INTESA SANPAOLO

PRESS RELEASE

INTESA SANPAOLO: CONSOLIDATED RESULTS AS AT 30 JUNE 2018

RESULTS FOR H1 2018 REFLECT THE GROUP'S STRENGTHS – SUSTAINABLE PROFITABILITY AND A SOLID CAPITAL POSITION – DERIVING FROM A BUSINESS MODEL THAT IS RESILIENT AND WELL DIVERSIFIED, WITH A FOCUS ON WEALTH MANAGEMENT & PROTECTION DRIVEN BY A CLIENT-CENTRIC APPROACH INVOLVING CUSTOMERS' ASSETS OF AROUND €1 TRILLION AND WITH FINANCIAL ACTIVITIES PROVIDING NATURAL HEDGING AGAINST THE IMPACTS OF MARKET VOLATILITY ON FEE-BASED REVENUES.

HALF-YEARLY RESULTS SHOW THAT THE BANK IS FIRMLY ON TRACK TO DELIVER ON THE 2018-2021 BUSINESS PLAN TARGETS, AND ACHIEVE A 2018 NET INCOME HIGHER THAN THE €3.8 BILLION NET INCOME OF 2017. THEY ALSO HIGHLIGHT THE GROUP'S CONTINUED SUPPORT TO THE COUNTRY, WHICH INCLUDES ITS COMMITMENT TO BECOME A REFERENCE MODEL ON SOCIAL AND CULTURAL RESPONSIBILITY.

NET INCOME FOR H1 2018 WAS €2,179 MILLION, AND AROUND €2,580 MILLION – CORRESPONDING TO 68% OF THE €3.8 BILLION NET INCOME OF 2017 – WHEN INCLUDING THE NET CAPITAL GAIN FROM THE INTRUM PARTNERSHIP TO BE BOOKED BY YEAR-END 2018.

THE CAPITAL POSITION WAS SOLID AND WELL ABOVE REGULATORY REQUIREMENTS: PRO-FORMA FULLY LOADED COMMON EQUITY TIER 1 RATIO WAS 13.6%, NET OF DIVIDENDS ACCRUED IN THE FIRST HALF OF THE YEAR.

OPERATING MARGIN ROSE 17% ON H1 2017, WITH OPERATING INCOME UP 6.1% AND OPERATING COSTS DOWN 3.4%.

CREDIT QUALITY IMPROVED. GROSS NPLS WERE REDUCED AT NO EXTRAORDINARY COST TO SHAREHOLDERS, WITH STOCK DOWN 24.2% ON YEAR-END 2017 TAKING THE BAD-LOAN SALE TO INTRUM INTO ACCOUNT, ALREADY REACHING, IN H1 2018, 50% OF THE TARGET SET IN THE 2018-2021 BUSINESS PLAN. GROSS NPL RATIO OF 9.3% AND NET NPL RATIO OF 4.6%. NET ADJUSTMENTS TO LOANS WERE DOWN 17.9% ON H1 2017 AND ANNUALISED COST OF RISK DECREASED TO 59 BASIS POINTS.

INTESA SANPAOLO CONTINUES TO OPERATE AS AN ACCELERATOR FOR GROWTH IN THE REAL ECONOMY IN ITALY. IN H1 2018, MEDIUM/LONG-TERM NEW LENDING GRANTED BY THE GROUP TO ITALIAN HOUSEHOLDS AND BUSINESSES AMOUNTED TO AROUND €25.5 BILLION. IN H1 2018, THE BANK FACILITATED THE RETURN TO PERFORMING STATUS OF AROUND 8,000 COMPANIES, WITH AROUND 40,000 JOBS SAFEGUARDED – BRINGING THE TOTAL TO AROUND 81,000, WITH AROUND 400,000 JOBS SAFEGUARDED, SINCE 2014.

IN H1 2018, THE GROUP'S SOCIAL AND CULTURAL RESPONSIBILITY TRANSLATED, IN ITALY, INTO: INITIATIVES TO REDUCE CHILD POVERTY; SUPPORT TO PEOPLE IN NEED BY PROVIDING 8,200 MEALS A DAY, 3,000 DORMITORY BEDS A MONTH, AND 3,000 MEDICINES A MONTH; SUPPORT TO FAMILIES WHO WERE VICTIMS OF NATURAL DISASTERS, BY FORGIVING OR ALLOWING MORATORIA ON MORTGAGES FOR OVER €15 MILLION IN ADDITION TO OVER €140 MILLION SUBSIDISED LOANS GRANTED IN THE PAST; DESIGN OF THE FUND FOR IMPACT AND THE CIRCULAR ECONOMY CREDIT PLAFOND; ACTIVATION OF FIVE "START-UP INITIATIVES" WITH AROUND 260 START-UPS PARTICIPATING; FIVE MAJOR ART EXHIBITIONS HELD AT THE GROUP'S MUSEUMS, WHICH, IN H1 2018, HAD OVER 250,000 VISITORS, 110 ARTWORKS FROM THE CORPORATE COLLECTION ON LOAN AND OVER 100 ART HISTORIANS WORKING FULL TIME AT *GALLERIE D'ITALIA*.

- **ROBUST NET INCOME:**
  - **€927M IN Q2 2018 VS €1,252M IN Q1 2018**
  - **€2,179M IN H1 2018 VS €1,738M IN H1 2017 (*)**

- **GROWTH IN GROSS INCOME:**
  - **UP 21.8% ON H1 2017 (*)**

- **GROWTH IN OPERATING MARGIN:**
  - **UP 17% ON H1 2017**

- **GROWTH IN OPERATING INCOME:**
  - **UP 6.1% ON H1 2017**

- **REDUCTION IN OPERATING COSTS:**
  - **DOWN 3.4% ON H1 2017**

- **IMPROVEMENT IN THE CREDIT QUALITY TREND:**
  - **DECREASE IN NPLs, ACHIEVED AT NO EXTRAORDINARY COST TO SHAREHOLDERS**
    - **GROSS NPL REDUCTION: AROUND €2BN IN H1 2018 AND AROUND €15BN SINCE SEPTEMBER 2015 EXCLUDING THE SALE TO INTRUM; AROUND €13BN AND AROUND €26BN, RESPECTIVELY, INCLUDING THE SALE**
    - **NPL STOCK INCLUDING THE SALE TO INTRUM: DOWN 24.2% GROSS ON DECEMBER 2017, AND DOWN 18.4% NET ON DECEMBER 2017 RECALCULATED AFTER THE IFRS 9 IMPACT, NPL TO TOTAL LOAN RATIO OF 9.3% GROSS AND 4.6% NET**
  - **NET ADJUSTMENTS TO LOANS DOWN 17.9% ON H1 2017**
  - **H1 2018 ANNUALISED COST OF RISK DOWN TO 59 BASIS POINTS**

- **SOLID CAPITAL POSITION, WELL ABOVE REGULATORY REQUIREMENTS:**
  - **COMMON EQUITY TIER 1 RATIO AS AT 30 JUNE 2018, AFTER THE DEDUCTION OF €1,852M OF DIVIDENDS ACCRUED IN H1 2018, OF**
    - **13.6% PRO-FORMA FULLY LOADED (1) (2)**
    - **13.4% PRO-FORMA PHASED-IN (2) (**)**

(*) Excluding from Q2 2017 the non-taxable public cash contribution of €3.5bn to offset the impact on the capital ratios of certain assets and liabilities and certain legal relationships of Banca Popolare di Vicenza and Veneto Banca ("Aggregate Set").

(1) Estimated by applying the fully loaded parameters to the financial statements as at 30 June 2018, taking into account the total absorption of deferred tax assets (DTAs) related to goodwill realignment, loan adjustments, as well as to 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, the expected absorption of DTAs on losses carried forward, the expected distribution of H1 2018 net income of insurance companies, the capital increase executed on 11 July 2018 under the 2018-2021 LECOIP 2.0 Long-term Incentive Plan, and the conversion of savings shares into ordinary shares.

(2) After the deduction of accrued dividends, assumed equal to 85% of the net income for the first half of the year, and coupons accrued on the Additional Tier 1 issues.

(**) Calculated taking into account the capital increase executed on 11 July 2018 under the 2018-2021 LECOIP 2.0 Long-term Incentive Plan, and the conversion of savings shares into ordinary shares; equal to 12.8% excluding these transactions and 11.7% excluding also the mitigation of the impact of the first time adoption of IFRS 9.

HIGHLIGHTS:

OPERATING INCOME:	Q2 2018	-4.3%	€4,604M FROM €4,812M IN Q1 2018
	H1 2018	+6.1%	€9,416M FROM €8,877M IN H1 2017
OPERATING COSTS:	Q2 2018	+0.1%	€2,306M FROM €2,304M IN Q1 2018
	H1 2018	-3.4%	€4,610M FROM €4,771M IN H1 2017
OPERATING MARGIN:	Q2 2018	-8.4%	€2,298M FROM €2,508M IN Q1 2018
	H1 2018	+17%	€4,806M FROM €4,106M IN H1 2017
GROSS INCOME:	Q2 2018	€1,576M	FROM €1,977M IN Q1 2018,
	H1 2018	€3,553M	FROM €2,916M IN H1 2017 (*)
NET INCOME:	Q2 2018	€927M	FROM €1,252M IN Q1 2018,
	H1 2018	€2,179M	FROM €1,738M IN H1 2017 (*)

CAPITAL RATIOS: COMMON EQUITY TIER 1 RATIO AFTER ACCRUED DIVIDENDS:
13.6% PRO-FORMA FULLY LOADED (3) (4);
13.4% PRO-FORMA PHASED-IN (4) (**)

(*) Excluding from Q2 2017 the non-taxable public cash contribution of €3.5bn to offset the impact on the capital ratios of certain assets and liabilities and certain legal relationships of Banca Popolare di Vicenza and Veneto Banca ("Aggregate Set").

(3) Estimated by applying the fully loaded parameters to the financial statements as at 30 June 2018, taking into account the total absorption of deferred tax assets (DTAs) related to goodwill realignment, loan adjustments, as well as to 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, the expected absorption of DTAs on losses carried forward, the expected distribution of H1 2018 net income of insurance companies, the capital increase executed on 11 July 2018 under the 2018-2021 LECOIP 2.0 Long-term Incentive Plan, and the conversion of savings shares into ordinary shares.

(4) After the deduction of accrued dividends, assumed equal to 85% of the net income for the first half of the year, and coupons accrued on the Additional Tier 1 issues.

(**) Calculated taking into account the capital increase executed on 11 July 2018 under the 2018-2021 LECOIP 2.0 Long-term Incentive Plan, and the conversion of savings shares into ordinary shares; equal to 12.8% excluding these transactions and 11.7% excluding also the mitigation of the impact of the first time adoption of IFRS 9.

Turin - Milan, 1 August 2018 – At its meeting today, the Board of Directors of Intesa Sanpaolo approved the consolidated half-yearly report as at 30 June 2018 (5).

Results for the first half of 2018 reflect the Group's strengths – **sustainable profitability and a solid capital position** – deriving from **a business model that is resilient and well diversified**, with a **focus on Wealth Management & Protection** driven by a **client-centric approach** involving customers' assets of around €1tn and with **financial activities providing natural hedging against the impacts of market volatility on fee-based revenues**.

Half-yearly results show that the Bank is firmly on track to deliver on the 2018-2021 Business Plan targets, and achieve a 2018 net income higher than the €3.8bn net income of 2017 (6). They also highlight **the Group's continued support to the country**, which includes its commitment **to become a reference model on social and cultural responsibility**:

- **net income at €927m in Q2 2018** versus €1,252m in Q1 2018 and €837m in Q2 2017 (6), and **€2,179m in H1 2018** versus €1,738m in H1 2017 (6). **Adding the net capital gain of around €400m** from the Intrum partnership – to be booked by year-end 2018 – **to the net income of H1 2018, the result is around €2,580m corresponding to 68% of the €3.8bn net income of 2017** (6).
- **gross income up 21.8%** on H1 2017 (6);
- **operating margin up 17%** on H1 2017;
- **operating income up 6.1%** on H1 2017, in the presence of net flow of customer financial assets directed, in the first half of 2018, towards an allocation limiting the exposure to the high market volatility, with **€6.3bn of AuM net inflow** and **a €7.2bn increase in direct deposits**, under which **household sight deposits rose by over €10bn**;
- **high efficiency**, highlighted by a **cost/income of 49% – a figure that places Intesa Sanpaolo in the top tier of its European peers**;
- **operating costs down 3.4%** on H1 2017;
- **net adjustments to loans down 17.9%** on H1 2017;
- H1 2018 annualised **cost of risk down to 59bps** versus the 81bps of full-year 2017;

(5) Methodological note on the scope of consolidation on page 19.
(6) Excluding from Q2 2017 the non-taxable public cash contribution of €3.5bn to offset the impact on the capital ratios of certain assets and liabilities and certain legal relationships of Banca Popolare di Vicenza and Veneto Banca ("Aggregate Set").

- **<u>improving credit quality</u>** due to an **effective proactive credit management approach at no extraordinary cost to shareholders** in an improving economic environment:
  - gross **NPL reduction of around €2bn in H1 2018 and around €15bn since September 2015 excluding the bad-loan sale to Intrum**, and **around €13bn and around €26bn**, respectively, **including the sale**;
  - **NPL stock – which at the end of the first half of the year no longer included the bad loans to be sold to Intrum recognised under non-current assets held for sale and discontinued operations – was down 24.2% gross in June 2018 on December 2017, already reaching, in H1 2018, 50% of the 2018-2021 Business Plan NPL deleveraging target. NPL stock was down 18.4% net** on December 2017 recalculated to take into account the first time adoption of IFRS 9 effective from 1 January 2018.
  - **NPL to total loan ratio of 9.3% gross and 4.6% net** in June 2018;
- **<u>sizeable NPL coverage</u>**:
  - **NPL cash coverage ratio of 53.4%** at the end of June 2018, **with a cash coverage ratio of 67.1% for the bad loan component**;
  - **robust reserve buffer on performing loans** of around 0.6% at the end of June 2018;
- **<u>very solid capital position</u>**, with capital ratios well above regulatory requirements. As at 30 June 2018, the **pro-forma fully loaded Common Equity Tier 1 ratio** came in at **13.6%** (7) (8) – **one of the highest levels amongst major European banks** – and the pro-forma phased-in Common Equity Tier 1 ratio at 13.4% (8) (9) after the deduction of €1,852m of dividends accrued in the first half of the year. The aforementioned ratios compare with the SREP requirement for 2018, comprising Capital Conservation Buffer, O-SII Buffer and Countercyclical Capital Buffer (10), which set the fully loaded Common Equity Tier 1 ratio at 9.33% and the phased-in Common Equity Tier 1 ratio at 8.135%.

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(7) Estimated by applying the fully loaded parameters to the financial statements as at 30 June 2018, taking into account the total absorption of deferred tax assets (DTAs) related to goodwill realignment, loan adjustments, as well as to 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, the expected absorption of DTAs on losses carried forward, the expected distribution of H1 2018 net income of insurance companies, the capital increase executed on 11 July 2018 under the 2018-2021 LECOIP 2.0 Long-term Incentive Plan, and the conversion of savings shares into ordinary shares.

(8) After the deduction of accrued dividends, assumed equal to 85% of the net income for the first half of the year, and coupons accrued on the Additional Tier 1 issues.

(9) Calculated taking into account the capital increase executed on 11 July 2018 under the 2018-2021 LECOIP 2.0 Long-term Incentive Plan, and the conversion of savings shares into ordinary shares; equal to 12.8% excluding these transactions and 11.7% excluding also 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 2018 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 period 2018-2019 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 2018).

- **<u>strong liquidity position and funding capability</u>**, with **liquid assets of €163bn** and **available unencumbered liquid assets of €79bn at the end of June 2018. The Basel 3 Liquidity Coverage Ratio and Net Stable Funding Ratio requirements have already been complied with**. The Group's refinancing operations with the ECB to optimise the cost of funding and to support businesses in their investment amounted to an average of €62.3bn in Q2 2018 (an average of €63.6bn in Q1 2018 and €60.8bn in 2017 including, for the full year, the components deriving from the acquisition of the Aggregate Set of Banca Popolare di Vicenza and Veneto Banca). These refinancing operations consisted entirely of the TLTRO with a four-year maturity.

- **<u>support to the real economy</u>**, with around **€30.5bn of medium/long-term new lending** in the first half of 2018. **Loans** amounting to around **€25.5bn** were granted **in Italy**, of which around **€22bn was granted to households and SMEs**. **In the first half of 2018, the Bank facilitated the return** from non-performing **to performing status of** around **8,000 Italian companies, with around 40,000 jobs safeguarded –** bringing the total to around **81,000, with 400,000 jobs safeguarded, since 2014.**

- **<u>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 in the first half of the year:
  - initiatives to **reduce child poverty**, and a number of **partnerships in the making to support people in need**, providing **8,200 meals a day** (over 80% of the commitment made in the 2018-2021 Business Plan), **3,000 dormitory beds a month** (around 50% of the Plan's commitment) **and 3,000 medicines a month** (100% of the Plan's commitment);
  - **support to families affected by earthquakes and other natural disasters, by forgiving or allowing moratoria in respect of mortgages** on damaged properties, for an amount of more than €15m, in addition to more than €140m subsidised loans granted in the past;
  - **design of the Fund for Impact**, which will enable lending of around €1.2bn to categories that otherwise would have difficulties in accessing credit, despite their potential, and which is expected to be launched in the last quarter of the year;
  - **completion of the design of the Circular Economy credit Plafond**, which is expected to be launched in the last quarter of the year;
  - implementation of **five "start-up initiatives"**, with the participation of around **260 start-ups**;
  - **five major art exhibitions** held at *Gallerie d'Italia*, the Group's museums which had **over 250,000 visitors**, **110 artworks** from the corporate collection **on loan** to Italian and international museums and over 100 art historians working full time at *Gallerie d'Italia*.

<u>The income statement for the second quarter of 2018</u>

The consolidated income statement for Q2 2018 recorded **net interest income** of €1,839m, down 0.9% from €1,855m in Q1 2018 and down 2.7% from €1,891m in Q2 2017, but up 0.3% and down 1.6%, respectively, when excluding the impact deriving from the reversal in time value on the bad loans to be sold to Intrum which was no longer accounted in Q2 2018.

Net fee and commission income amounted to €1,991m, down 1.1% from €2,013m in Q1 2018. Specifically, commissions on commercial banking activities were up 8.7% and commissions on management, dealing and consultancy activities were down 4.1%. The latter, which include portfolio management, distribution of insurance products, dealing and placement of securities, etc., recorded decreases of 8.2% in dealing and placement of securities and 4.5% in portfolio management (performance fees contributed €1m in Q2 2018 and €5m in Q1 2018) and no change in distribution of insurance products. Net fee and commission income for Q2 2018 was in line with the €1,992m of Q2 2017. Specifically, commissions on commercial banking activities were up 4.9% and those on management, dealing and consultancy activities were stable with an increase of 0.7% in dealing and placement of securities, a decrease of 2% in portfolio management (performance fees contributed €7m in Q2 2017) and an increase of 3.3% in distribution of insurance products.

Income from insurance business amounted to €281m from €294m in Q1 2018 and €240m in Q2 2017.

Profits on financial assets and liabilities at fair value amounted to €472m from €622m in Q1 2018 (including the positive effect of €264m deriving from the fair value measurement of the NTV investment). Profits from customers increased from €112m to €122m. Activities in capital markets decreased from €285m (including the aforementioned positive effect from NTV) to €98m. Trading and treasury activities increased from €223m to €250m. Structured credit products increased from €2m to €3m. Profits of €472m for Q2 2018 compare with profits of €349m in Q2 2017, a quarter which recorded profits from customers of €140m, profits from capital markets of €22m, profits from trading and treasury activities of €175m, and profits from structured credit products of €12m.

Operating income amounted to €4,604m, down 4.3% from €4,812m in Q1 2018 and up 1.9% from €4,519m in Q2 2017, but up 1.7% and 2.4%, respectively, when excluding the impact of the reversal in time value no longer accounted in Q2 2018 and the positive effect deriving from NTV in Q1 2018.

Operating costs amounted to €2,306m, in line with the €2,304m of Q1 2018, attributable to decreases of 1.4% in administrative expenses and 2% in adjustments and an increase of 1% in personnel expenses. Operating costs for Q2 2018 were reduced by 5.4% from the €2,437m of Q2 2017, following decreases of 3.4% in personnel expenses, 10.7% in administrative expenses and 1% in adjustments.

As a result, **operating margin** amounted to €2,298m, down 8.4% from the €2,508m of Q1 2018 and up 10.4% from the €2,082m of Q2 2017, but up 3.4% and 11.4%, respectively, when excluding the impact of the reversal in time value no longer accounted in Q2 2018 and the positive effect deriving from NTV in Q1 2018. The cost/income ratio for Q2 2018 was 50.1% versus 47.9% in Q1 2018 and 53.9% in Q2 2017.

Net adjustments to loans amounted to €694m from €483m in Q1 2018 and €738m in Q2 2017.

Net provisions and net impairment losses on other assets amounted to €35m from €51m in Q1 2018 and €61m in Q2 2017.

Other income amounted to €8m versus €2m in Q1 2018 and €3,617m in Q2 2017. The figure for Q2 2017 included €3.5bn related to the public cash contribution to offset the impact on the capital ratios deriving from the acquisition of the Aggregate Set of Banca Popolare di Vicenza and Veneto Banca and €109m as positive effect due to the sale of the investment in NTV and the fair value measurement due to the reclassification of the remaining equity investment held in NTV, which is no longer included among companies subject to significant influence.

Income (Loss) from discontinued operations recorded €1m loss, compared with €1m income in Q1 2018 and the zero balance of Q2 2017.

Gross income amounted to €1,576m versus €1,977m in Q1 2018 and €4,900m in Q2 2017; the figure for Q2 2017 would be €1,400m excluding the aforementioned public contribution.

Consolidated net income for the quarter amounted to €927m, after accounting:
- taxes on income of €508m;
- charges (net of tax) for integration and exit incentives of €16m;
- effect of purchase price allocation (net of tax) of €26m;
- levies and other charges concerning the banking industry (net of tax) of €83m, deriving from pre-tax charges of €111m in relation to contributions to the resolution fund in addition to those estimated in Q1 2018 for the full year and €8m in relation to contributions to the deposit guarantee scheme concerning the international network. In Q1 2018, this caption amounted to €117m, deriving from the following pre-tax figures: charges of €166m in relation to the ordinary contribution to the resolution fund estimated for full-year 2018, charges of €4m in relation to contributions to the deposit guarantee scheme concerning the international network and recovery of €1m in relation to the *Atlante* fund. In Q2 2017, the caption amounted to €193m, deriving from pre-tax charges of €35m as further charges in relation to the full-year ordinary contribution to the resolution fund which were added to those estimated in Q1 2017, €8m in relation to contributions to the deposit guarantee scheme concerning the international network, €188m in relation to impairment losses on the *Atlante* fund and €48m in relation to impairment losses following the compulsory administrative liquidation of Banca Popolare di Vicenza and Veneto Banca.
- minority interests of €16m.

Net income of €927m in Q2 2018 compares to €1,252m in Q1 2018 and €4,337m in Q2 2017; the figure for Q2 2017 would be €837m excluding the aforementioned public contribution.

The income statement for the first half of 2018

The consolidated income statement for H1 2018 recorded **operating income** of €9,416m, up 6.1% from €8,877m in H1 2017.

As part of it, in H1 2018 **net interest income** amounted to €3,694m, down 2% from €3,771m in H1 2017.

Net fee and commission income amounted to €4,004m, up 2.1% from €3,920m in H1 2017. Specifically, commissions on commercial banking activities were up 4.2% and commissions on management, dealing and consultancy activities were up 3%. The latter, which include portfolio management, distribution of insurance products, dealing and placement of securities, etc., recorded increases of 6.9% in dealing and placement of securities, 2.2% in portfolio management (performance fees contributed €6m, compared with €10m in H1 2017) and 2.3% in distribution of insurance products.

Income from insurance business amounted to €575m from €523m in H1 2017.

Profits on financial assets and liabilities at fair value amounted to €1,094m (including the positive effect of €264m deriving from the fair value measurement and the subsequent sale of the NTV investment) from €560m in H1 2017. Profits from customers decreased from €271m to €233m. Activities in capital markets increased from €39m to €382m (including the aforementioned positive effect contribution from NTV). Trading and treasury activities increased from €229m to €474m. Structured credit products decreased from €20m to €5m.

Operating costs amounted to €4,610m, down 3.4% from the €4,771m of H1 2017, attributable to decreases of 2.3% in personnel expenses and 6.6% in administrative expenses and an increase of 0.2% in adjustments.

As a result, **operating margin** amounted to €4,806m, up 17% from the €4,106m of H1 2017. The cost/income ratio for H1 2018 was 49% versus 53.7% in H1 2017.

Net adjustments to loans amounted to €1,177m from €1,434m in H1 2017.

Net provisions and net impairment losses on other assets amounted to €86m from €69m in H1 2017.

Other income amounted to €10m versus €3,813m in H1 2017. The figure for H1 2017 included €3.5bn related to the public cash contribution to offset the impact on the capital ratios deriving from the acquisition of the Aggregate Set of Banca Popolare di Vicenza and Veneto Banca and €299m as positive effect due to the sale of the investment in NTV and the fair value measurement following the reclassification of both the remaining investment held in NTV and the investment in Bank of Qingdao, which are no longer included among companies subject to significant influence.

Income (Loss) from discontinued operations recorded a zero balance, the same as in H1 2017.

Gross income amounted to €3,553m versus €6,416m in H1 2017; the figure for H1 2017 would be €2,916m excluding the aforementioned public contribution.

Consolidated net income for the first half of the year amounted to €2,179m, after accounting:

- taxes on income of €1,052m;
- charges (net of tax) for integration and exit incentives of €35m;
- effect of purchase price allocation (net of tax) of €70m;
- levies and other charges concerning the banking industry (net of tax) of €200m, deriving from the following pre-tax figures: charges of €277m in relation to contributions to the resolution fund, charges of €12m in relation to contributions to the deposit guarantee scheme concerning the international network, and recovery of €1m in relation to the *Atlante* fund. In H1 2017, this caption amounted to €489m, deriving from pre-tax charges of €206m in relation to the ordinary contribution to the resolution fund for full-year 2017, €12m in relation to contributions to the deposit guarantee scheme concerning the international network, €499m in relation to impairment losses on the *Atlante* fund and €48m in relation to impairment losses following the compulsory administrative liquidation of Banca Popolare di Vicenza and Veneto Banca.
- minority interests of €17m.

Net income of €2,179m in H1 2018 compares to €5,238m in H1 2017, €1,738m excluding the aforementioned public contribution.

Balance sheet as at 30 June 2018

As regards the consolidated balance sheet figures, as at 30 June 2018 **loans to customers** amounted to €400bn, in line with the figure of year-end 2017 recalculated to take into account the first time adoption of the IFRS 9 effective from 1 January 2018 (in line with Q1 2018 and up 5% on H1 2017 when taking into account quarterly and half-yearly average volumes [(11)]). Total **non-performing loans** (bad, unlikely-to-pay, and past due) - net of adjustments - amounted to €18,378m, down 18.4% from the €22,528m of year-end 2017 after the IFRS 9 impact. Total NPLs at end of the first half of the year no longer included bad loans to be sold to Intrum, accounted under non-current assets held for sale and discontinued operations. In detail, bad loans amounted to €7,521m from €10,562m as at year-end 2017 after the IFRS 9 impact, with a bad loan to total loan ratio of 1.9% (2.6% as at year-end 2017 after the IFRS 9 impact), and a cash coverage ratio of 67.1% (69.1% as at year-end 2017 after the IFRS 9 impact). Unlikely-to-pay loans decreased to €10,334m from €11,592m as at year-end 2017 after the IFRS 9 impact. Past due loans amounted to €523m from €374m as at year-end 2017 after the IFRS 9 impact.

Customer financial assets amounted to €948bn, up 0.3% on year-end 2017. Under customer financial assets, **direct deposits from banking business** amounted to €431bn, up 1.7% on year-end 2017. **Direct deposits from insurance business and technical reserves** amounted to €152bn, down 0.6% on year-end 2017. Indirect customer deposits amounted to €516bn, down 0.9% on year-end 2017. **Assets under management** amounted to €340bn, up 0.1% on year-end 2017. As for bancassurance, in H1 2018 the new business for life policies amounted to €9.9bn. Assets held under administration and in custody amounted to €176bn, down 2.8% on year-end 2017.

Pro-forma **capital ratios** as at 30 June 2018, calculated by applying the transitional arrangements for 2018 and after the deduction of €1,852m of dividends accrued in the first half of 2018, were as follows:
- Common Equity Tier 1 ratio [(12)] at 13.4% (13% at year-end 2017 [(13)]),
- Tier 1 ratio [(12)] at 15.1% (14.9% at year-end 2017 [(13)]),
- total capital ratio [(12)] at 17.6% (17.7% at year-end 2017 [(13)]).

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

(12) After the deduction of accrued dividends, assumed equal to 85% of the net income for the first half of the year, and coupons accrued on the Additional Tier 1 issues. Calculated taking into account the capital increase executed on 11 July 2018 under the 2018-2021 LECOIP 2.0 Long-term Incentive Plan, and the conversion of savings shares into ordinary shares. Excluding these transactions, capital ratios are 12.8% for the Common Equity Tier 1 ratio, 14.6% for the Tier 1 ratio and 17.1% for the total capital ratio. Excluding also the mitigation of the impact of the first time adoption of IFRS 9, capital ratios are 11.7% for the Common Equity Tier 1 ratio, 13.6% for the Tier 1 ratio and 16.4% for the total capital ratio.

(13) Taking the impact of the first time adoption of IFRS 9 into account and in accordance with the transitional arrangements for 2018. Excluding the mitigation of the impact of the first time adoption of IFRS 9, capital ratios are 11.9% for the Common Equity Tier 1 ratio, 13.8% for the Tier 1 ratio and 17% for the total capital ratio.

The estimated pro-forma common equity ratio for the Group on a **fully loaded basis** was 13.6% (13% at year-end 2017 after the IFRS 9 impact). It was calculated by applying the fully loaded parameters to the financial statements as at 30 June 2018, taking into account the total absorption of deferred tax assets (DTAs) related to goodwill realignment, loan adjustments, 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, the expected absorption of DTAs on losses carried forward, the expected distribution of H1 2018 net income of insurance companies, the capital increase executed on 11 July 2018 under the 2018-2021 LECOIP 2.0 Long-term Incentive Plan, and the conversion of savings shares into ordinary shares.

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

Specifically, with regard to the components of the Group's **liquidity**:
- the high level of available unencumbered liquid assets (including eligible assets with Central Banks received as collateral and excluding eligible assets currently used as collateral) amounted to €79bn at the end of June 2018;
- 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 €163bn at the end of June 2018;
- refinancing operations with the ECB to optimise the cost of funding and to support businesses in their investment amounted to an average of €62.3bn in Q2 2018 (an average of €63.6bn in Q1 2018 and €60.8bn in 2017 including, for the full year, the components deriving from the acquisition of the Aggregate Set of Banca Popolare di Vicenza and Veneto Banca). These refinancing operations consisted entirely of the TLTRO with a four-year maturity.
- the sources of funding were stable and well diversified, with retail funding representing 74% of direct deposits from banking business (including securities issued);
- the medium/long-term funding was around €7bn in H1 2018, of which more than €4bn was wholesale funding;
- medium/long-term wholesale issues in H1 2018 included senior benchmark transactions of U.S.$2.5bn, JPY46.6bn and €1.25bn (of these, around 96% were placed with foreign investors).

The Group's **leverage ratio** as at 30 June 2018 was 6.2% applying the transitional arrangements for 2018 and 5.6% fully loaded, both best in class among major European banking groups.

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As at 30 June 2018, the Intesa Sanpaolo Group's **operating structure** had a total network of 5,659 branches, consisting of 4,531 branches in Italy and 1,128 abroad, and employed 94,829 people.

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Breakdown of results by business area

The **Banca dei Territori** Division comprises:

- Retail customers (individual customers with financial assets up to €100,000 and businesses/companies with low-complexity needs)
- Personal customers (individual customers with financial assets between €100,000 and €1m)
- SME customers, including companies whose group turnover is below €350m.

The division includes Banca 5, a "proximity bank" linked with a non-captive network of points of sale, focused on instant banking and targeting categories of customers who rarely use banking products and services. Moreover, the division includes Banca Prossima operating at the service of non-profit entities through the Group's branches with regional centres and a team of specialists, and Mediocredito Italiano which is the SME Finance Hub.

In the second quarter of 2018, the Banca dei Territori Division recorded:

- operating income of €2,345m, -2.3% versus €2,399 m in Q1 2018;
- operating costs of €1,331m, -1.1% versus €1,346m in Q1 2018;
- operating margin of €1,014m, -3.7% versus €1,053m in Q1 2018;
- a cost/income ratio of 56.8% versus 56.1% in Q1 2018;
- net provisions and adjustments of €457m, versus €385m in Q1 2018;
- gross income of €557m, -16.6% versus €668m in Q1 2018;
- net income of €350m, -16.9% versus €422m in Q1 2018.

In the first half of 2018, the Banca dei Territori Division recorded:

- operating income of €4,744m, +2.4% versus €4,633m in H1 2017, contributing approximately 50% of the consolidated operating income (around 52% in H1 2017);
- operating costs of €2,676m, -5.5% versus €2,831m in H1 2017;
- operating margin of €2,068m, +14.8% versus €1,802m in H1 2017;
- a cost/income ratio of 56.4% versus 61.1% in H1 2017;
- net provisions and adjustments of €843m, versus €559m in H1 2017;
- gross income of €1,225m, -1.4% versus €1,243m in H1 2017;
- net income of €772m, +4.7% versus €737m in H1 2017.

The **Corporate and Investment Banking** Division includes:
- Global Corporate, which manages the relationship with corporate clients with a turnover higher than €350m and national public entities, 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 second quarter of 2018, the Corporate and Investment Banking Division recorded:
- operating income of €945m, -18.6% versus €1,160m in Q1 2018;
- operating costs of €256m, +1% versus €254m in Q1 2018;
- operating margin of €689m, -24.1% versus €907m in Q1 2018;
- a cost/income ratio of 27.1% versus 21.9% in Q1 2018;
- net recoveries of €14m, versus net provisions and adjustments of €34m in Q1 2018;
- gross income of €703m, -19.5% versus €873m in Q1 2018;
- net income of €466m, -30.3% versus €669m in Q1 2018.

In the first half of 2018, the Corporate and Investment Banking Division recorded:
- operating income of €2,105m, +24.3% versus €1,694m in H1 2017, contributing approximately 22% of the consolidated operating income (around 19% in H1 2017);
- operating costs of €510m, +2.6% versus €497m in H1 2017;
- operating margin of €1,595m, +33.3% versus €1,197m in H1 2017;
- a cost/income ratio of 24.2% versus 29.3% in H1 2017;
- net provisions and adjustments of €19m, versus €171m in H1 2017;
- gross income of €1,576m, +38.9% versus €1,135m in H1 2017;
- net income of €1,135m, +39.4% versus €814m in H1 2017.

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 2018, the International Subsidiary Banks Division recorded:
- operating income of €494m, +4.6% versus €473m in Q1 2018;
- operating costs of €241m, +2.2% versus €236m in Q1 2018;
- operating margin of €253m, +7% versus €237m in Q1 2018;
- a cost/income ratio of 48.8% versus 49.9% in Q1 2018;
- net provisions and adjustments of €25m, versus net recoveries of €3m in Q1 2018;
- gross income of €229m, -5% versus €241m in Q1 2018;
- net income of €183m, in line with Q1 2018.

In the first half of 2018, the International Subsidiary Banks Division recorded:
- operating income of €967m, +2.4% versus €944m in H1 2017, contributing approximately 10% of the consolidated operating income (around 11% in H1 2017);
- operating costs of €477m, +3.7% versus €460m in H1 2017;
- operating margin of €490m, +1.2% versus €484m in H1 2017;
- a cost/income ratio of 49.3% versus 48.7% in H1 2017;
- net provisions and adjustments of €22m, versus €72m in H1 2017;
- gross income of €470m, -23.2% versus €612m in H1 2017 (+11.4%, excluding the impact from the Bank of Qingdao reclassification);
- net income of €366m, -28.2% versus €510m in H1 2017 (+12.6%, excluding the impact from the Bank of Qingdao reclassification).

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), Banque Morval and Fideuram Asset Management Ireland.

In the second quarter of 2018, the Private Banking Division recorded:
- operating income of €466m, -4.1% versus €486m in Q1 2018;
- operating costs of €137m, -4.6% versus €143m in Q1 2018;
- operating margin of €329m, -4% versus €343m in Q1 2018;
- a cost/income ratio of 29.4% versus 29.5% in Q1 2018;
- net provisions and adjustments of €10m, versus €2m in Q1 2018;
- gross income of €320m, -8.4% versus €349m in Q1 2018;
- net income of €219m, -9.2% versus €242m in Q1 2018.

In the first half of 2018, the Private Banking Division recorded:
- operating income of €952m, -0.4% versus €956m in H1 2017, contributing approximately 10% of the consolidated operating income (around 11% in H1 2017);
- operating costs of €280m, -2.1% versus €286m in H1 2017;
- operating margin of €672m, +0.3% versus €670m in H1 2017;
- a cost/income ratio of 29.4% versus 29.9% in H1 2017;
- net provisions and adjustments of €12m, versus €17m in H1 2017;
- gross income of €669m, +2.5% versus €653m in H1 2017;
- net income of €461m, +2.4% versus €450m in H1 2017.

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 mutual funds with low tracking error, and VUB Asset Management (Slovakia), which heads up the Hungarian CIB IFM and the Croatian PBZ Invest (the asset management hub in Eastern Europe). Eurizon Capital also controls Epsilon Associati SGR - a company specialising in active management and, specifically, in quantitative and multi-strategy management with total-return investment aims - which is 51% owned by Eurizon Capital and 49% by Banca IMI. Eurizon Capital owns 49% of the Chinese asset management company Penghua Fund Management. Moreover, Eurizon Capital owns 20% of the Chinese wealth management company Yi Tsai, which is 25% owned by Fideuram and 55% by the Parent Company Intesa Sanpaolo.

In the second quarter of 2018, the Asset Management Division recorded:
- operating income of €179m, -6.7% versus €192m in Q1 2018;
- operating costs of €39m, +0.8% versus €38m in Q1 2018;
- operating margin of €140m, -8.6% versus €153m in Q1 2018;
- a cost/income ratio of 21.6% versus 20% in Q1 2018;
- gross income of €140m, -8.6% versus €153m in Q1 2018;
- net income of €111m, -7.7% versus €121m in Q1 2018.

In the first half of 2018, the Asset Management Division recorded:
- operating income of €370m, +0.3% versus €369m in H1 2017, contributing approximately 4% of the consolidated operating income (around 4% in H1 2017 as well);
- operating costs of €77m, +6.9% versus €72m in H1 2017;
- operating margin of €293m, -1.3% versus €297m in H1 2017;
- a cost/income ratio of 20.8% versus 19.5% in H1 2017;
- gross income of €293m, -1.3% versus €297m in H1 2017;
- net income of €232m, -1.3% versus €235m in H1 2017.

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 Fideuram Vita.

In the second quarter of 2018, the Insurance Division recorded:
- operating income of €295m, -9.1% versus €325m in Q1 2018;
- operating costs of €43m, +4.1% versus €42m in Q1 2018;
- operating margin of €252m, -11.1% versus €283m in Q1 2018;
- a cost/income ratio of 14.7% versus 12.8% in Q1 2018;
- net provisions and adjustments of €2m, versus no provisions and adjustments in Q1 2018;
- gross income of €250m, -11.6% versus €283m in Q1 2018;
- net income of €189m, -5.3% versus €199m in Q1 2018.

In the first half of 2018, the Insurance Division recorded:
- operating income of €620m, +4.2% versus €595m in H1 2017, contributing approximately 7% of the consolidated operating income (around 7% in H1 2017 as well);
- operating costs of €85m, unchanged on H1 2017;
- operating margin of €535m, +4.9% versus €510m in H1 2017;
- a cost/income ratio of 13.7% versus 14.3% in H1 2017;
- net provisions and adjustments of €2m, versus no provisions and adjustments in H1 2017;
- gross income of €533m, +4.5% versus €510m in H1 2017;
- net income of €388m, +7.8% versus €360m in H1 2017.

The outlook for 2018

In 2018, the Group's net income is expected to grow compared with 2017, excluding from the 2017 net income the €3.5 billion public cash contribution that offset the impact on the capital ratios resulting from the acquisition of the Aggregate Set of Banca Popolare di Vicenza and Veneto Banca. An increase in revenues, continuous cost management and a decrease in the cost of risk are envisaged as the drivers of the expected performance of net income. The dividend policy for 2018 envisages the distribution of an amount of cash dividends corresponding to a payout ratio of 85% of net income.

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For consistency purpose, the income statement and balance sheet figures for the first three quarters of 2017 were restated following the acquisition of certain assets and liabilities and certain legal relationships of Banca Popolare di Vicenza and Veneto Banca (Aggregate Set). The related items were consolidated line by line (on the basis of management accounts) and the corresponding net income/loss was included under minority interests (the restatement does not include subsidiary Eximbank - Moldova, which entered the scope of consolidation of the Intesa Sanpaolo Group at the end of the first quarter of 2018). Income statement and balance sheet figures for the four quarters of 2017 relating to the business areas were restated and included the relevant components of the Aggregate Set.

Moreover, the income statement and balance sheet figures for the four quarters of 2017 and the first quarter of 2018 were restated following the acquisition of the Morval Vonwiller group. The related items were consolidated line by line and the corresponding net income was included under minority interests.

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In order to present more complete information on the results generated in the first half of 2018, 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.

Intesa Sanpaolo Group

Reclassified consolidated statement of income

(millions of euro)

	30.06.2018	30.06.2017	Changes vs 30.06.2017		30.06.2017 Aggregate	Changes vs 30.06.2017 Aggregate	
			amount	%		amount	%
Net interest income	3,694	3,621	73	2.0	3,771	-77	-2.0
Net fee and commission income	4,004	3,763	241	6.4	3,920	84	2.1
Income from insurance business	575	523	52	9.9	523	52	9.9
Profits (Losses) on financial assets and liabilities designated at fair value	1,094	594	500	84.2	560	534	95.4
Other operating income (expenses)	49	72	-23	-31.9	103	-54	-52.4
Operating income	**9,416**	**8,573**	**843**	**9.8**	**8,877**	**539**	**6.1**
Personnel expenses	-2,895	-2,633	262	10.0	-2,964	-69	-2.3
Other administrative expenses	-1,311	-1,220	91	7.5	-1,404	-93	-6.6
Adjustments to property, equipment and intangible assets	-404	-374	30	8.0	-403	1	0.2
Operating costs	**-4,610**	**-4,227**	**383**	**9.1**	**-4,771**	**-161**	**-3.4**
Operating margin	**4,806**	**4,346**	**460**	**10.6**	**4,106**	**700**	**17.0**
Net adjustments to loans	-1,177	-1,432	-255	-17.8	-1,434	-257	-17.9
Other net provisions and net impairment losses on other assets	-86	-59	27	45.8	-69	17	24.6
Other income (expenses)	10	3,813	-3,803	-99.7	3,813	-3,803	-99.7
Income (Loss) from discontinued operations	-	-	-	-	-	-	-
Gross income (loss)	**3,553**	**6,668**	**-3,115**	**-46.7**	**6,416**	**-2,863**	**-44.6**
Taxes on income	-1,052	-890	162	18.2	-866	186	21.5
Charges (net of tax) for integration and exit incentives	-35	-53	-18	-34.0	-53	-18	-34.0
Effect of purchase price allocation (net of tax)	-70	-11	59		-11	59	
Levies and other charges concerning the banking industry (net of tax)	-200	-460	-260	-56.5	-489	-289	-59.1
Impairment (net of tax) of goodwill and other intangible assets	-	-	-	-	-	-	-
Minority interests	-17	-16	1	6.3	241	-258	-
Net income (loss)	**2,179**	**5,238**	**-3,059**	**-58.4**	**5,238**	**-3,059**	**-58.4**

Figures restated, where necessary and material, considering the changes in the scope of consolidation. Aggregate figures recalculated on the basis of management accounts to include the economic effects of the acquired Aggregate Set of Banca Popolare di Vicenza and Veneto Banca.

Intesa Sanpaolo Group

Quarterly development of the reclassified consolidated statement of income

(millions of euro)

	2018		2017			
	Second quarter	First quarter	Fourth quarter	Third quarter	Second quarter	First quarter
Net interest income	1,839	1,855	1,837	1,807	1,816	1,805
Net fee and commission income	1,991	2,013	2,153	1,951	1,902	1,861
Income from insurance business	281	294	183	227	240	283
Profits (Losses) on financial assets and liabilities designated at fair value	472	622	538	184	366	228
Other operating income (expenses)	21	28	9	11	32	40
Operating income	**4,604**	**4,812**	**4,720**	**4,180**	**4,356**	**4,217**
Personnel expenses	-1,455	-1,440	-1,610	-1,444	-1,343	-1,290
Other administrative expenses	-651	-660	-836	-682	-635	-585
Adjustments to property, equipment and intangible assets	-200	-204	-235	-202	-188	-186
Operating costs	**-2,306**	**-2,304**	**-2,681**	**-2,328**	**-2,166**	**-2,061**
Operating margin	**2,298**	**2,508**	**2,039**	**1,852**	**2,190**	**2,156**
Net adjustments to loans	-694	-483	-1,229	-643	-737	-695
Other net provisions and net impairment losses on other assets	-35	-51	-134	-24	-56	-3
Other income (expenses)	8	2	861	72	3,617	196
Income (Loss) from discontinued operations	-1	1	-	-	-	-
Gross income (loss)	**1,576**	**1,977**	**1,537**	**1,257**	**5,014**	**1,654**
Taxes on income	-508	-544	-249	-343	-445	-445
Charges (net of tax) for integration and exit incentives	-16	-19	-227	-20	-41	-12
Effect of purchase price allocation (net of tax)	-26	-44	364	-26	-5	-6
Levies and other charges concerning the banking industry (net of tax)	-83	-117	3	-192	-178	-282
Impairment (net of tax) of goodwill and other intangible assets	-	-	-	-	-	-
Minority interests	-16	-1	-	-26	-8	-8
Net income (loss)	**927**	**1,252**	**1,428**	**650**	**4,337**	**901**

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 - aggregate figures

(millions of euro)

	2018		2017			
	Second quarter	**First quarter**	**Fourth quarter**	**Third quarter Aggregate**	**Second quarter Aggregate**	**First quarter Aggregate**
Net interest income	1,839	1,855	1,837	1,828	1,891	1,880
Net fee and commission income	1,991	2,013	2,153	1,984	1,992	1,928
Income from insurance business	281	294	183	227	240	283
Profits (Losses) on financial assets and liabilities designated at fair value	472	622	538	185	349	211
Other operating income (expenses)	21	28	9	19	47	56
Operating income	**4,604**	**4,812**	**4,720**	**4,243**	**4,519**	**4,358**
Personnel expenses	-1,455	-1,440	-1,610	-1,471	-1,506	-1,458
Other administrative expenses	-651	-660	-836	-694	-729	-675
Adjustments to property, equipment and intangible assets	-200	-204	-235	-206	-202	-201
Operating costs	**-2,306**	**-2,304**	**-2,681**	**-2,371**	**-2,437**	**-2,334**
Operating margin	**2,298**	**2,508**	**2,039**	**1,872**	**2,082**	**2,024**
Net adjustments to loans	-694	-483	-1,229	-648	-738	-696
Other net provisions and net impairment losses on other assets	-35	-51	-134	-31	-61	-8
Other income (expenses)	8	2	861	72	3,617	196
Income (Loss) from discontinued operations	-1	1	-	-	-	-
Gross income (loss)	**1,576**	**1,977**	1,537	1,265	4,900	1,516
Taxes on income	-508	-544	-249	-366	-434	-432
Charges (net of tax) for integration and exit incentives	-16	-19	-227	-20	-41	-12
Effect of purchase price allocation (net of tax)	-26	-44	364	-26	-5	-6
Levies and other charges concerning the banking industry (net of tax)	-83	-117	3	-192	-193	-296
Impairment (net of tax) of goodwill and other intangible assets	-	-	-	-	-	-
Minority interests	-16	-1	-	-11	110	131
Net income (loss)	**927**	**1,252**	**1,428**	**650**	**4,337**	**901**

Figures restated, where necessary and material, considering the changes in the scope of consolidation. Aggregate figures recalculated on the basis of management accounts to include the economic effects of the acquired Aggregate Set of Banca Popolare di Vicenza and Veneto Banca.

Intesa Sanpaolo Group

Reclassified consolidated balance sheet

(millions of euro)

Assets	30.06.2018	01.01.2018	Changes	
			amount	%
Due from banks	69,797	71,685	-1,888	-2.6
Loans to customers	399,859	399,539	*320*	*0.1*
Loans to customers measured at amortised cost	399,238	399,152	86	-
Loans to customers designated at fair value through other comprehensive income and through profit or loss	621	387	*234*	*60.5*
Financial assets measured at amortised cost which do not constitute loans	12,181	11,557	624	5.4
Financial assets at fair value through profit or loss	42,158	42,166	*-8*	-
Financial assets at fair value through other comprehensive income	61,811	59,960	1,851	3.1
Financial assets pertaining to insurance companies measured at fair value pursuant to IAS 39	152,229	152,582	-353	-0.2
Financial assets pertaining to insurance companies measured at amortised cost pursuant to IAS 39	682	423	259	61.2
Investments in associates and companies subject to joint control	647	678	-31	-4.6
Property, equipment and intangible assets	14,406	14,449	-43	-0.3
Tax assets	16,934	18,019	-1,085	-6.0
Non-current assets held for sale and discontinued operations	3,609	627	2,982	
Other assets	19,405	22,843	-3,438	-15.1
Total Assets	**793,718**	**794,528**	**-810**	**-0.1**

(millions of euro)

Liabilities	30.06.2018	01.01.2018	Changes	
			amount	%
Due to banks at amortised cost	97,675	99,992	-2,317	-2.3
Due to customers at amortised cost and securities issued	424,785	416,635	8,150	2.0
Financial liabilities held for trading	39,482	41,459	-1,977	-4.8
Financial liabilities designated at fair value	4	3	1	33.3
Financial liabilities pertaining to insurance companies measured at amortised cost pursuant to IAS 39	1,413	1,312	101	7.7
Financial liabilities pertaining to insurance companies measured at fair value pursuant to IAS 39	70,337	68,233	2,104	3.1
Tax liabilities	2,121	2,515	-394	-15.7
Liabilities associated with non-current assets held for sale and discontinued operations	261	264	-3	-1.1
Other liabilities	19,695	19,958	-263	-1.3
Technical reserves	79,842	82,926	-3,084	-3.7
Allowances for risks and charges	6,876	7,427	-551	-7.4
of which allowances for commitments and financial guarantees given	*473*	*535*	*-62*	*-11.6*
Share capital	8,732	8,732	-	-
Reserves	37,212	33,578	3,634	10.8
Valuation reserves	-1,366	-878	488	55.6
Valuation reserves pertaining to insurance companies	3	417	-414	-99.3
Equity instruments	4,103	4,103	-	-
Minority interests	364	536	-172	-32.1
Net income (loss)	2,179	7,316	-5,137	-70.2
Total liabilities and shareholders' equity	**793,718**	**794,528**	**-810**	**-0.1**

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	2018			2017			
	30/6	31/3	1/1	31/12	30/9	30/6	31/3
Due from banks	69,797	70,541	71,685	72,166	79,724	75,702	61,964
Loans to customers	399,859	401,115	399,539	411,978	399,999	405,235	402,817
Loans to customers measured at amortised cost	399,238	400,501	399,152	411,978	399,999	405,235	402,817
Loans to customers designated at fair value through other comprehensive income and through profit or loss	*621*	*614*	*387*	-	-	-	-
Financial assets measured at amortised cost which do not constitute loans	12,181	11,688	11,557	-	-	-	-
Financial assets measured at fair value through profit or loss	42,158	42,115	42,166	39,590	42,541	44,996	47,176
Financial assets measured at fair value through other comprehensive income	61,811	60,531	59,960	65,068	68,569	67,716	76,870
Financial assets pertaining to insurance companies measured at fair value pursuant to IAS 39	152,229	153,550	152,582	152,582	150,391	147,621	145,744
Financial assets pertaining to insurance companies measured at amortised cost pursuant to IAS 39	682	476	423	423	433	305	887
Investments in associates and companies subject to joint control	647	654	678	678	655	732	769
Property, equipment and intangible assets	14,406	14,396	14,449	14,449	12,434	12,558	12,578
Tax assets	16,934	17,175	18,019	16,888	16,836	17,058	16,919
Non-current assets held for sale and discontinued operations	3,609	751	627	627	788	778	783
Other assets	19,405	20,168	22,843	22,843	18,931	20,623	24,335
Total Assets	**793,718**	**793,160**	**794,528**	**797,292**	**791,301**	**793,324**	**790,842**

Liabilities and Shareholders' Equity	2018			2017			
	30/6	31/3	1/1	31/12	30/9	30/6	31/3
Due to banks at amortised cost	97,675	96,907	99,992	99,992	100,000	99,831	103,006
Due to customers at amortised cost and securities issued	424,785	417,691	416,635	416,635	416,774	411,618	412,703
Financial liabilities held for trading	39,482	39,753	41,459	41,221	41,717	42,556	44,825
Financial liabilities designated at fair value	4	4	3	3	3	4	3
Financial liabilities pertaining to insurance companies measured at amortised cost pursuant to IAS 39	1,413	1,394	1,312	1,312	1,397	1,341	1,333
Financial liabilities pertaining to insurance companies measured at fair value pursuant to IAS 39	70,337	69,058	68,233	68,233	65,466	62,891	60,637
Tax liabilities	2,121	2,554	2,515	2,515	2,228	2,139	2,351
Liabilities associated with non-current assets held for sale and discontinued operations	261	266	264	264	296	295	302
Other liabilities	19,695	20,594	19,958	20,218	18,504	27,982	24,200
Technical reserves	79,842	82,656	82,926	82,926	83,211	83,593	84,405
Allowances for risks and charges	6,876	7,241	7,427	7,219	7,043	7,018	5,444
of which allowances for commitments and financial guarantees given	*473*	*503*	*535*	*327*	*399*	*440*	*547*
Share capital	8,732	8,732	8,732	8,732	8,732	8,732	8,732
Reserves	37,212	40,796	33,578	36,843	37,301	37,300	40,273
Valuation reserves	-1,366	-760	-878	-1,206	-2,327	-2,240	-2,555
Valuation reserves pertaining to insurance companies	3	429	417	417	419	404	398
Equity instruments	4,103	4,103	4,103	4,103	4,102	4,102	3,358
Minority interests	364	490	536	549	547	520	526
Net income (loss)	2,179	1,252	7,316	7,316	5,888	5,238	901
Total Liabilities and Shareholders' Equity	**793,718**	**793,160**	**794,528**	**797,292**	**791,301**	**793,324**	**790,842**

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

Income statement (millions of euro)	**Banca dei Territori**			**Corporate and Investment Banking**			**International Subsidiary Banks**			**Private Banking**			**Asset Management**			**Insurance**		
	30.06.2018	30.06.2017	30.06.2017 Aggregate	30.06.2018	30.06.2017	30.06.2017 Aggregate	30.06.2018	30.06.2017	30.06.2017 Aggregate	30.06.2018	30.06.2017	30.06.2017 Aggregate	30.06.2018	30.06.2017	30.06.2017 Aggregate	30.06.2018	30.06.2017	30.06.2017 Aggregate
Operating income	4,744	4,290	4,633	2,105	1,681	1,694	967	941	944	952	947	956	370	369	369	620	595	595
Operating costs	-2,676	-2,396	-2,831	-510	-496	-497	-477	-448	-460	-280	-283	-286	-77	-72	-72	-85	-85	-85
Operating margin	2,068	1,894	1,802	1,595	1,185	1,197	490	493	484	672	664	670	293	297	297	535	510	510
Net income (loss)	772	789	737	1,135	805	814	366	520	510	461	446	450	232	235	235	388	360	360

Balance sheet (millions of euro)	**Banca dei Territori**		**Corporate and Investment Banking**		**International Subsidiary Banks**		**Private Banking**		**Asset Management**		**Insurance**	
	30.06.2018	01.01.2018	30.06.2018	01.01.2018	30.06.2018	01.01.2018	30.06.2018	01.01.2018	30.06.2018	01.01.2018	30.06.2018	01.01.2018
Loans to customers	214,093	212,433	116,880	114,317	29,715	28,610	8,868	7,988	278	361	-	22
Direct deposits from banking business	194,186	191,976	103,288	107,148	37,234	35,862	33,175	31,410	6	6	-	-

Figures restated, where necessary and material, considering the changes in the scope of consolidation and in business unit constituents and discontinued operations. Aggregate figures recalculated on the basis of management accounts to include the economic effects of the acquired Aggregate Set of Banca Popolare di Vicenza and Veneto Banca.