2019, at around **€1,360m when excluding the around €300m pre-tax provisions for COVID-19 and at around €2.3bn pro-forma when** – in addition to excluding these provisions – **taking into account the around €900m net capital gain from Nexi** (allowing to absorb around €1.2bn pre-tax of provisions), with a consequent **buffer of around €1.5bn pre-tax to tackle the possible COVID-19 epidemic impacts for the entire year**;

- **<u>growth in gross income</u>**, up 9% on Q1 2019;

- **<u>growth in operating margin</u>**, up 26.8% on Q1 2019;

- **<u>growth in operating income</u>**, up 11.7% on Q1 2019;

- **<u>reduction in operating costs</u>**, down 2.7% on Q1 2019;

- **<u>high efficiency</u>** highlighted by a **cost/income of 44.4%** in Q1 2020 – **a figure that places Intesa Sanpaolo in the top tier of its European peers**;

- annualised **<u>cost of risk</u>** in Q1 2020 **down to 40bps** versus the 53bps of 2019;

- **<u>improving credit quality</u>** mainly due to an **effective proactive credit management approach**, **at no extraordinary cost to shareholders**:
  - gross **NPLs were reduced** (*) by around **€1.3bn in Q1 2020**, by around **€35bn since the September 2015 peak** (the reduction was around €22bn excluding the sale of NPLs to Intrum and Prelios), and by around **€23bn since December 2017** (the reduction was around €9bn when excluding the Intrum and Prelios transactions) **achieving as much as 88% of the target set for the entire four-year period of the 2018-2021 Business Plan**.
  - **NPL stock**, **in March 2020**, **decreased 3.6% gross** and **1.6% net on December 2019** (the decrease was 4.1% gross and 2.4% net excluding the effect of the new definition of default);
  - **NPL to total loan ratio** was **down to 7.1% gross and 3.5% net** in March 2020;

(*) Excluding the new definition of default adopted in November 2019. The increase due to its impact on NPLs was around €0.6bn gross and around €0.5bn net in Q4 2019 and around €0.1bn gross and net in Q1 2020.

- **<u>sizeable NPL coverage</u>**:
  - **NPL cash coverage ratio of 53.6%** at the end of March 2020, **with a cash coverage ratio of 64.4% for the bad loan component**;
  - **robust reserve buffer on performing loans**, amounting to 0.4% at the end of March 2020;

- **<u>very solid capital position</u>**, with capital ratios well above regulatory requirements. As at 31 March 2020, the **pro-forma fully loaded Common Equity Tier 1 ratio** came in at **14.5%** (7) (8) – **one of the highest levels amongst major European banks** – and the Common Equity Tier 1 ratio calculated by applying the transitional arrangements for 2020 came in at 14.2% (8) (9) after the deduction of €863m of dividends accrued in Q1 2020 . The aforementioned ratios compare with the SREP requirement for 2020, comprising Capital Conservation Buffer, O-SII Buffer and Countercyclical Capital Buffer (10), which set the fully loaded Common Equity Tier 1 ratio at 8.65% and the phased-in Common Equity Tier 1 ratio at 8.46% applying the new regulatory measure, introduced by the ECB and effective from 12 March 2020, that establishes the partial use of capital instruments that do not qualify as Common Equity Tier 1 to meet the Pillar 2 requirement.

- **<u>strong liquidity position and funding capability</u>**, with **liquid assets of €199bn** and **available unencumbered liquid assets of €96bn at the end of March 2020. The Basel 3 Liquidity Coverage Ratio and Net Stable Funding Ratio requirements have been comfortably complied with**. The Group's refinancing operations with the ECB to optimise the cost of funding and to support businesses in their investment amounted to around €68.4bn as at 31 March 2020 and consisted of around €53.9bn under TLTROs, €7bn under LTROs and around €7.5bn of countervalue under US dollar refinancing operations.

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(7) Estimated by applying the fully loaded parameters to the financial statements as at 31 March 2020, taking into account the total absorption of deferred tax assets (DTAs) related to goodwill realignment, loan adjustments, the first time adoption of IFRS 9 and the non-taxable public cash contribution of €1,285m covering the integration and rationalisation charges relating to the acquisition of the Aggregate Set of Banca Popolare di Vicenza and Veneto Banca, as well as the expected absorption of DTAs on losses carried forward and the expected distribution of the Q1 2020 net income of insurance companies.

(8) After the deduction of dividends accrued in Q1 2020 and the coupons accrued on the Additional Tier 1 issues.

(9) Equal to 13.5% excluding the mitigation of the impact of the first time adoption of IFRS 9.

(10) Countercyclical Capital Buffer calculated taking into account the exposures as at 31 March 2020 in the various countries where the Group has a presence, as well as the respective requirements set by the competent national authorities and relating to the 2020-2021 period, where available, or the most recent update of the reference period (requirement was set at zero per cent in Italy for H1 2020).

● **<u>support provided to the real economy</u>**, with around **€17bn of medium/long-term new lending** in Q1 2020. **Loans** amounting to around **€14bn** were granted **in Italy**, of which around **€11bn was granted to households and SMEs**. **In Q1 2020, the Group facilitated the return** from non-performing **to performing status of over 3,100 Italian companies, thus safeguarding around 16,000 jobs**. This brought the total to around **115,000 companies since 2014, with around 575,000 jobs safeguarded over the same period**.

● **<u>sustainability and social and cultural responsibility</u>** which, in the presence of solid financials, translated into the actions shown below, carried out by the Group in Italy:
  - initiatives to **reduce child poverty** and **support people in need** delivering, since 2018, around **9.3 million meals**, around **533,000 dormitory beds**, around **140,000 medicine prescriptions** and around **103,000 items of clothing**;
  - **support provided to families affected by earthquakes and natural disasters, by forgiving mortgages or granting *moratoria* of mortgages** on damaged properties, with around 100 *moratoria* in Q1 2020 for around €790m of residual loans and providing around €40m in subsidised loans in Q1 2020 (around €374m granted since 2018);
  - **launch of the Fund for Impact** in Q4 2018, enabling lending of around €1.2bn to categories that otherwise would have difficulties in accessing credit, despite their potential; launch of the first line of credit without collateral dedicated to all Italian university students studying in Italy or abroad (***Per Merito***), with €8m granted in Q1 2020 and €47m since its launch at the beginning of 2019; **two new initiatives** announced in January 2020 to support **working mothers** and **people over the age of 50 who have lost their jobs** or have difficulties in accessing pension schemes;
  - a **€5bn Circular Economy credit Plafond** for the 2018-2021 period, to support **sustainable development**: since its launch, **322 projects** evaluated, of which 94 already financed for around **€936m** (€177m in Q1 2020); **the first Sustainability Bond launched** in 2019, **focused on the Circular Economy** (for an amount of €750m);
  - **new loans for €50bn** available **to the green economy** to contribute to the realisation of the European green deal in Italy;
  - **around 600 start-ups evaluated** (over 1,800 since 2018) in **two acceleration programs with 21 coached start-ups** in Q1 2020 (256 since 2018), introducing them to selected investors and ecosystem players (around 1,600 to date);
  - the Intesa Sanpaolo *Giovani e Lavoro* program underway, in partnership with Generation, aimed at **training** and **introducing 5,000 young people to the Italian labour market over a three-year period**: around 3,900 young people, aged 18-29, applied to the programme in Q1 2020 (around 13,200 since 2019), over 700 students were interviewed and around 320 trained through 14 courses, with over 1,300 companies involved since the launch of the program;
  - launch of **P-Tech initiative** in partnership with IBM, aiming at training young professionals in the field of new digital jobs;
  - the **Canova/Thorvaldsen** exhibition at *Gallerie d'Italia* in Milan, in partnership with St Petersburg State Hermitage Museum and Copenhagen's Thorvaldsens Museum, has been **one of the most visited exhibition in Italy** (almost 200,000 visitors during the exhibition), with 171 artworks from 83 national and international museums and collections. In Q1 2020, *Gallerie d'Italia* organised 678 workshops for schools involving 17,000 students, 107 tours for 2,000 vulnerable people and 64 cultural events attended by 7,200 people. Activities on the Intesa Sanpaolo social platform in the context of the #istayathome campaign by the Ministry for Cultural Heritage, Cultural activities and Tourism had 424,000 views and 33,000 total interactions.

- **<u>Group's economic and social initiatives to face the COVID-19 impacts</u>**, implemented to date, specifically:
  - **safe conditions for the Group people and customers**, in particular with over **35,000 people working from home**, **95% of branches opened with revised opening hours** (customers can access by appointment only) and **business continuity** ensured by the effective multichannel bank model (via online branch, internet banking, App and ATM / cash machines) and the **remote relationship advisory service** provided by around **20,000 relationship managers**;
  - **support to healthcare initiatives with** over €100m in **donations**, including those coming from the Managing Director and CEO and 21 top managers, who have decided to forgo an overall amount of around €6m of the bonus they are awarded under the 2019 Incentive Plan;
  - around **36,000 doctors and nurses registered on** the online **training course**, delivered in cooperation with Generation, on self-protection and emergency management;
  - €125m drawn on the **Fund for Impact** (equal to 50% of its capacity) will be used to reduce the socio-economic distress caused by Covid-19;
  - first bank in Italy to **suspend mortgage and loan instalments** before the regulation came into force. Around 430,000 requests for mortgage and loan instalment suspensions have been received, for a total value of around €38bn, of which 2/3 for enterprises and 1/3 for households.
  - first bank in Italy to sign the collaboration protocol with **SACE**, thus providing immediate support to enterprises under the Liquidity Decree. Around 100,000 requests for loans backed by a state guarantee have been received, for an amount of around €3bn.
  - also following measures announced by the Government, **€50bn in new credit has been made available to enterprises and professionals** to protect jobs and manage payments during the emergency.

The income statement for the first quarter of 2020

The consolidated income statement for Q1 2020 recorded **net interest income** of €1,747m, unchanged compared with €1,747m in Q4 2019 and down 0.5% from €1,756m in Q1 2019.

Net fee and commission income amounted to €1,844m, down 14.9% from €2,166m in Q4 2019. Specifically, commissions on commercial banking activities were down 10.8% and commissions on management, dealing and consultancy activities were down 15.7%. The latter, which include portfolio management, distribution of insurance products, dealing and placement of securities, etc., recorded decreases of 7% in dealing and placement of securities, 21.1% in portfolio management (performance fees contributed €2m in Q1 2020 and €126m in Q4 2019), and 12% in distribution of insurance products. Net fee and commission income for Q1 2020 was down 1.1% from €1,865m in Q1 2019. Specifically, commissions on commercial banking activities were down 6.6% and those on management, dealing and consultancy activities were up 2.8%. The latter recorded increases of 2.8% in dealing and placement of securities, 1.5% in portfolio management (performance fees contributed €1m in Q1 2019) and 5.5% in distribution of insurance products.

Income from insurance business amounted to €312m from €308m in Q4 2019 and €291m in Q1 2019.

Profits on financial assets and liabilities at fair value amounted to €994m, compared with €356m in Q4 2019. Contributions from customers increased from €139m to €148m, those from capital markets increased from €22m to €405m, those from trading and treasury increased from €198m to €480m and those from structured credit products were negative €38m versus a negative balance of €3m. Profits on financial assets and liabilities at fair value of €994m for Q1 2020 compare with profits of €458m in Q1 2019 when contributions from customers amounted to €142m, those from capital markets to €82m, those from trading and treasury to €218m and those from structured credit products to €16m.

Operating income amounted to €4,882m, up 6.9% from €4,567m in Q4 2019 and up 11.7% from €4,369m in Q1 2019.

Operating costs amounted to €2,169m, down 15% from €2,552m in Q4 2019, attributable to decreases of 10.7% in personnel expenses, 26.6% in administrative expenses and 7.4% in adjustments. Operating costs for Q1 2020 were down 2.7% from €2,230m in Q1 2019, attributable to decreases of 2.3% in personnel expenses and 5.7% in administrative expenses and an increase of 1.5% in adjustments.

As a result, **operating margin** amounted to €2,713m, up 34.6% from €2,015m in Q4 2019 and up 26.8% from €2,139m in Q1 2019. The cost/income ratio was 44.4% in Q1 2020 versus 55.9% in Q4 2019 and 51% in Q1 2019.

Net adjustments to loans amounted to €403m from €693m in Q4 2019 and €369m in Q1 2019.

Net provisions and net impairment losses on other assets amounted to €419m (including around €300m provisions set aside in allowances to risks and charges and related to the aftermath of the COVID-19 epidemic) versus €168m in Q4 2019 and €30m in Q1 2019.

Other income amounted to €3m versus €50m in Q4 2019 and €6m in Q1 2019.

Income (Loss) from discontinued operations amounted to €29m versus €25m in Q4 2019 and €19m in Q1 2019.

Gross income amounted to €1,923m from €1,229m in Q4 2019 and €1,765m in Q1 2019, recording an increase of 56.5% and 9% respectively.

Consolidated net income for the quarter amounted to €1,151m, after accounting:
- taxes on income of €545m;
- charges (net of tax) for integration and exit incentives of €15m;
- effect of purchase price allocation (net of tax) of €26m;
- levies and other charges concerning the banking industry (net of tax) of €191m, deriving from pre-tax charges of €248m in relation to the ordinary contribution to the resolution fund estimated for full year 2020, €5m in relation to contributions to the deposit guarantee scheme concerning the international network, and €20m in relation to levies incurred by international subsidiaries. In Q4 2019, this caption amounted to €22m, deriving from pre-tax charges of €11m in relation to contributions to the Italian deposit guarantee scheme, €4m in relation to contributions to the deposit guarantee scheme concerning the international network, and €14m in relation to levies incurred by international subsidiaries. In Q1 2019, this caption amounted to €146m, deriving from the following pre-tax figures: charges of €199m in relation to the ordinary contribution to the resolution fund estimated for full year 2019, €5m in relation to contributions to the deposit guarantee scheme concerning the international network and €12m in relation to levies incurred by international subsidiaries, and positive fair value differences of €8m regarding the *Atlante* fund.
- losses pertaining to minority interests of €5m.

Net income of €1,151m in Q1 2020 compares with €872m in Q4 2019 and €1,050m in Q1 2019, recording an increase of 32% and 9.6% respectively.

Balance sheet as at 31 March 2020

As regards the consolidated balance sheet figures, as at 31 March 2020 **loans to customers** amounted to €405bn, up 2.4% on both year-end 2019 and 31 March 2019 (up 2.9% on Q4 2019 and up 3.4% on Q1 2019 when taking into account quarterly average volumes [(11)]). Total **non-performing loans** (bad, unlikely-to-pay, and past due) amounted - net of adjustments - to €14,001m, down 1.6% from €14,222m at year-end 2019 (down 2.4% excluding the effect of the new definition of default). In detail, bad loans decreased to €6,558m from €6,740m at year-end 2019, with a bad loan to total loan ratio of 1.6% (1.7% as at year-end 2019), and a cash coverage ratio of 64.4% (65.3% as at year-end 2019). Unlikely-to-pay loans decreased to €6,639m from €6,738m at year-end 2019. Past due loans amounted to €804m from €744m at year-end 2019.

Customer financial assets amounted to €920bn, down 4.3% on year-end 2019 and 2.3% on 31 March 2019. Under customer financial assets, **direct deposits from banking business** amounted to €434bn, up 1.9% on year-end 2019 and 1.5% on 31 March 2019. **Direct deposits from insurance business and technical reserves** amounted to €156bn, down 5.7% on year-end 2019 and up 1.4% on 31 March 2019. Indirect customer deposits amounted to €485bn, down 9.2% on year-end 2019 and 5.5% on 31 March 2019. **Assets under management** amounted to €333bn, down 6.9% on year-end 2019 and 2.3% on 31 March 2019. As for bancassurance, in Q1 2020 the new business for life policies amounted to €3.9bn. Assets held under administration and in custody amounted to €152bn, down 14% on year-end 2019 and 12% on 31 March 2019.

Capital ratios as at 31 March 2020, calculated by applying the transitional arrangements for 2020 and taking €863m of dividends accrued in Q1 2020, were as follows:
- Common Equity Tier 1 ratio [(12)] at 14.2% (13.9% at year-end 2019 [(13)]),
- Tier 1 ratio [(12)] at 16.1% (15.3% at year-end 2019 [(13)]),
- total capital ratio [(12)] at 18.5% (17.7% at year-end 2019 [(13)]).

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

(12) After the deduction of the dividends accrued in Q1 2020 and the coupons accrued on the Additional Tier 1 issues. Excluding the mitigation of the impact of the first time adoption of IFRS 9, capital ratios are 13.5% for the Common Equity Tier 1 ratio, 15.3% for the Tier 1 ratio and 18% for the total capital ratio.

(13) In accordance with the transitional arrangements for 2019. Excluding the mitigation of the impact of the first time adoption of IFRS 9, capital ratios are 13% for the Common Equity Tier 1 ratio, 14.3% for the Tier 1 ratio and 17% for the total capital ratio.

The estimated pro-forma Common Equity Tier 1 ratio for the Group on a **fully loaded basis** was 14.5% (14.1% at year-end 2019). It was calculated by applying the fully loaded parameters to the financial statements as at 31 March 2020, taking into account the total absorption of deferred tax assets (DTAs) related to goodwill realignment, loan adjustments, the first time adoption of IFRS 9 and the non-taxable public cash contribution of €1,285m covering the integration and rationalisation charges relating to the acquisition of the Aggregate Set of Banca Popolare di Vicenza and Veneto Banca, as well as the expected absorption of DTAs on losses carried forward and the expected distribution of the Q1 2020 net income of insurance companies.

* * *

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

Specifically, with regard to the components of the Group's **liquidity**:
- the high level of available unencumbered liquid assets (including eligible assets with Central Banks received as collateral and excluding eligible assets currently used as collateral) amounted to €96bn at the end of March 2020;
- the high level of liquid assets (comprising available unencumbered liquid assets, excluding eligible assets received as collateral, and eligible assets currently used as collateral) amounted to €199bn at the end of March 2020;
- refinancing operations with the ECB to optimise the cost of funding and to support businesses in their investment amounted to around €68.4bn as at 31 March 2020 and consisted of around €53.9bn under TLTROs, €7bn under LTROs and around €7.5bn of countervalue under US dollar refinancing operations;
- the sources of funding were stable and well diversified, with retail funding representing 78% of direct deposits from banking business (including securities issued);
- medium/long-term wholesale funding was €2.2bn in Q1 2020 and included benchmark transactions of senior bonds of GBP350m and Additional Tier 1 of €1.5bn (around 89% were placed with foreign investors).

The Group's **leverage ratio** as at 31 March 2020 was 6.6% applying the transitional arrangements for 2020 and 6.4% fully loaded, both best in class among major European banking groups.

* * *

As at 31 March 2020, the Intesa Sanpaolo Group's **operating structure** had a total network of 4,727 branches, consisting of 3,681 branches in Italy and 1,046 abroad, and employed 88,130 people.

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Breakdown of results by business area [(*)]

The **Banca dei Territori** Division comprises:

- Retail customers (individual customers with financial assets up to €250,000 and annual net income of less than €50,000, businesses/companies with low-complexity needs)
- Exclusive customers (individual customers with financial assets between €250,000 and €1m and annual net income of more than €50,000)
- SME customers (enterprises with group turnover of €350m or less)
- customers that are non-profit organisations.

The division includes the “proximity bank” activities carried out, through the partnership between the subsidiary Banca 5 and SisalPay, by using alternative channels to bank branches and focused on instant banking and targeting categories of customers who rarely use banking products and services.

In the first quarter of 2020, the Banca dei Territori Division recorded:

- operating income of €2,054m, -3.2% versus €2,122m in Q4 2019, -0.9% versus €2,072m in Q1 2019, contributing approximately 42% of the consolidated operating income (47% in Q1 2019);
- operating costs of 1,236 m, -11.6% versus €1,398m in Q4 2019, -3.8% versus €1,285m in Q1 2019;
- operating margin of €818m, +13% versus €724m in Q4 2019, +3.9% versus €787m in Q1 2019;
- a cost/income ratio of 60.2% versus 65.9% in Q4 2019 and 62% in Q1 2019;
- net provisions and adjustments of €383m, versus €494m in Q4 2019, and €308m in Q1 2019;
- gross income €435m, +27.8% versus €340m in Q4 2019, -9.2% versus €479m in Q1 2019;
- net income of €280m, +26.1% versus €222m in Q4 2019, -7% versus €301m in Q1 2019.

(*) Provisions for COVID-19 in the allowances for risks and charges have currently been allocated to the Corporate Centre.

The **Corporate and Investment Banking** Division includes:

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

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

In the first quarter of 2020, the Corporate and Investment Banking Division recorded:

- operating income of €1,633m, +63.4% versus €999m in Q4 2019, +105.9% versus €793m in Q1 2019, contributing approximately 33% of the consolidated operating income (18% in Q1 2019);
- operating costs of €265m, -16.4% versus €317m in Q4 2019, -3.3% versus €274m in Q1 2019;
- operating margin of €1,368m, +100.4% versus €682m in Q4 2019, +163.6% versus €519m in Q1 2019;
- a cost/income ratio of 16.2% versus 31.7% in Q4 2019 and 34.6% in Q1 2019;
- net recoveries of €2m, versus net provisions and adjustments of €72m in Q4 2019, and €53m in Q1 2019;
- gross income €1,370m, +124.5% versus €610m in Q4 2019, +194% versus €466m in Q1 2019;
- net income of €911m, +116% versus €422m in Q4 2019, +188.3% versus €316m in Q1 2019.

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

In the first quarter of 2020, the International Subsidiary Banks Division recorded:
- operating income of €468m, -8.7% versus €513m in Q4 2019, -2.9% versus €482m in Q1 2019, contributing approximately 10% of the consolidated operating income (11% in Q1 2019);
- operating costs of €239m, -11.3% versus €270m in Q4 2019, +0.4% versus €238m in Q1 2019;
- operating margin of €229m, -5.8% versus €243m in Q4 2019, -6.1% versus €244m in Q1 2019;
- a cost/income ratio of 51.1% versus 52.6% in Q4 2019 and 49.4% in Q1 2019;
- net provisions and adjustments of €36m, versus €36m in Q4 2019, and €2m in Q1 2019;
- gross income €198m, -6.3% versus €211m in Q4 2019, -18.2% versus €242m in Q1 2019;
- net income of €143m, -9.9% versus €159m in Q4 2019, -21% versus €181m in Q1 2019.

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

In the first quarter of 2020, the Private Banking Division recorded:

- operating income of €478m, -9.5% versus €528m in Q4 2019, -0.8% versus €482m in Q1 2019, contributing approximately 10% of the consolidated operating income (11% in Q1 2019);
- operating costs of €141m, -14.9% versus €166m in Q4 2019, -4.7% versus €148m in Q1 2019;
- operating margin of €337m, -7.1% versus €363m in Q4 2019, +0.9% versus €334m in Q1 2019;
- a cost/income ratio of 29.5% versus 31.4% in Q4 2019 and 30.7% in Q1 2019;
- net provisions and adjustments of €9m, versus net recoveries of €7m in Q4 2019, and net provisions and adjustments of €13m in Q1 2019;
- gross income €334m, -9.5% versus €369m in Q4 2019, +1.2% versus €330m in Q1 2019;
- net income of €227m, -7.9% versus €246m in Q4 2019, -2.2% versus €232m in Q1 2019.

The **Asset Management** Division develops asset management solutions targeted at the Group's customers, commercial networks outside the Group and the institutional clientele through Eurizon Capital. Eurizon Capital controls Eurizon Capital SA (Luxembourg), a company specialising in managing Luxembourg UCITS with limited tracking error, VUB Asset Management (Slovakia), which heads up the Hungarian company CIB IFM and the Croatian company PBZ Invest (the asset management hub in Eastern Europe), Epsilon Associati SGR, a company specialising in active portfolio management and, specifically, in quantitative and multi-strategy management with total-return investment objectives. Eurizon Capital owns 49% of the Chinese asset management company Penghua Fund Management.

In the first quarter of 2020, the Asset Management Division recorded:
- operating income of €168m, -40.4% versus €282m in Q4 2019, -6.7% versus €180m in Q1 2019, contributing approximately 3% of the consolidated operating income (4% in Q1 2019);
- operating costs of €33m, -33% versus €49m in Q4 2019, -8.3% versus €36m in Q1 2019;
- operating margin of €135m, -42% versus €233m in Q4 2019, -6.3% versus €144m in Q1 2019;
- a cost/income ratio of 19.6% versus 17.5% in Q4 2019 and 20% in Q1 2019;
- gross income €135m, -42% versus €233m in Q4 2019, -6.3% versus €144m in Q1 2019;
- net income of €100m, -42.6% versus €174m in Q4 2019, -14.5% versus €117m in Q1 2019.

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

In the first quarter of 2020, the Insurance Division recorded:
- operating income of €283m, -4.1% versus €295m in Q4 2019, +7.2% versus €264m in Q1 2019, contributing approximately 6% of the consolidated operating income (6% in Q1 2019 as well);
- operating costs of €44m, -25.1% versus €59m in Q4 2019, -2.2% versus €45m in Q1 2019;
- operating margin of €239m, +1.2% versus €236m in Q4 2019, +9.1% versus €219m in Q1 2019;
- a cost/income ratio of 15.5% versus 19.9% in Q4 2019 and 17% in Q1 2019;
- net provisions and adjustments of €6m, versus no net provisions and adjustments in Q4 2019 and in Q1 2019;
- gross income €233m, -1.2% versus €236m in Q4 2019, +6.4% versus €219m in Q1 2019;
- net income of €160m, -4% versus €167m in Q4 2019, +1.9% versus €157m in Q1 2019.

Outlook

It is believed that the information currently available makes it possible to identify general trends of a scenario in the aftermath of the COVID-19 epidemic, even if it is susceptible of unpredictable evolutions taking into account the significant uncertainties surrounding the extraordinary nature of the COVID-19 event.

The scenario can be summarised in the forecasts for Italian GDP which could decrease in the region of 8-10.5 per cent in 2020 and rebound 4.5-7 per cent in 2021.

In this scenario, in which the validity of the strategic actions envisaged in the Intesa Sanpaolo 2018-2021 Business Plan is confirmed, the Group can continue to rely on its strengths – a resilient and well-diversified business model, which is focused on Wealth Management & Protection and specifically on the development of non-motor P&C insurance products, strategic flexibility in managing operating costs and proactive management of non-performing loans.

Furthermore, in 2020, the Intesa Sanpaolo Group can count on a solid buffer against the possible COVID-19 epidemic impacts, consisting of €300m provisions set aside in the first quarter and the capital gain on the Nexi transaction over the year. This would make it possible to absorb a total of around €1.5bn pre-tax adjustments to loans for the full year.

Considerations relating to the possible macroeconomic scenario and Intesa Sanpaolo's inherent strengths lead to an estimated net income for the Group that could be no lower than around €3bn in 2020 and no lower than around €3.5bn in 2021, assuming a potential cost of risk up to around 90bps in 2020 and up to around 70bps in 2021.

The dividend policy indicated in the 2018-2021 Business Plan and envisaging the distribution of cash dividends corresponding to a payout ratio of 75% of net income for 2020 and 70% for 2021, is confirmed. This is subject to ECB indications in respect of dividend distribution after 1 October 2020, the timeline of the recommendation of 27 March 2020.

The Business Plan projection of a pro-forma fully loaded Common Equity Tier 1 ratio above 13% [(14)] in 2021 is also confirmed, even taking into account the potential distribution of the 2019 suspended dividend, subject to ECB indications in respect of dividend distribution after 1 October 2020.

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(14) 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 €1,285m covering the integration and rationalisation charges relating to the acquisition of the Aggregate Set of Banca Popolare di Vicenza and Veneto Banca, as well as the expected absorption of DTAs on losses carried forward.
Above 12% when excluding the aforementioned DTA absorptions.

In the aftermath of the COVID-19 epidemic, the strategic rationale underlying the voluntary public exchange offer for all the ordinary shares of UBI Banca takes on even stronger significance, specifically when considering synergies, above all in terms of costs, increased NPL coverage and reduction of unlikely-to-pay loans and bad loans – all key elements in respect of which the announcement made to the market on 17 February 2020 is confirmed.

With regard to the expected benefits for stakeholders resulting from the transaction, while specifying that Intesa Sanpaolo does not currently possess information regarding the possible COVID-19 pandemic impacts on UBI Banca and that forward-looking data for UBI Banca have been drawn from public estimates of financial analysts, it is possible to estimate, based on the aforementioned considerations relating to Intesa Sanpaolo, that the combined Group could record a net income of no lower than €5bn in 2022.

The dividend policy for the combined Group is consequently updated and envisages the distribution of cash dividends corresponding to a payout ratio of 75% of the net income for 2020 (excluding the contribution of the negative goodwill (15) not allocated to cover integration charges and reduce risk profile from net income) and 70% for 2021. This, too, is subject to ECB indications in respect of dividend distribution after 1 October 2020.

The pro-forma fully loaded Common Equity Tier 1 for the combined Group expected to be above 13% (16) in 2021, as disclosed on 17 February 2020, is confirmed.

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(15) The actual determination of the negative goodwill will result following the outcome of the PPA procedure provided for under IFRS 3.

(16) 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 €1,285m covering the integration and rationalisation charges relating to the acquisition of the Aggregate Set of Banca Popolare di Vicenza and Veneto Banca, as well as the expected absorption of DTAs on losses carried forward.
Above 12% when excluding the aforementioned DTA absorptions.

For consistency purpose, the income statement figures for the first three quarters of 2019 were restated following the agreement, signed in December 2019, in respect of the transfer to Nexi of the Intesa Sanpaolo business line consisting of the acquiring activities. The related items were deconsolidated line by line and the business line contribution to the income statement was included under Income (Loss) from discontinued operations.
Furthermore, the income statement and balance sheet figures for these quarters, relating to the Banca dei Territori Division and the Corporate and Investment Banking Division were restated following the incorporation, in November 2019, of subsidiary Mediocredito Italiano into the Parent Company. Furthermore, the figures of the Divisions for the four quarters of 2019 were restated due to the allocation from the Corporate Centre of cost components and the income statement and balance sheet components relating to bad loans, previously allocated under the NPE Department (formerly, Corporate Light Bank).
Finally, the income statement figures for the four quarters of 2019 were restated following the agreement, signed in December 2019, in respect of a strategic partnership with Prelios, which includes a contract for the servicing of an unlikely-to-pay loan portfolio of the Intesa Sanpaolo Group to be provided by Prelios, estimating the commissions theoretically owed to Prelios and recognising these, on one hand, to “administrative expenses”, and, on the other, to “taxes on income” and “minority interests”.

* * *

In order to present more complete information on the results generated as at 31 March 2020, the reclassified consolidated income statement and the reclassified consolidated balance sheet included in the interim statement approved by the Board of Directors are attached. Please note that the auditing firm is completing the activities for the issue of a statement in accordance with Article 26 (2) of Regulation EU no. 575/2013 and ECB Decision no. 2015/656.

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

* * *

The content of this document has a merely informative and provisional nature and is not to be construed as providing investment advice. The statements contained herein have not been independently verified. No representation or warranty, either express or implied, is made as to, and no reliance should be placed on, the fairness, accuracy, completeness, correctness or reliability of the information contained herein. Neither the Company nor any of its representatives shall accept any liability whatsoever (whether in negligence or otherwise) arising in any way in relation to such information or in relation to any loss arising from its use or otherwise arising in connection with this document. By accessing these materials, you agree to be bound by the foregoing limitations.

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

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

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

* * *

This press release includes financial projections, some of which reflect management's estimates regarding the projected combined operations of Intesa Sanpaolo and UBI Banca following the completion of the proposed transaction. These projections were prepared based on Intesa Sanpaolo management forecasts, taking into account publicly available information regarding UBI Banca's operations. These projections are presented for illustrative purposes only, are based on various adjustments, assumptions and preliminary estimates, and may not be an indication of Intesa Sanpaolo's financial condition or results of operations following the completion of the proposed transaction.

Moreover, the impact of COVID-19 on the economy as a whole and Intesa Sanpaolo's and UBI's results of operations and overall financial performance remains uncertain in relation to the possible evolutions of aftermath of the pandemic. The financial projections in this press release have not been adjusted for the potential impact of the COVID-19 pandemic on UBI's business, financial results and condition.

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This press release is not part of the public exchange offer over UBI Banca shares and does not constitute an offer to buy or exchange UBI Banca's shares or subscribe/buy Intesa Sanpaolo's shares. Before the beginning of the tender offer period, as required by the applicable regulations, Intesa Sanpaolo will publish an offer document including a description of terms and conditions of the offer, as well as, *inter alia*, of the methods to adhere to the offer. The afore-mentioned publication will be disclosed by a specific press release.

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Intesa Sanpaolo Group

Reclassified consolidated statement of income

(millions of euro)

	31.03.2020	31.03.2019	Changes	
			amount	%
Net interest income	1,747	1,756	-9	-0.5
Net fee and commission income	1,844	1,865	-21	-1.1
Income from insurance business	312	291	21	7.2
Profits (Losses) on financial assets and liabilities designated at fair value	994	458	536	
Other operating income (expenses)	-15	-1	14	
Operating income	**4,882**	**4,369**	**513**	**11.7**
Personnel expenses	-1,355	-1,387	-32	-2.3
Other administrative expenses	-550	-583	-33	-5.7
Adjustments to property, equipment and intangible assets	-264	-260	4	1.5
Operating costs	**-2,169**	**-2,230**	**-61**	**-2.7**
Operating margin	**2,713**	**2,139**	**574**	**26.8**
Net adjustments to loans	-403	-369	34	9.2
Other net provisions and net impairment losses on other assets	-419	-30	389	
Other income (expenses)	3	6	-3	-50.0
Income (Loss) from discontinued operations	29	19	10	52.6
Gross income (loss)	**1,923**	**1,765**	**158**	**9.0**
Taxes on income	-545	-527	18	3.4
Charges (net of tax) for integration and exit incentives	-15	-22	-7	-31.8
Effect of purchase price allocation (net of tax)	-26	-40	-14	-35.0
Levies and other charges concerning the banking industry (net of tax)	-191	-146	45	30.8
Impairment (net of tax) of goodwill and other intangible assets	-	-	-	-
Minority interests	5	20	-15	-75.0
Net income (loss)	**1,151**	**1,050**	**101**	**9.6**

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

Intesa Sanpaolo Group

Quarterly development of the reclassified consolidated statement of income

(millions of euro)

	2020	2019			
	First quarter	Fourth quarter	Third quarter	Second quarter	First quarter
Net interest income	1,747	1,747	1,741	1,761	1,756
Net fee and commission income	1,844	2,166	1,966	1,965	1,865
Income from insurance business	312	308	301	284	291
Profits (Losses) on financial assets and liabilities designated at fair value	994	356	480	634	458
Other operating income (expenses)	-15	-10	5	10	-1
Operating income	**4,882**	**4,567**	**4,493**	**4,654**	**4,369**
Personnel expenses	-1,355	-1,518	-1,421	-1,418	-1,387
Other administrative expenses	-550	-749	-632	-622	-583
Adjustments to property, equipment and intangible assets	-264	-285	-261	-252	-260
Operating costs	**-2,169**	**-2,552**	**-2,314**	**-2,292**	**-2,230**
Operating margin	**2,713**	**2,015**	**2,179**	**2,362**	**2,139**
Net adjustments to loans	-403	-693	-473	-554	-369
Other net provisions and net impairment losses on other assets	-419	-168	-19	-37	-30
Other income (expenses)	3	50	-2	1	6
Income (Loss) from discontinued operations	29	25	22	22	19
Gross income (loss)	**1,923**	**1,229**	**1,707**	**1,794**	**1,765**
Taxes on income	-545	-311	-527	-441	-527
Charges (net of tax) for integration and exit incentives	-15	-27	-27	-30	-22
Effect of purchase price allocation (net of tax)	-26	-12	-37	-28	-40
Levies and other charges concerning the banking industry (net of tax)	-191	-22	-96	-96	-146
Impairment (net of tax) of goodwill and other intangible assets	-	-	-	-	-
Minority interests	5	15	24	17	20
Net income (loss)	**1,151**	**872**	**1,044**	**1,216**	**1,050**

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

Intesa Sanpaolo Group

Reclassified consolidated balance sheet

(millions of euro)

Assets	31.03.2020	31.12.2019	Changes	
			amount	%
Due from banks	67,440	47,170	20,270	43.0
Loans to customers	404,900	395,229	*9,671*	*2.4*
Loans to customers measured at amortised cost	*403,626*	*394,093*	*9,533*	*2.4*
Loans to customers designated at fair value through other comprehensive income and through profit or loss	*1,274*	*1,136*	*138*	*12.1*
Financial assets measured at amortised cost which do not constitute loans	29,353	25,888	3,465	13.4
Financial assets at fair value through profit or loss	55,431	48,636	*6,795*	*14.0*
Financial assets at fair value through other comprehensive income	71,865	72,046	-181	-0.3
Financial assets pertaining to insurance companies measured at fair value pursuant to IAS 39	158,656	168,202	-9,546	-5.7
Financial assets pertaining to insurance companies measured at amortised cost pursuant to IAS 39	567	612	-45	-7.4
Investments in associates and companies subject to joint control	1,273	1,240	33	2.7
Property, equipment and intangible assets	16,966	17,153	-187	-1.1
Assets owned	*15,501*	*15,655*	*-154*	*-1.0*
Rights of use acquired under leases	*1,465*	*1,498*	*-33*	*-2.2*
Tax assets	15,983	15,467	516	3.3
Non-current assets held for sale and discontinued operations	765	494	271	54.9
Other assets	24,702	23,965	737	3.1
Total Assets	**847,901**	**816,102**	**31,799**	**3.9**

Liabilities	31.03.2020	31.12.2019	Changes	
			amount	%
Due to banks at amortised cost	120,110	103,316	16,794	16.3
Due to customers at amortised cost and securities issued	424,533	414,578	9,955	2.4
Financial liabilities held for trading	54,376	45,226	9,150	20.2
Financial liabilities designated at fair value	762	4	758	
Financial liabilities pertaining to insurance companies measured at amortised cost pursuant to IAS 39	818	818	-	-
Financial liabilities pertaining to insurance companies measured at fair value pursuant to IAS 39	68,822	75,935	-7,113	-9.4
Tax liabilities	2,580	2,321	259	11.2
Liabilities associated with non-current assets held for sale and discontinued operations	50	41	9	22.0
Other liabilities	27,028	23,381	3,647	15.6
of which lease payables	*1,469*	*1,496*	*-27*	*-1.8*
Technical reserves	86,939	89,136	-2,197	-2.5
Allowances for risks and charges	5,134	5,131	3	0.1
of which allowances for commitments and financial guarantees given	*477*	*482*	*-5*	*-1.0*
Share capital	9,086	9,086	-	-
Reserves	42,380	38,250	4,130	10.8
Valuation reserves	-1,833	-157	1,676	
Valuation reserves pertaining to insurance companies	182	504	-322	-63.9
Equity instruments	5,550	4,103	1,447	35.3
Minority interests	233	247	-14	-5.7
Net income (loss)	1,151	4,182	-3,031	-72.5
Total Liabilities and Shareholders' Equity	**847,901**	**816,102**	**31,799**	**3.9**

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

Intesa Sanpaolo Group

Quarterly development of the reclassified consolidated balance sheet

(millions of euro)

Assets	2020	2019			
	31/3	31/12	30/9	30/6	31/3
Due from banks	67,440	47,170	71,958	77,141	85,515
Loans to customers	404,900	395,229	395,193	394,253	395,595
Loans to customers measured at amortised cost	*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	*1,274*	*1,136*	*904*	*1,010*	*605*
Financial assets measured at amortised cost which do not constitute loans	29,353	25,888	24,104	20,396	19,995
Financial assets at fair value through profit or loss	55,431	48,636	54,542	52,693	47,626
Financial assets at fair value through other comprehensive income	71,865	72,046	75,052	65,996	66,406
Financial assets pertaining to insurance companies measured at fair value pursuant to IAS 39	158,656	168,202	167,034	159,171	155,240
Financial assets pertaining to insurance companies measured at amortised cost pursuant to IAS 39	567	612	570	568	702
Investments in associates and companies subject to joint control	1,273	1,240	1,113	1,071	1,075
Property, equipment and intangible assets	16,966	17,153	16,953	16,959	16,963
Assets owned	*15,501*	*15,655*	*15,411*	*15,389*	*15,381*
Rights of use acquired under leases	*1,465*	*1,498*	*1,542*	*1,570*	*1,582*
Tax assets	15,983	15,467	15,556	16,122	16,858
Non-current assets held for sale and discontinued operations	765	494	2,554	803	1,236
Other assets	24,702	23,965	24,137	23,238	22,114
Total Assets	**847,901**	**816,102**	**848,766**	**828,411**	**829,325**

Liabilities	2020	2019			
	31/3	31/12	30/9	30/6	31/3
Due to banks at amortised cost	120,110	103,316	119,509	120,232	123,326
Due to customers at amortised cost and securities issued	424,533	414,578	415,128	411,588	416,505
Financial liabilities held for trading	54,376	45,226	53,938	51,187	48,433
Financial liabilities designated at fair value	762	4	4	4	4
Financial liabilities pertaining to insurance companies measured at amortised cost pursuant to IAS 39	818	818	879	847	846
Financial liabilities pertaining to insurance companies measured at fair value pursuant to IAS 39	68,822	75,935	74,405	72,027	70,955
Tax liabilities	2,580	2,321	2,519	2,014	2,633
Liabilities associated with non-current assets held for sale and discontinued operations	50	41	256	254	260
Other liabilities	27,028	23,381	32,236	26,483	22,675
of which lease payables	*1,469*	*1,496*	*1,523*	*1,547*	*1,553*
Technical reserves	86,939	89,136	89,237	84,710	82,508
Allowances for risks and charges	5,134	5,131	5,164	5,260	5,694
of which allowances for commitments and financial guarantees given	*477*	*482*	*423*	*450*	*449*
Share capital	9,086	9,086	9,086	9,086	9,085
Reserves	42,380	38,250	38,197	38,232	41,704
Valuation reserves	-1,833	-157	-194	-474	-877
Valuation reserves pertaining to insurance companies	182	504	727	322	137
Equity instruments	5,550	4,103	4,103	4,103	4,103
Minority interests	233	247	262	270	284
Net income (loss)	1,151	4,182	3,310	2,266	1,050
Total Liabilities and Shareholders' Equity	**847,901**	**816,102**	**848,766**	**828,411**	**829,325**

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

Intesa Sanpaolo Group

Breakdown of financial highlights by business area

(millions of euro)

	Banca dei Territori	Corporate and Investment Banking	International Subsidiary Banks	Private Banking	Asset Management	Insurance	Corporate Centre	Total
Operating income								
31.03.2020	2,054	1,633	468	478	168	283	-202	4,882
31.03.2019	2,072	793	482	482	180	264	96	4,369
% change	-0.9		-2.9	-0.8	-6.7	7.2		11.7
Operating costs								
31.03.2020	-1,236	-265	-239	-141	-33	-44	-211	-2,169
31.03.2019	-1,285	-274	-238	-148	-36	-45	-204	-2,230
% change	-3.8	-3.3	0.4	-4.7	-8.3	-2.2	3.4	-2.7
Operating margin								
31.03.2020	818	1,368	229	337	135	239	-413	2,713
31.03.2019	787	519	244	334	144	219	-108	2,139
% change	3.9		-6.1	0.9	-6.3	9.1		26.8
Net income (loss)								
31.03.2020	280	911	143	227	100	160	-670	1,151
31.03.2019	301	316	181	232	117	157	-254	1,050
% change	-7.0		-21.0	-2.2	-14.5	1.9		9.6

(millions of euro)

	Banca dei Territori	Corporate and Investment Banking	International Subsidiary Banks	Private Banking	Asset Management	Insurance	Corporate Centre	Total
Loans to customers								
31.03.2020	195,422	144,314	34,460	9,005	224	-	21,475	404,900
31.12.2019	194,358	131,884	34,038	9,329	435	-	25,185	395,229
% change	0.5	9.4	1.2	-3.5	-48.5	-	-14.7	2.4
Direct deposits from banking business								
31.03.2020	202,535	88,637	42,929	39,871	8	-	59,638	433,618
31.12.2019	199,256	86,850	43,420	39,537	10	-	56,439	425,512
% change	1.6	2.1	-1.1	0.8	-20.0	-	5.7	1.9

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