INTESA SANPAOLO

PRESS RELEASE

INTESA SANPAOLO: CONSOLIDATED RESULTS AS AT 30 JUNE 2020

RESULTS FOR H1 2020 CONFIRM INTESA SANPAOLO'S ABILITY TO EFFECTIVELY FACE 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. THE RESULTS ALSO REFLECT THE SUPPORT PROVIDED TO ITALY BY THE GROUP, WHICH IS ALSO COMMITTED TO BECOMING A REFERENCE MODEL IN TERMS OF SUSTAINABILITY AND SOCIAL AND CULTURAL RESPONSIBILITY. SUSTAINABLE VALUE GENERATION FOR ALL STAKEHOLDERS WILL BE ACCRETED BY THE COMBINATION WITH UBI BANCA.

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

- **PROVIDING SAFE CONDITIONS FOR THE GROUP PEOPLE AND CUSTOMERS;**
- **SUPPORTING HEALTHCARE INITIATIVES WITH MORE THAN €100 MILLION DONATED;**
- **PROVIDING €125 MILLION FROM THE FUND FOR IMPACT (50% OF THE FUND'S CAPACITY) TO REDUCE SOCIO-ECONOMIC DISTRESS;**
- **FIRST BANK IN ITALY TO SUSPEND MORTGAGE AND LOAN INSTALMENTS EVEN BEFORE THE REGULATION CAME INTO FORCE (€47 BILLION TO DATE), AND TO SIGN THE COLLABORATION PROTOCOL WITH SACE, THUS PROVIDING IMMEDIATE SUPPORT TO ENTERPRISES UNDER THE LIQUIDITY DECREE (€17 BILLION INCLUDING THE SME FUND TO DATE);**
- **UP TO €50 BILLION IN NEW LOANS MADE 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 (PULSE, WITH AROUND 380 DEDICATED PEOPLE) AND GROUP'S STRATEGIC PARTNERSHIPS WITH LEADING NPL INDUSTRIAL PLAYERS;**
- **STRONG DIGITAL PROPOSITION, WITH AROUND TEN MILLION MULTICHANNEL CUSTOMERS AND AROUND SIX MILLION CUSTOMERS USING THE INTESA SANPAOLO APP, AND STRATEGIC PARTNERSHIP WITH NEXI IN RESPECT OF PAYMENT SYSTEMS;**
- **AROUND 60,000 GROUP 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 14.9%, TAKING THE DIVIDENDS ACCRUED IN H1 2020 INTO ACCOUNT.

IN H1 2020, NET INCOME WAS €2,566 MILLION (UP 13.2% ON H1 2019), INCLUDING LOAN ADJUSTMENTS OF AROUND €880 MILLION FOR FUTURE COVID-19 IMPACTS, MAINLY FOR GENERIC COVERAGE OF PERFORMING LOANS.

GROSS INCOME WAS UP 7.1% ON H1 2019, OPERATING MARGIN WAS UP 2.8%, OPERATING INCOME WAS STABLE, OPERATING COSTS WERE DOWN 2.8% AND COST/INCOME WAS 48.5%.

CREDIT QUALITY IMPROVED. GROSS NPLs WERE REDUCED AT NO EXTRAORDINARY COST TO SHAREHOLDERS BY 4.6% ON YEAR-END 2019, AND BY AROUND €23 BILLION SINCE THE END OF 2017 ACHIEVING AS MUCH AS 90% OF THE TARGET SET FOR THE ENTIRE FOUR-YEAR PERIOD OF THE 2018-2021 BUSINESS PLAN. NPL RATIO WAS 7.1% GROSS AND 3.5% NET. ANNUALISED COST OF RISK IN H1 2020 WAS AT 46 BASIS POINTS EXCLUDING THE IMPACT OF LOAN ADJUSTMENTS FOR FUTURE COVID-19 IMPACTS (EQUIVALENT TO 43 BASIS POINTS, OF WHICH 36 BASIS POINTS FOR GENERIC COVERAGE OF PERFORMING LOANS AND 7 BASIS POINTS FOR SPECIFIC COVERAGE OF NPLs).

INTESA SANPAOLO CONTINUES TO OPERATE AS A GROWTH ACCELERATOR IN THE REAL ECONOMY IN ITALY. IN H1 2020, MEDIUM/LONG-TERM NEW LENDING GRANTED BY THE GROUP TO ITALIAN HOUSEHOLDS AND BUSINESSES AMOUNTED TO AROUND €35 BILLION. IN H1 2020, THE GROUP FACILITATED THE RETURN TO PERFORMING STATUS OF AROUND 4,300 COMPANIES, THUS SAFEGUARDING AROUND 22,000 JOBS. THIS BROUGHT THE TOTAL TO AROUND 116,000 COMPANIES SINCE 2014, WITH AROUND 580,000 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 10.8 MILLION MEALS, 537,000 DORMITORY BEDS, 176,000 MEDICINE PRESCRIPTIONS AND 114,000 ITEMS OF CLOTHING; SUPPORT PROVIDED TO HOUSEHOLDS AND ENTERPRISES WHO HAVE BEEN VICTIMS OF NATURAL DISASTERS, BY GRANTING, IN H1 2020, AROUND 130 *MORATORIA* FOR AROUND €700 MILLION OF RESIDUAL LOANS AND SUBSIDISED LOANS OF AROUND €97 MILLION (AROUND €431 MILLION SINCE 2018); THE FUND FOR IMPACT, WITH €60 MILLION GRANTED BY PER MERITO (THE FIRST LINE OF CREDIT WITHOUT COLLATERAL DEDICATED TO ALL ITALIAN UNIVERSITY STUDENTS) SINCE ITS LAUNCH AND THE LAUNCH, IN JULY 2020, OF MAMMA@WORK, A SUBSIDISED LOAN TO BALANCE MOTHERWOOD AND WORK; A €5 BILLION CIRCULAR ECONOMY CREDIT PLAFOND TO SUPPORT SUSTAINABLE DEVELOPMENT WITH 343 PROJECTS EVALUATED, OF WHICH 119 HAVE ALREADY BEEN FINANCED FOR €1,237 MILLION (€478 MILLION IN H1 2020); S-LOAN TO IMPROVE SMEs' SUSTAINABILITY PROFILE (A €2 BILLION PLAFOND ALLOCATED AS PART OF THE €50 BILLION IN LENDING DEDICATED TO THE GREEN ECONOMY); IN H1 2020, AROUND 600 START-UPS EVALUATED (OVER 1,800 SINCE 2018) IN TWO ACCELERATION PROGRAMS WITH 37 COACHED START-UPS (AROUND 270 SINCE 2018); GIOVANI E LAVORO PROGRAM UNDERWAY AIMED AT INTRODUCING 5,000 YOUNG PEOPLE TO THE ITALIAN LABOUR MARKET: IN H1 2020, AROUND 4,980 YOUNG PEOPLE APPLIED TO THE PROGRAM (AROUND 14,300 SINCE 2019), AROUND 990 STUDENTS WERE INTERVIEWED AND AROUND 410 STUDENTS TRAINED / IN TRAINING THROUGH 18 COURSES, WITH OVER 1,300 COMPANIES INVOLVED SINCE THE LAUNCH OF THE PROGRAM; DURING THE LOCKDOWN PHASE, THE CANOVA/THORVALDSEN EXHIBITION, ONE OF THE MOST VISITED EXHIBITIONS IN ITALY, CONTINUED THROUGH VIRTUAL TOUR AND IMPORTANT CULTURAL INITIATIVES WERE CARRIED OUT IN DIGITAL EDITIONS.

- **ROBUST NET INCOME:**
  - **€2,566M IN H1 2020, UP 13.2% VS €2,266M IN H1 2019**

- **GROSS INCOME UP 7.1% ON H1 2019**

- **OPERATING MARGIN UP 2.8% ON H1 2019**

- **OPERATING INCOME STABLE VS H1 2019**

- **OPERATING COSTS DOWN 2.8% ON H1 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 €36BN SINCE THE SEPTEMBER 2015 PEAK [*] (AROUND €10BN AND AROUND €22BN, RESPECTIVELY, EXCLUDING THE SALE TO INTRUM AND THAT TO PRELIOS)**
    - **NPL STOCK DOWN 4.6% GROSS AND 1.5% NET ON YEAR-END 2019 (DOWN 5.7% GROSS AND 3.6% NET EXCLUDING THE NEW DEFINITION OF DEFAULT); NPL TO TOTAL LOAN RATIO OF 7.1% GROSS AND 3.5% NET**
  - **ANNUALISED COST OF RISK IN H1 2020 AT 46 BASIS POINTS EXCLUDING THE IMPACT OF LOAN ADJUSTMENTS FOR FUTURE COVID-19 IMPACTS (EQUIVALENT TO 43 BASIS POINTS, OF WHICH 36 BASIS POINTS FOR GENERIC COVERAGE OF PERFORMING LOANS AND 7 BASIS POINTS FOR SPECIFIC COVERAGE OF NPLS)**

- **SOLID CAPITAL POSITION, WELL ABOVE REGULATORY REQUIREMENTS:**
  - **COMMON EQUITY TIER 1 RATIO AS AT 30 JUNE 2020, AFTER THE DEDUCTION OF €1,925M OF DIVIDENDS ACCRUED IN H1 2020, OF**
    - **14.9% PRO-FORMA FULLY LOADED [1] [2]**
    - **14.6% PHASED-IN [2] [**]**

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(1) Estimated by applying the fully loaded parameters to the financial statements as at 30 June 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 H1 2020 net income of insurance companies.

(2) After the deduction of dividends accrued in H1 2020 and the coupons accrued on the Additional Tier 1 issues.

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

(**) Equal to 13.8% excluding the mitigation of the impact of the first time adoption of IFRS 9.

HIGHLIGHTS:

OPERATING INCOME:	Q2 2020 H1 2020	-16.3% +0.0%	€4,136M FROM €4,939M IN Q1 2020 €9,075M FROM €9,075M IN H1 2019
OPERATING COSTS:	Q2 2020 H1 2020	+2.6% -2.8%	€2,230M FROM €2,173M IN Q1 2020 €4,403M FROM €4,531M IN H1 2019
OPERATING MARGIN:	Q2 2020 H1 2020	-31.1% +2.8%	€1,906M FROM €2,766M IN Q1 2020 €4,672M FROM €4,544M IN H1 2019
GROSS INCOME:	Q2 2020 H1 2020	€1,883M €3,859M	FROM €1,976M IN Q1 2020 FROM €3,602M IN H1 2019
NET INCOME:	Q2 2020 H1 2020	€1,415M €2,566M	FROM €1,151M IN Q1 2020 FROM €2,266M IN H1 2019

CAPITAL RATIOS: COMMON EQUITY TIER 1 RATIO AFTER DIVIDENDS ACCRUED IN H1 2020:
14.9% PRO-FORMA FULLY LOADED (3) (4);
14.6% PHASED-IN (4) (5)

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(3) Estimated by applying the fully loaded parameters to the financial statements as at 30 June 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 H1 2020 net income of insurance companies.

(4) After the deduction of dividends accrued in H1 2020 and the coupons accrued on the Additional Tier 1 issues.

(5) Equal to 13.8% excluding the mitigation of the impact of the first time adoption of IFRS 9.

Turin - Milan, 4 August 2020 – At its meeting today, the Board of Directors of Intesa Sanpaolo approved the consolidated half-yearly report as at 30 June 2020 (6).

Results for the first half of 2020 confirm Intesa Sanpaolo's ability to effectively face 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**. **The results also reflect the support provided to Italy by the Group**, which is also committed to **becoming a reference model in terms of sustainability and social and cultural responsibility**.

Sustainable value generation for all stakeholders will be accreted by the combination with UBI Banca, which has low execution risk also due to Intesa Sanpaolo's proven track record in managing integrations, enhancing local economies and UBI Banca people and achieving further reduction of risk profile and significant synergies with no social costs.

Compared with the first half of 2019, Intesa Sanpaolo, specifically, recorded **improvement in capital ratios, efficiency and asset quality**. **The cost of risk, too, improved when excluding loan adjustments for future COVID-19 impacts, booked mainly as generic coverage of performing loans**.

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** (Pulse, with around 380 dedicated people) and Group's **strategic partnerships** with leading NPL industrial players; **Intesa Sanpaolo ranked first among Italian corporates in the "Cyber Resilience amid a Global Pandemic" competition**, organised by AISPA (Italian Association of Corporate Security Professionals);
- **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**, and **strategic partnership with Nexi in respect of payment systems** (a 9.9% shareholding in the Nexi capital);
- **digital way of working**: already around **60,000 Group people in smart working** and **optimisation of the distribution model** with **around 1,000 branches rationalised** since 2018 and further possible branch reduction following the Banca 5 - SisalPay strategic partnership and changes in customer behaviour brought about by COVID-19, with most customers 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**.

(6) Methodological note on the scope of consolidation on page 22.

In the first half of 2020, the Group recorded:

- **net income at €2,566m** versus €2,266m in H1 2019, corresponding to **86% of the minimum €3bn net income foreseen for 2020**. **It would be around €3,160m when excluding loan adjustments of around €880m for future COVID-19 impacts,** mainly for **generic coverage of performing loans**;

- **growth in gross income**, up 7.1% on H1 2019;

- **growth in operating margin**, up 2.8% on H1 2019;

- **stable operating income** versus H1 2019;

- **reduction in operating costs**, down 2.8% on H1 2019;

- **high efficiency** highlighted by a **cost/income of 48.5%** in H1 2020 – **a figure that places Intesa Sanpaolo in the top tier of its European peers**;

- annualised **cost of risk** in H1 2020 at **46bps excluding the impact of adjustments for future COVID-19 impacts** (equivalent to 43bps, of which 36bps for generic coverage of performing loans and 7bps for specific coverage of NPLs) versus the 53bps of 2019;

- **improving credit quality** mainly due to an **effective proactive credit management approach**, **at no extraordinary cost to shareholders**:
  - gross **NPLs were reduced** [(*)] by around **€1.8bn in H1 2020**, by around **€36bn 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 €10bn when excluding the transactions with Intrum and Prelios) **achieving as much as 90% of the reduction target set for the entire four-year period of the 2018-2021 Business Plan**;
  - **NPL stock**, **in June 2020**, **decreased 4.6% gross** and **1.5% net on December 2019** (the decrease was 5.7% gross and 3.6% net when excluding the effect of the new definition of default);
  - **NPL to total loan ratio** in June 2020 was **7.1% gross and 3.5% net**;

- **sizeable NPL coverage**:
  - **NPL cash coverage ratio of 53.1%** at the end of June 2020, **with a cash coverage ratio of 63.6% for the bad loan component**;
  - **robust reserve buffer on performing loans**, amounting to 0.6% at the end of June 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, around €0.1bn gross and net in Q1 2020 and around €0.2bn gross and net in Q2 2020.

- **very solid capital position**, with capital ratios well above regulatory requirements. As at 30 June 2020, the **pro-forma fully loaded Common Equity Tier 1 ratio** came in at **14.9%** (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 14.6% (8) (9) after the deduction of €1,925m of dividends accrued in H1 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 8.64% and the phased-in Common Equity Tier 1 ratio at 8.44% 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.

- **strong liquidity position and funding capability**, with **liquid assets of €221bn** and **available unencumbered liquid assets of €127bn at the end of June 2020. The Basel 3 Liquidity Coverage Ratio and Net Stable Funding Ratio requirements have been comfortably complied with**. The refinancing operations with the ECB to optimise the cost of funding and support businesses in their investment amounted to around €70.9bn as at 30 June 2020 and consisted entirely of TLTROs III.

- **support provided to the real economy**, with around **€40bn of medium/long-term new lending** in H1 2020. **Loans** amounting to around **€35bn** were granted **in Italy**, of which around **€28bn was granted to households and SMEs**. **In H1 2020, the Group facilitated the return** from non-performing **to performing status of** around **4,300 Italian companies, thus safeguarding around 22,000 jobs**. This brought the total to around **116,000 companies since 2014, with around 580,000 jobs safeguarded over the same period**.

- **sustainability and social and cultural responsibility** which, in the presence of solid financials, translated into the actions shown below, carried out by the Group in Italy:
  - initiatives to **reduce child poverty** and **support people in need** delivering, since 2018, around **10.8 million meals**, around **537,000 dormitory beds**, around **176,000 medicine prescriptions** and around **114,000 items of clothing**;
  - **support provided to households and enterprises affected by earthquakes and natural disasters, by forgiving mortgages or granting moratoria of mortgages** on damaged properties, with around 130 moratoria in H1 2020 for around €700m of residual loans, and providing subsidised loans of around €97m in H1 2020 (around €431m since 2018);

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(7) Estimated by applying the fully loaded parameters to the financial statements as at 30 June 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 H1 2020 net income of insurance companies.

(8) After the deduction of dividends accrued in H1 2020 and the coupons accrued on the Additional Tier 1 issues.

(9) Equal to 13.8% excluding the mitigation of the impact of the first time adoption of IFRS 9.

(10) Countercyclical Capital Buffer calculated taking into account the exposures as at 30 June 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 the first nine months of 2020).

- **Ecobonus**: **Intesa Sanpaolo ready to buy tax credits** supporting households, condominiums and businesses with modular and flexible solutions, so that they may benefit from the 110% deduction for expenses relating to energy efficiency and reduction measures of seismic risk;
- **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 €21m granted in H1 2020 and €60m granted since its launch at the beginning of 2019; launch, in July 2020, of **MAMMA@WORK**, a highly subsidised loan to balance motherhood and work during children's early years of life; **two new initiatives** announced in January 2020 to support **working mothers in India** 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 period 2018-2021, to support **sustainable development**: since its launch, **343 projects** evaluated, of which 119 already financed for **€1,237m** (€478m in H1 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;
- **S-Loan**, an Intesa Sanpaolo innovative solution targeted at SMEs in order to finance projects to improve their sustainability profile. A **€2bn plafond has been allocated** for S-Loan as part of the aforementioned €50bn dedicated to the green economy. These loans will have a reduced interest rate subject to the monitoring of two ESG KPIs which must be reported in the annual report of the financed enterprises.
- **around 600 start-ups evaluated** (over 1,800 since 2018) in **two acceleration programs with 37 coached start-ups** in H1 2020 (around 270 since 2018), introducing them to selected investors and ecosystem players (around 5,500 to date);
- the Intesa Sanpaolo *Giovani e Lavoro* program underway, in partnership with Generation, aimed at **training** and **introducing 5,000 young people to the Italian labour market over a three-year period**: around 4,980 young people, aged 18-29, applied to the program in H1 2020 (around 14,300 since 2019), around 990 students were interviewed and around 410 trained / in training through 18 courses, with over 1,300 companies involved since the launch of the program;
- the **P-Tech initiative** in partnership with IBM, with the objective of training young professionals in the field of new digital jobs, involving 10 Intesa Sanpaolo "mentors" in mentoring activities for 20 young professionals;
- presentation of the project for the fourth location of ***Gallerie d'Italia*** in piazza San Carlo in Turin, reaching **6,000 square meters**, dedicated to photography, digital world and contemporary art; the **Canova/Thorvaldsen** exhibition at *Gallerie d'Italia* in Milan, in partnership with St Petersburg State Hermitage Museum and Copenhagen's Thorvaldsens Museum, **one of the most visited exhibitions in Italy**, continued during the lockdown phase thanks to the launch of the virtual tour with over **8 million views**. During the lockdown, a number of important national cultural initiatives were produced in digital editions: **COVID-19 Visual Project - Cortona on the Move**, a permanent multimedia archive with 40 visual projects by 40 international photographers (602,500 Instagram story views on Freeda and Intesa Sanpaolo profiles); **Turin International Book Fair** (around five million views); **Turin Archives Festival** (207,000 views).

- **<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 around **60,000 people working from home**, around **100% of branches opened and fully operational** (advisory by appointment only) and **business continuity** ensured by the effective multichannel bank model (via the online branch, internet banking, App and ATM / cash machines) and the **remote relationship advisory service** provided by around **20,000 relationship managers**;
  - **486 people hired** in H1 2020 (of which 167 during the lockdown);
  - **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 have been awarded under the 2019 Incentive Plan;
  - around **74,000 doctors and nurses participated in** the online **training course**, delivered in cooperation with Generation, on PPE, NIV and emergency management;
  - €125m provided by the **Fund for Impact** (equal to 50% of the fund’s capacity) to reduce the socio-economic distress caused by COVID-19;
  - ***Programma Rinascimento***, providing a total of **€30m** in lending and including impact loans to micro-enterprises and start-ups, for **re-imagining and resetting their business models** in the pandemic aftermath, boosting economic growth and social and territorial cohesion, in partnership with the Municipality of Bergamo;
  - the first bank in Italy to **suspend mortgage and loan instalments** even before the regulation came into force. Around €47bn have been approved to date, of which 3/4 for enterprises and 1/4 for households.
  - the first bank in Italy to sign the collaboration protocol with **SACE**, thus providing immediate support to enterprises under the Liquidity Decree. Overall, including the SME Fund as well, loans backed by a state guarantee of around €17bn have been granted to date (around €7bn SACE and around €10bn SME Fund).
  - 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;
  - **€10bn in new credit facilities to sustain 2,500** Italian **industrial supplier value chains** through the enhancement of the “Sviluppo Filiere” Program.

The income statement for the second quarter of 2020

The consolidated income statement for Q2 2020 recorded **net interest income** of €1,750m, up 0.2% from €1,747m in Q1 2020 and down 0.6% from €1,761m in Q2 2019.

Net fee and commission income amounted to €1,744m, down 5.4% from €1,844m in Q1 2020. Specifically, commissions on commercial banking activities were down 1% and commissions on management, dealing and consultancy activities were down 6.5%. The latter, which include portfolio management, distribution of insurance products, dealing and placement of securities, etc., recorded decreases of 9.2% in dealing and placement of securities, 6.2% in portfolio management (performance fees contributed €9m in Q2 2020 and €2m in Q1 2020), and 3.2% in distribution of insurance products. Net fee and commission income for Q2 2020 was down 11.2% from €1,965m in Q2 2019. Specifically, both commissions on commercial banking activities and those on management, dealing and consultancy activities were down 9.6%. The latter recorded decreases of 13.8% in dealing and placement of securities, 8% in portfolio management (performance fees contributed €1m in Q2 2019) and 7.8% in distribution of insurance products.

Income from insurance business amounted to €367m from €369m in Q1 2020 and €304m in Q2 2019.

Profits on financial assets and liabilities at fair value amounted to €263m, compared with €994m in Q1 2020. Contributions from customers decreased from €148m to €94m, those from capital markets recorded a negative balance of €85m versus a positive balance of €405m, those from trading and treasury decreased from €480m to €242m and those from structured credit products recorded a positive balance of €12m versus a negative balance of €38m. Profits on financial assets and liabilities at fair value of €263m for Q2 2020 compare with profits of €634m in Q2 2019 when contributions from customers amounted to €136m, those from capital markets to €65m, those from trading and treasury to €427m and those from structured credit products to €7m.

Operating income amounted to €4,136m, down 16.3% from €4,939m in Q1 2020 and 11.5% from €4,674m in Q2 2019.

Operating costs amounted to €2,230m, up 2.6% from €2,173m in Q1 2020, attributable to increases of 1.8% in personnel expenses, 5.4% in administrative expenses and 1.1% in adjustments. Operating costs for Q2 2020 were down 2.9% from €2,296m in Q2 2019, attributable to decreases of 2.7% in personnel expenses and 6.7% in administrative expenses and an increase of 6% in adjustments.

As a result, **operating margin** amounted to €1,906m, down 31.1% from €2,766m in Q1 2020 and 19.8% from €2,378m in Q2 2019. The cost/income ratio was 53.9% in Q2 2020 versus 44% in Q1 2020 and 49.1% in Q2 2019.

Net adjustments to loans amounted to €1,398m from €403m in Q1 2020 and €554m in Q2 2019, and included around €880m for future COVID-19 impacts (of which around €730m for generic coverage of performing loans and around €150m for specific coverage of NPLs).

Net provisions and net impairment losses on other assets recorded a net recovery of €262m (following the recovery, with reallocation under net adjustments to loans, of the COVID-19 related provisions of around €300m set aside under allowances to risks and charges in the previous quarter) versus net provisions and net impairment losses of €419m in Q1 2020 (which included the COVID-19 related provisions under allowances to risks and charges mentioned above) and €37m in Q2 2019.

Other income recorded a negative balance of €21m versus a positive balance of €3m in Q1 2020 and €1m in Q2 2019.

Income (Loss) from discontinued operations amounted to €1,134m (including the Nexi capital gain of €1,110m) versus €29m in Q1 2020 and €22m in Q2 2019.

Gross income amounted to €1,883m from €1,976m in Q1 2020 and €1,810m in Q2 2019.

Consolidated net income for the quarter amounted to €1,415m, after accounting:
- taxes on income of €313m;
- charges (net of tax) for integration and exit incentives of €35m;
- effect of purchase price allocation (net of tax) of €24m;
- levies and other charges concerning the banking industry (net of tax) of €86m, deriving from pre-tax charges of €92m in relation to the contribution to the resolution fund, which was in addition to those estimated in the first quarter for the full year 2020, €8m in relation to contributions to the deposit guarantee scheme concerning the international network, and €21m in relation to levies incurred by international subsidiaries. In Q1 2020, this caption amounted to €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 Q2 2019, this caption amounted to €96m, deriving from pre-tax charges of €114m in relation to the contribution to the resolution fund, which was in addition to those estimated in the first quarter for the full year 2019, €8m in relation to contributions to the deposit guarantee scheme concerning the international network and €14m in relation to levies incurred by international subsidiaries.
- minority interests of €10m.

Net income of €1,415m in Q2 2020 compares with €1,151m in Q1 2020 and €1,216m in Q2 2019.

The income statement for the first half of 2020

The consolidated income statement for H1 2020 recorded **net interest income** of €3,497m, down 0.6% from €3,517m in H1 2019.

Net fee and commission income amounted to €3,588m, down 6.3% from €3,830m in H1 2019. Specifically, commissions on commercial banking activities were down 8.1% and commissions on management, dealing and consultancy activities were down 3.6%. The latter, which include portfolio management, distribution of insurance products, dealing and placement of securities, etc., recorded decreases of 5.9% in dealing and placement of securities, 3.4% in portfolio management (performance fees contributed €11m in H1 2020 and €2m in H1 2019), and 1.5% in distribution of insurance products.

Income from insurance business amounted to €736m from €627m in H1 2019.

Profits on financial assets and liabilities at fair value amounted to €1,257m, compared with €1,092m in H1 2019. Contributions from customers declined from €278m to €242m, those from capital markets increased from €147m to €320m, those from trading and treasury increased from €644m to €722m and those from structured credit products recorded a negative balance of €26m versus a positive balance of €23m.

Operating income amounted to €9,075m, unchanged compared with H1 2019.

Operating costs amounted to €4,403m, down 2.8% from €4,531m in H1 2019, attributable to decreases of 2.5% in personnel expenses and 6.3% in administrative expenses and an increase of 3.7% in adjustments.

As a result, **operating margin** amounted to €4,672m, up 2.8% from €4,544m in H1 2019. The cost/income ratio was 48.5% in H1 2020 versus 49.9% in H1 2019.

Net adjustments to loans amounted to €1,801m from €923m in H1 2019, and included around €880m for future COVID-19 impacts (of which around €730m for generic coverage of performing loans and around €150m for specific coverage of NPLs).

Net provisions and net impairment losses on other assets amounted to €157m versus €67m in H1 2019.

Other income recorded a negative balance of €18m versus a positive balance of €7m in H1 2019.

Income (Loss) from discontinued operations amounted to €1,163m (including the Nexi capital gain of €1,110m) versus €41m in H1 2019.

Gross income amounted to €3,859m, up 7.1% from €3,602m in H1 2019.

Consolidated net income for the first half amounted to €2,566m, after accounting:
- taxes on income of €874m;
- charges (net of tax) for integration and exit incentives of €50m;
- effect of purchase price allocation (net of tax) of €50m;
- levies and other charges concerning the banking industry (net of tax) of €277m, deriving from pre-tax charges of €340m in relation to the contribution to the resolution fund, €13m in relation to contributions to the deposit guarantee scheme concerning the international network, and €41m in relation to levies incurred by international subsidiaries. In H1 2019, this caption amounted to €242m, deriving from the following pre-tax figures: charges of €313m in relation to the contribution to the resolution fund, €13m in relation to contributions to the deposit guarantee scheme concerning the international network, €26m in relation to levies incurred by international subsidiaries, and positive fair value differences of €8m regarding the *Atlante* fund.
- minority interests of €42m.

Net income of €2,566m in H1 2020 was up by 13.2% versus the €2,266m of H1 2019.

Balance sheet as at 30 June 2020

As regards the consolidated balance sheet figures, as at 30 June 2020 **loans to customers** amounted to €403bn, up 2.1% on year-end 2019 and up 2.3% on 30 June 2019 (up 2.6% on Q1 2020 and up 5.1% on H1 2019 when taking into account quarterly and half-yearly average volumes [(11)]). Total **non-performing loans** (bad, unlikely-to-pay, and past due) amounted - net of adjustments - to €14,011m, down 1.5% from €14,222m at year-end 2019 (down 3.6% excluding the effect of the new definition of default). In detail, bad loans decreased to €6,399m 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 63.6% (65.3% as at year-end 2019). Unlikely-to-pay loans decreased to €6,635m from €6,738m at year-end 2019. Past due loans amounted to €977m from €744m at year-end 2019.

Customer financial assets amounted to €962bn, up 0.2% on year-end 2019 and up 2.5% on 30 June 2019. Under customer financial assets, **direct deposits from banking business** amounted to €438bn, up 2.9% on year-end 2019 and up 3.5% on 30 June 2019. **Direct deposits from insurance business and technical reserves** amounted to €164bn, down 1.2% on year-end 2019 and up 4% on 30 June 2019. Indirect customer deposits amounted to €523bn, down 2.1% on year-end 2019 and up 1.6% on 30 June 2019. **Assets under management** amounted to €351bn, down 2.1% on year-end 2019 and up 1.9% on 30 June 2019. As for bancassurance, in H1 2020 the new business for life policies amounted to €6.8bn. Assets held under administration and in custody amounted to €173bn, down 2% on year-end 2019 and up 1.9% on 30 June 2019.

Capital ratios as at 30 June 2020, calculated by applying the transitional arrangements for 2020 and taking €1,925m of dividends accrued in H1 2020 into account, were as follows:

- Common Equity Tier 1 ratio [(12)] at 14.6% (13.9% at year-end 2019 [(13)]),
- Tier 1 ratio [(12)] at 16.5% (15.3% at year-end 2019 [(13)]),
- total capital ratio [(12)] at 19.2% (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 H1 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 13.8% for the Common Equity Tier 1 ratio, 15.7% for the Tier 1 ratio and 18.7% 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 14.9% (14.1% at year-end 2019). It was calculated by applying the fully loaded parameters to the financial statements as at 30 June 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 H1 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 €127bn at the end of June 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 €221bn at the end of June 2020;
- refinancing operations with the ECB to optimise the cost of funding and support businesses in their investment amounted to around €70.9bn as at 30 June 2020 and consisted entirely of TLTROs III;
- the sources of funding were stable and well diversified, with retail funding representing 81% of direct deposits from banking business (including securities issued);
- medium/long-term wholesale funding was €4.3bn in H1 2020 and included benchmark transactions of senior bonds of GBP350m and €1.25bn and Additional Tier 1 of €1.5bn (around 80% were placed with foreign investors).

The Group's **leverage ratio** as at 30 June 2020 was 6.6% applying the transitional arrangements for 2020 and 6.3% fully loaded, both best in class among major European banking groups.

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As at 30 June 2020, the Intesa Sanpaolo Group's **operating structure** had a total network of 4,719 branches, consisting of 3,680 branches in Italy and 1,039 abroad, and employed 87,996 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 or 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 second quarter of 2020, the Banca dei Territori Division recorded:
- operating income of €1,921m, -6.5% versus €2,054m in Q1 2020;
- operating costs of €1,248m, +0.9% versus €1,236m in Q1 2020;
- operating margin of €672m, -17.8% versus €818m in Q1 2020;
- a cost/income ratio of 65% versus 60.2% in Q1 2020;
- net provisions and adjustments of €1,011m, versus €383m in Q1 2020;
- gross income of -€339m, versus €434m in Q1 2020;
- net income of -€223m, versus €280m in Q1 2020.

In the first half of 2020, the Banca dei Territori Division recorded:
- operating income of €3,975m, -4.1% versus €4,146m in H1 2019, contributing approximately 44% of the consolidated operating income (46% in H1 2019);
- operating costs of €2,485m, -4.2% versus €2,593m in H1 2019;
- operating margin of €1,490m, -4.1% versus €1,553m in H1 2019;
- a cost/income ratio of 62.5%, in line with H1 2019;
- net provisions and adjustments of €1,394m, versus €744m in H1 2019;
- gross income of €96m, -88.1% versus €809m in H1 2019;
- net income of €58m, -88.5% versus €505m in H1 2019.

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). Banca IMI was merged by incorporation into the Parent Company on 20 July 2020. Following the merger, the Division has been renamed **IMI Corporate & Investment Banking**.

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

In the second quarter of 2020, the Corporate and Investment Banking Division recorded:
- operating income of €960m, -41.2% versus €1,633m in Q1 2020;
- operating costs of €268m, +0.9% versus €265m in Q1 2020;
- operating margin of €693m, -49.4% versus €1,368m in Q1 2020;
- a cost/income ratio of 27.9% versus 16.2% in Q1 2020;
- net provisions and adjustments of €237m, versus net recoveries of €2m in Q1 2020;
- gross income of €456m, -66.7% versus €1,370m in Q1 2020;
- net income of €303m, -66.7% versus €911m in Q1 2020.

In the first half of 2020, the Corporate and Investment Banking Division recorded:
- operating income of €2,594m, +29.2% versus €2,007m in H1 2019, contributing approximately 29% of the consolidated operating income (22% in H1 2019);
- operating costs of €533m, -2.6% versus €547m in H1 2019;
- operating margin of €2,061m, +41.2% versus €1,460m in H1 2019;
- a cost/income ratio of 20.5% versus 27.3% in H1 2019;
- net provisions and adjustments of €235m, versus €126m in H1 2019;
- gross income of €1,826m, +36.6% versus €1,337m in H1 2019;
- net income of €1,214m, +34.7% versus €901m in H1 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 second quarter of 2020, the International Subsidiary Banks Division recorded:
- operating income of €471m, +0.6% versus €468m in Q1 2020;
- operating costs of €242m, +1.1% versus €239m in Q1 2020;
- operating margin of €229m, in line with Q1 2020;
- a cost/income ratio of 51.4% versus 51.1% in Q1 2020;
- net provisions and adjustments of €89m, versus €37m in Q1 2020;
- gross income of €141m, -28.9% versus €198m in Q1 2020;
- net income of €102m, -29.2% versus €143m in Q1 2020.

In the first half of 2020, the International Subsidiary Banks Division recorded:
- operating income of €939m, -4.8% versus €986m in H1 2019, contributing approximately 10% of the consolidated operating income (11% in H1 2019);
- operating costs of €481m, +0.4% versus €479m in H1 2019;
- operating margin of €458m, -9.7% versus €507m in H1 2019;
- a cost/income ratio of 51.2% versus 48.6% in H1 2019;
- net provisions and adjustments of €125m, versus €31m in H1 2019;
- gross income of €339m, -29.4% versus €480m in H1 2019;
- net income of €245m, -33.8% versus €370m in H1 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 second quarter of 2020, the Private Banking Division recorded:
- operating income of €478m, in line with Q1 2020;
- operating costs of €150m, +6.5% versus €141m in Q1 2020;
- operating margin of €327m, -2.7% versus €336m in Q1 2020;
- a cost/income ratio of 31.5% versus 29.6% in Q1 2020;
- net provisions and adjustments of €32m, versus €8m in Q1 2020;
- gross income of €296m, -11.5% versus €334m in Q1 2020;
- net income of €200m, -11.6% versus €227m in Q1 2020.

In the first half of 2020, the Private Banking Division recorded:
- operating income of €955m, -0.7% versus €962m in H1 2019, contributing approximately 11% of the consolidated operating income (11% in H1 2019 as well);
- operating costs of €291m, +1% versus €288m in H1 2019;
- operating margin of €664m, -1.5% versus €674m in H1 2019;
- a cost/income ratio of 30.5% versus 29.9% in H1 2019;
- net provisions and adjustments of €40m versus €25m in H1 2019;
- gross income of €630m, -4.3% versus €658m in H1 2019;
- net income of €427m, -8% versus €464m in H1 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, Eurizon Asset Management Slovakia, which heads up the Hungarian company CIB IFM and the Croatian company PBZ Invest (the asset management hub in Eastern Europe), Epsilon Associati SGR, a company specialising in active portfolio management and, specifically, in quantitative and multi-strategy management with total-return investment objectives. Eurizon Capital owns 49% of the Chinese asset management company Penghua Fund Management.

In the second quarter of 2020, the Asset Management Division recorded:
- operating income of €186m, +10.7% versus €168m in Q1 2020;
- operating costs of €37m, +10.6% versus €33m in Q1 2020;
- operating margin of €150m, +10.8% versus €135m in Q1 2020;
- a cost/income ratio of 19.8%, in line with Q1 2020;
- gross income of €150m, +10.9% versus €135m in Q1 2020;
- net income of €111m, +11.3% versus €100m in Q1 2020.

In the first half of 2020, the Asset Management Division recorded:
- operating income of €355m, -2.5% versus €364m in H1 2019, contributing approximately 4% of the consolidated operating income (4% in H1 2019 as well);
- operating costs of €70m, -2.8% versus €72m in H1 2019;
- operating margin of €285m, -2.4% versus €292m in H1 2019;
- a cost/income ratio of 19.7% versus 19.8% in H1 2019;
- gross income of €285m, -2.4% versus €292m in H1 2019;
- net income of €212m, -6.2% versus €226m in H1 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, Intesa Sanpaolo Life, and Intesa Sanpaolo RBM Salute) and Fideuram Vita.

In the second quarter of 2020, the Insurance Division recorded:
- operating income of €330m, -3.1% versus €340m in Q1 2020;
- operating costs of €60m, +23.6% versus €48m in Q1 2020;
- operating margin of €270m, -7.6% versus €292m in Q1 2020;
- a cost/income ratio of 18.1% versus 14.2% in Q1 2020;
- net provisions and adjustments of €2m, versus €6m in Q1 2020;
- gross income of €268m, -6.3% versus €286m in Q1 2020;
- net income of €167m, +4.6% versus €160m in Q1 2020.

In the first half of 2020, the Insurance Division recorded:
- operating income of €670m, +12.8% versus €594m in H1 2019, contributing approximately 7% of the consolidated operating income (7% in H1 2019 as well);
- operating costs of €108m, +4.9% versus €103m in H1 2019;
- operating margin of €562m, +14.5% versus €491m in H1 2019;
- a cost/income ratio of 16.1% versus 17.3% in H1 2019;
- net provisions and adjustments of €9m, versus no net provisions and adjustments in H1 2019;
- gross income of €553m, +12.6% versus €491m in H1 2019;
- net income of €327m, +0.9% versus €324m in H1 2019.

Outlook

For the Intesa Sanpaolo Group, without taking the acquisition of UBI Banca into account, net income of no lower than around €3bn and no lower than around €3.5bn is expected for 2020 and 2021 respectively, assuming a potential cost of risk of up to around 90bps in 2020 and around 70bps 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 (14) 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% (15) 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 €5bn 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.

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(14) 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.

(15) 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's contribution to the income statement was included under Income (Loss) from discontinued operations.
For these same quarters, the income statement and balance sheet figures relating to the Banca dei Territori Division and the Corporate and Investment Banking Division were restated following the incorporation, in November 2019, of the Mediocredito Italiano subsidiary into the Parent Company, while 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 items relating to bad loans, previously allocated under the NPE Department (formerly, Capital Light Bank).
Furthermore, the income statement figures for the four quarters of 2019 were restated following the agreement, signed in December 2019, in respect of the 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".
Finally, the income statement and balance sheet figures for the four quarters of 2019 and the first quarter of 2020 were restated following the acquisition of *RBM Assicurazione Salute*, finalised in May 2020. The related items were consolidated line by line, including the corresponding net income under minority interests and the corresponding shareholders' equity under shareholders' equity minority interests.

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In order to present more complete information on the results generated in the first half of 2020, the reclassified consolidated income statement and the reclassified consolidated balance sheet included in the report approved by the Board of Directors are attached. Please note that the auditing company in charge of performing the limited review of the half-yearly report has not yet completed its analysis.

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

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

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

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

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Intesa Sanpaolo Group

Reclassified consolidated statement of income

(millions of euro)

	30.06.2020	30.06.2019	Changes	
			amount	%
Net interest income	3,497	3,517	-20	-0.6
Net fee and commission income	3,588	3,830	-242	-6.3
Income from insurance business	736	627	109	17.4
Profits (Losses) on financial assets and liabilities designated at fair value	1,257	1,092	165	15.1
Other operating income (expenses)	-3	9	-12	
Operating income	**9,075**	**9,075**	**-**	**-**
Personnel expenses	-2,736	-2,807	-71	-2.5
Other administrative expenses	-1,136	-1,212	-76	-6.3
Adjustments to property, equipment and intangible assets	-531	-512	19	3.7
Operating costs	**-4,403**	**-4,531**	**-128**	**-2.8**
Operating margin	**4,672**	**4,544**	**128**	**2.8**
Net adjustments to loans	-1,801	-923	878	95.1
Other net provisions and net impairment losses on other assets	-157	-67	90	
Other income (expenses)	-18	7	-25	
Income (Loss) from discontinued operations	1,163	41	1,122	
Gross income (loss)	**3,859**	**3,602**	**257**	**7.1**
Taxes on income	-874	-981	-107	-10.9
Charges (net of tax) for integration and exit incentives	-50	-52	-2	-3.8
Effect of purchase price allocation (net of tax)	-50	-68	-18	-26.5
Levies and other charges concerning the banking industry (net of tax)	-277	-242	35	14.5
Impairment (net of tax) of goodwill and other intangible assets	-	-	-	-
Minority interests	-42	7	-49	
Net income (loss)	**2,566**	**2,266**	**300**	**13.2**

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			
	Second quarter	First quarter	Fourth quarter	Third quarter	Second quarter	First quarter
Net interest income	1,750	1,747	1,747	1,741	1,761	1,756
Net fee and commission income	1,744	1,844	2,166	1,966	1,965	1,865
Income from insurance business	367	369	320	321	304	323
Profits (Losses) on financial assets and liabilities designated at fair value	263	994	356	480	634	458
Other operating income (expenses)	12	-15	-10	5	10	-1
Operating income	**4,136**	**4,939**	**4,579**	**4,513**	**4,674**	**4,401**
Personnel expenses	-1,380	-1,356	-1,519	-1,422	-1,419	-1,388
Other administrative expenses	-583	-553	-752	-637	-625	-587
Adjustments to property, equipment and intangible assets	-267	-264	-285	-261	-252	-260
Operating costs	**-2,230**	**-2,173**	**-2,556**	**-2,320**	**-2,296**	**-2,235**
Operating margin	**1,906**	**2,766**	**2,023**	**2,193**	**2,378**	**2,166**
Net adjustments to loans	-1,398	-403	-693	-473	-554	-369
Other net provisions and net impairment losses on other assets	262	-419	-168	-19	-37	-30
Other income (expenses)	-21	3	50	-2	1	6
Income (Loss) from discontinued operations	1,134	29	25	22	22	19
Gross income (loss)	**1,883**	**1,976**	**1,237**	**1,721**	**1,810**	**1,792**
Taxes on income	-313	-561	-312	-532	-446	-535
Charges (net of tax) for integration and exit incentives	-35	-15	-27	-27	-30	-22
Effect of purchase price allocation (net of tax)	-24	-26	-12	-37	-28	-40
Levies and other charges concerning the banking industry (net of tax)	-86	-191	-22	-96	-96	-146
Impairment (net of tax) of goodwill and other intangible assets	-	-	-	-	-	-
Minority interests	-10	-32	8	15	6	1
Net income (loss)	**1,415**	**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	**30.06.2020**	**31.12.2019**	**Changes**	
			amount	**%**
Due from banks	61,649	47,170	14,479	30.7
Loans to customers	403,337	395,229	8,108	2.1
Loans to customers measured at amortised cost	*402,075*	*394,093*	*7,982*	*2.0*
Loans to customers designated at fair value through other comprehensive income and through profit or loss	*1,262*	*1,136*	*126*	*11.1*
Financial assets measured at amortised cost which do not constitute loans	33,937	25,888	8,049	31.1
Financial assets at fair value through profit or loss	59,943	48,636	11,307	23.2
Financial assets at fair value through other comprehensive income	73,403	72,046	1,357	1.9
Financial assets pertaining to insurance companies measured at fair value pursuant to IAS 39	165,342	168,233	-2,891	-1.7
Financial assets pertaining to insurance companies measured at amortised cost pursuant to IAS 39	735	649	86	13.3
Investments in associates and companies subject to joint control	1,462	1,240	222	17.9
Property, equipment and intangible assets	17,057	17,157	-100	-0.6
Assets owned	*15,626*	*15,659*	*-33*	*-0.2*
Rights of use acquired under leases	*1,431*	*1,498*	*-67*	*-4.5*
Tax assets	15,805	15,476	329	2.1
Non-current assets held for sale and discontinued operations	2,593	494	2,099	
Other assets	23,385	24,352	-967	-4.0
Total Assets	**858,648**	**816,570**	**42,078**	**5.2**

Liabilities	**30.06.2020**	**31.12.2019**	**Changes**	
			amount	**%**
Due to banks at amortised cost	108,601	103,316	5,285	5.1
Due to customers at amortised cost and securities issued	426,533	414,578	11,955	2.9
Financial liabilities held for trading	55,132	45,226	9,906	21.9
Financial liabilities designated at fair value	2,060	4	2,056	
Financial liabilities pertaining to insurance companies measured at amortised cost pursuant to IAS 39	1,771	818	953	
Financial liabilities pertaining to insurance companies measured at fair value pursuant to IAS 39	72,860	75,935	-3,075	-4.0
Tax liabilities	2,204	2,322	-118	-5.1
Liabilities associated with non-current assets held for sale and discontinued operations	2,381	41	2,340	
Other liabilities	33,789	23,433	10,356	44.2
of which lease payables	*1,439*	*1,496*	*-57*	*-3.8*
Technical reserves	89,950	89,243	707	0.8
Allowances for risks and charges	4,564	5,132	-568	-11.1
of which allowances for commitments and financial guarantees given	*517*	*482*	*35*	*7.3*
Share capital	9,086	9,086	-	-
Reserves	42,419	38,250	4,169	10.9
Valuation reserves	-1,441	-157	1,284	
Valuation reserves pertaining to insurance companies	403	504	-101	-20.0
Equity instruments	5,549	4,103	1,446	35.2
Minority interests	221	554	-333	-60.1
Net income (loss)	2,566	4,182	-1,616	-38.6
Total liabilities and shareholders' equity	**858,648**	**816,570**	**42,078**	**5.2**

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			
	30/6	31/3	31/12	30/9	30/6	31/3
Due from banks	61,649	67,440	47,170	71,958	77,141	85,515
Loans to customers	403,337	404,900	395,229	395,193	394,253	395,595
Loans to customers measured at amortised cost	*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	*1,262*	*1,274*	*1,136*	*904*	*1,010*	*605*
Financial assets measured at amortised cost which do not constitute loans	33,937	29,353	25,888	24,104	20,396	19,995
Financial assets at fair value through profit or loss	59,943	55,431	48,636	54,542	52,693	47,626
Financial assets at fair value through other comprehensive income	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	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	735	604	649	603	615	738
Investments in associates and companies subject to joint control	1,462	1,273	1,240	1,113	1,071	1,075
Property, equipment and intangible assets	17,057	16,970	17,157	16,957	16,963	16,967
Assets owned	*15,626*	*15,505*	*15,659*	*15,415*	*15,393*	*15,385*
Rights of use acquired under leases	*1,431*	*1,465*	*1,498*	*1,542*	*1,570*	*1,582*
Tax assets	15,805	15,992	15,476	15,575	16,139	16,870
Non-current assets held for sale and discontinued operations	2,593	765	494	2,554	803	1,236
Other assets	23,385	25,141	24,352	24,501	23,586	22,444
Total Assets	**858,648**	**848,421**	**816,570**	**849,235**	**828,876**	**829,756**

Liabilities	2020		2019			
	30/6	31/3	31/12	30/9	30/6	31/3
Due to banks at amortised cost	108,601	120,110	103,316	119,509	120,232	123,326
Due to customers at amortised cost and securities issued	426,533	424,533	414,578	415,128	411,588	416,505
Financial liabilities held for trading	55,132	54,376	45,226	53,938	51,187	48,433
Financial liabilities designated at fair value	2,060	762	4	4	4	4
Financial liabilities pertaining to insurance companies measured at amortised cost pursuant to IAS 39	1,771	818	818	879	847	846
Financial liabilities pertaining to insurance companies measured at fair value pursuant to IAS 39	72,860	68,822	75,935	74,405	72,027	70,955
Tax liabilities	2,204	2,581	2,322	2,520	2,015	2,634
Liabilities associated with non-current assets held for sale and discontinued operations	2,381	50	41	256	254	260
Other liabilities	33,789	27,078	23,433	32,298	26,573	22,710
of which lease payables	*1,439*	*1,469*	*1,496*	*1,523*	*1,547*	*1,553*
Technical reserves	89,950	87,060	89,243	89,337	84,807	82,648
Allowances for risks and charges	4,564	5,139	5,132	5,169	5,265	5,698
of which allowances for commitments and financial guarantees given	*517*	*477*	*482*	*423*	*450*	*449*
Share capital	9,086	9,086	9,086	9,086	9,086	9,085
Reserves	42,419	42,380	38,250	38,197	38,232	41,704
Valuation reserves	-1,441	-1,833	-157	-194	-474	-877
Valuation reserves pertaining to insurance companies	403	182	504	727	322	137
Equity instruments	5,549	5,550	4,103	4,103	4,103	4,103
Minority interests	221	576	554	563	542	535
Net income (loss)	2,566	1,151	4,182	3,310	2,266	1,050
Total Liabilities and Shareholders' Equity	**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.

Intesa Sanpaolo Group

Breakdown of financial highlights by business area

(millions of euro)

	Banca dei Territori	Corporate and Investment Banking	International Subsidiary Banks	Private Banking	Asset Management	Insurance	Corporate Centre	Total
Operating income								
30.06.2020	3,975	2,594	939	955	355	670	-413	9,075
30.06.2019	4,146	2,007	986	962	364	594	16	9,075
% change	-4.1	29.2	-4.8	-0.7	-2.5	12.8		-
Operating costs								
30.06.2020	-2,485	-533	-481	-291	-70	-108	-435	-4,403
30.06.2019	-2,593	-547	-479	-288	-72	-103	-449	-4,531
% change	-4.2	-2.6	0.4	1.0	-2.8	4.9	-3.1	-2.8
Operating margin								
30.06.2020	1,490	2,061	458	664	285	562	-848	4,672
30.06.2019	1,553	1,460	507	674	292	491	-433	4,544
% change	-4.1	41.2	-9.7	-1.5	-2.4	14.5	95.8	2.8
Net income (loss)								
30.06.2020	58	1,214	245	427	212	327	83	2,566
30.06.2019	505	901	370	464	226	324	-524	2,266
% change	-88.5	34.7	-33.8	-8.0	-6.2	0.9		13.2

(millions of euro)

	Banca dei Territori	Corporate and Investment Banking	International Subsidiary Banks	Private Banking	Asset Management	Insurance	Corporate Centre	Total
Loans to customers								
30.06.2020	201,715	141,627	34,806	9,100	239	-	15,850	403,337
31.12.2019	194,358	131,884	34,038	9,329	435	-	25,185	395,229
% change	3.8	7.4	2.3	-2.5	-45.1	-	-37.1	2.1
Direct deposits from banking business								
30.06.2020	213,285	85,108	44,109	38,714	9	-	56,581	437,806
31.12.2019	199,256	86,850	43,420	39,537	10	-	56,439	425,512
% change	7.0	-2.0	1.6	-2.1	-10.0	-	0.3	2.9

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