INTESA SANPAOLO

PRESS RELEASE

INTESA SANPAOLO: CONSOLIDATED RESULTS AS AT 31 DECEMBER 2019

2019 RESULTS SHOW THAT THE GROUP IS FIRMLY ON TRACK TO DELIVER ON ITS TARGETS. THEY ALSO HIGHLIGHT THE CONTINUED SUPPORT PROVIDED BY THE GROUP TO THE ECONOMY IN THE COUNTRIES IN WHICH IT OPERATES, AND SPECIFICALLY IN ITALY WHERE, MOREOVER, INTESA SANPAOLO IS COMMITTED TO BECOMING A REFERENCE MODEL IN TERMS OF SUSTAINABILITY AND SOCIAL AND CULTURAL RESPONSIBILITY.

RESULTS REFLECT THE GROUP'S SUSTAINABLE PROFITABILITY WHICH DERIVES FROM A SOLID CAPITAL BASE AND A STRONG LIQUIDITY POSITION, AND FROM A RESILIENT AND WELL-DIVERSIFIED BUSINESS MODEL FURTHER STRENGTHENED BY THE STRATEGIC ACTIONS CARRIED OUT IN 2019:

- **MANAGING REVENUE GENERATION, WITH**
  - **A CONTINUED FOCUS ON WEALTH MANAGEMENT & PROTECTION, WITH A STRONG DEVELOPMENT OF THE NON-MOTOR P&C INSURANCE BUSINESS AND IN THE PRESENCE OF A PICK-UP IN NET INFLOW OF ASSETS UNDER MANAGEMENT IN THE SECOND HALF OF THE YEAR, WHICH SHOULD PROGRESSIVELY GATHER MOMENTUM IN THE LIGHT OF THE STRONG RESERVE OF POTENTIAL VALUE CREATION DERIVING FROM THE AMOUNT OF HOUSEHOLD SIGHT DEPOSITS THAT CAN BE CONVERTED INTO ASSETS UNDER MANAGEMENT AND THE POOL OF ASSETS HELD UNDER ADMINISTRATION**
  - **STRENGTHENING OF FINANCIAL ACTIVITIES;**
- **STRATEGIC FLEXIBILITY IN MANAGING OPERATING COSTS, WITH ADDITIONAL VOLUNTARY EXITS OF PEOPLE;**
- **EFFECTIVE PROACTIVE CREDIT MANAGEMENT, WITH A FOCUS ON LOANS IN EARLY DELINQUENCY STAGES.**

STRATEGIC ACTIONS HAVE BEEN STARTED TO CAPTURE FUTURE REVENUE GROWTH OPPORTUNITIES:

- **A FURTHER STRENGTHENING OF THE WEALTH MANAGEMENT & PROTECTION BUSINESS, THROUGH**
  - **THE ACQUISITION OF RBM ASSICURAZIONE SALUTE**
  - **THE START OF OPERATIONS OF YI TSAI, THE "CHINESE FIDEURAM";**
- **PARTNERSHIPS WITH LEADING PLAYERS IN SCALE-INTENSIVE BUSINESSES**
  - **WITH NEXI IN RESPECT OF PAYMENT SYSTEMS**
  - **WITH SISALPAY IN RESPECT OF PROXIMITY BANKING, ALSO ENABLING THE OPTIMISATION OF THE BRANCH NETWORK IN ITALY THROUGH BRANCH CLOSURES, IN ADDITION TO THE CLOSURES ENVISAGED IN THE BUSINESS PLAN.**

NET INCOME FOR 2019 WAS €4,182 MILLION VERSUS €4,050 MILLION IN 2018. PROPOSED CASH DIVIDENDS AMOUNT TO €3,362 MILLION AND CORRESPOND TO THE PAYOUT RATIO OF 80% INDICATED IN THE BUSINESS PLAN FOR 2019.

THE CAPITAL POSITION WAS SOLID AND WELL ABOVE REGULATORY REQUIREMENTS, EVEN UNDER THE ADVERSE SCENARIO OF THE 2018 EBA/ECB STRESS TEST. PRO-FORMA FULLY LOADED COMMON EQUITY TIER 1 RATIO WAS 14.1%, TAKING THE DIVIDENDS PROPOSED FOR 2019 INTO ACCOUNT.

GROSS INCOME WAS UP 4.3% (UP 17.4% EXCLUDING THE POSITIVE IMPACT OF NTV AND INTRUM FROM 2018), OPERATING MARGIN WAS UP 5.6%, OPERATING INCOME WAS UP 1.5% AND OPERATING COSTS WERE DOWN 2.1% ON 2018.

CREDIT QUALITY IMPROVED. GROSS NPLs WERE REDUCED AT NO EXTRAORDINARY COST TO SHAREHOLDERS BY 14.2% ON YEAR-END 2018 (DOWN 15.9% EXCLUDING THE NEW DEFINITION OF DEFAULT) AND BY AROUND €21 BILLION SINCE THE END OF 2017. IN THE FIRST TWO YEARS OF THE 2018-2021 BUSINESS PLAN, THE NPL REDUCTION ACHIEVED WAS AS MUCH AS 83% OF THE TARGET SET FOR THE ENTIRE FOUR-YEAR PERIOD. GROSS NPL RATIO STOOD AT 7.6% AND NET NPL RATIO AT 3.6%. NET ADJUSTMENTS TO LOANS WERE DOWN 12.7% ON 2018. COST OF RISK IN 2019 DECREASED TO 53 BASIS POINTS.

INTESA SANPAOLO CONTINUES TO OPERATE AS A GROWTH ACCELERATOR IN THE REAL ECONOMY IN ITALY. IN 2019, MEDIUM/LONG-TERM NEW LENDING GRANTED BY THE GROUP TO ITALIAN HOUSEHOLDS AND BUSINESSES AMOUNTED TO AROUND €38 BILLION. IN 2019, THE GROUP FACILITATED THE RETURN TO PERFORMING STATUS OF AROUND 18,500 COMPANIES, THUS SAFEGUARDING AROUND 93,000 JOBS. THIS BROUGHT THE TOTAL TO AROUND 112,000 COMPANIES SINCE 2014, WITH AROUND 560,000 JOBS SAFEGUARDED OVER THE SAME PERIOD.

INTESA SANPAOLO IS THE ENGINE OF THE ITALIAN SOCIAL ECONOMY. DIVIDENDS DISTRIBUTED BY THE BANK HAVE ENABLED THE FOUNDATIONS THAT ARE AMONG ITS SHAREHOLDERS TO GRANT MORE THAN HALF OF THE TOTAL FUNDS GRANTED BY ALL ITALIAN BANKING FOUNDATIONS.

THE GROUP'S SOCIAL AND CULTURAL RESPONSIBILITY HAS TRANSLATED, IN ITALY, INTO: INITIATIVES TO REDUCE CHILD POVERTY AND SUPPORT PEOPLE IN NEED DELIVERING, SINCE 2018, AROUND 8.7 MILLION MEALS, 519,000 DORMITORY BEDS, 131,000 MEDICINE PRESCRIPTIONS AND 103,000 ITEMS OF CLOTHING; SUPPORT PROVIDED TO FAMILIES WHO HAVE BEEN VICTIMS OF NATURAL DISASTERS, WITH OVER €135 MILLION IN SUBSIDISED LOANS GRANTED IN 2019 (AROUND €335 MILLION SINCE 2018); SUPPORT PROVIDED TO FAMILIES AND BUSINESSES AFFECTED BY THE GENOA BRIDGE COLLAPSE, WITH A €4.5 MILLION PLAFOND FOR UNILATERAL MORTGAGE FORGIVENESS (€0.5 MILLION ALREADY FORGIVEN) AND A €50 MILLION PLAFOND FOR RECONSTRUCTION (€4.6 MILLION GRANTED), AND TO FAMILIES AFFECTED BY THE FLOODING EMERGENCY IN VENICE AND SURROUNDINGS, WITH A €100 MILLION PLAFOND AND A 12-MONTH *MORATORIA* GRANTED ON MORTGAGES; THE FUND FOR IMPACT, WITH €28 MILLION ALREADY GRANTED IN THE FIRST TEN MONTHS BY *PER MERITO* (THE FIRST LINE OF CREDIT WITHOUT COLLATERAL DEDICATED TO ALL ITALIAN UNIVERSITY STUDENTS); A €5 BILLION CIRCULAR ECONOMY CREDIT PLAFOND TO SUPPORT SUSTAINABLE DEVELOPMENT WITH 248 PROJECTS EVALUATED, OF WHICH 63 HAVE ALREADY BEEN FINANCED FOR AROUND €760 MILLION; THE CIRCULAR ECONOMY LAB WHICH IS IMPLEMENTING OPEN INNOVATION PROJECTS; IN 2019, AROUND 720 START-UPS EVALUATED (AROUND 1,300 SINCE 2018) ACROSS SIX ACCELERATION PROGRAMS WITH 124 COACHED START-UPS (235 SINCE 2018); *GIOVANI E LAVORO* PROGRAM UNDERWAY, IN PARTNERSHIP WITH GENERATION, AIMED AT INTRODUCING 5,000 YOUNG PEOPLE TO THE ITALIAN LABOUR MARKET: IN 2019, OVER 1,000 COMPANIES COMMITTED TO THE PROGRAM AND OVER 700 STUDENTS STARTING A TRAINING COURSE; LAUNCH OF P-TECH INITIATIVE IN PARTNERSHIP WITH IBM TO TRAIN YOUNG PROFESSIONALS IN THE FIELD OF NEW DIGITAL JOBS; IN 2019, OVER 560,000 VISITORS (500,000 IN 2018) TO THE GROUP'S MUSEUMS *GALLERIE D'ITALIA*, WHICH ARE AMONG THE TOP MUSEUMS IN ITALY BY NUMBER OF VISITORS, AROUND 80,000 STUDENTS PARTICIPATING IN FREE EDUCATIONAL ACTIVITIES (73,000 IN 2018) AND 230 ARTWORKS FROM THE CORPORATE COLLECTION ON LOAN (140 IN 2018).

- **ROBUST NET INCOME:**
  - **€872M IN Q4 2019 VS €1,044M IN Q3 2019**
  - **€4,182M IN 2019 VS €4,050M IN 2018**

- **GROSS INCOME UP 4.3% ON 2018, UP 17.4% WHEN EXCLUDING THE POSITIVE IMPACT OF NTV AND INTRUM FROM 2018**

- **OPERATING MARGIN UP 5.6% ON 2018**

- **OPERATING INCOME UP 1.5% ON 2018**

- **OPERATING COSTS DOWN 2.1% ON 2018**

- **IMPROVEMENT IN CREDIT QUALITY TREND:**
  - **DECREASE IN NPLs, ACHIEVED AT NO EXTRAORDINARY COST TO SHAREHOLDERS**
    - **GROSS NPL REDUCTION: AROUND €21BN SINCE DECEMBER 2017 AND AROUND €34BN SINCE SEPTEMBER 2015 (*) (AROUND €8BN AND AROUND €20BN, RESPECTIVELY, EXCLUDING THE SALE TO INTRUM FINALISED IN Q4 2018 AND THE SALE TO PRELIOS FINALISED IN Q4 2019)**
    - **NPL STOCK DOWN 14.2% GROSS AND 14.3% NET ON YEAR-END 2018 (DOWN 15.9% GROSS AND DOWN 17.5% NET EXCLUDING THE NEW DEFINITION OF DEFAULT); NPL TO TOTAL LOAN RATIO OF 7.6% GROSS AND 3.6% NET**
  - **NET ADJUSTMENTS TO LOANS DOWN 12.7% ON 2018**
  - **2019 COST OF RISK DOWN TO 53 BASIS POINTS**

- **SOLID CAPITAL POSITION, WELL ABOVE REGULATORY REQUIREMENTS:**
  - **COMMON EQUITY TIER 1 RATIO AS AT 31 DECEMBER 2019, AFTER THE DEDUCTION OF €3,362M OF DIVIDENDS PROPOSED FOR 2019, OF**
    - **14.1% PRO-FORMA FULLY LOADED (1) (2)**
    - **13.9% PHASED-IN (2) (**)**
  - **COMMON EQUITY TIER 1 RATIO IN THE 2018 EBA/ECB STRESS TEST**
    - **9.7% FULLY LOADED UNDER THE ADVERSE SCENARIO FOR 2020, 10.3% TAKING INTO ACCOUNT THE CAPITAL INCREASE TO SERVE THE INCENTIVE PLAN AND THE CONVERSION OF THE SAVINGS SHARES, BOTH FINALISED IN Q3 2018, AND 11.4% CALCULATED ON A PRO-FORMA BASIS (***)**

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(1) Estimated by applying the fully loaded parameters to the financial statements as at 31 December 2019, taking into account the total absorption of deferred tax assets (DTAs) related to goodwill realignment, loan adjustments, the first time adoption of IFRS 9 and the non-taxable public cash contribution of €1,285m covering the integration and rationalisation charges relating to the acquisition of the Aggregate Set of Banca Popolare di Vicenza and Veneto Banca, as well as the expected absorption of DTAs on losses carried forward and the expected distribution of the 2019 net income of insurance companies that exceeds the amount of reserves already distributed in the first quarter.

(2) After the deduction of dividends proposed for 2019 and the coupons accrued on the Additional Tier 1 issues.

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

(**) Equal to 13% excluding the mitigation of the impact of the first time adoption of IFRS 9.

(***) Also taking into account the total absorption of deferred tax assets (DTAs) related to goodwill realignment, loan adjustments, the non-taxable public cash contribution of €1,285m covering the integration and rationalisation charges relating to the acquisition of the Aggregate Set of Banca Popolare di Vicenza and Veneto Banca, as well as the expected absorption of DTAs on losses carried forward.

HIGHLIGHTS:

OPERATING INCOME:	Q4 2019	+1.6%	€4,567M FROM €4,493M IN Q3 2019
	2019	+1.5%	€18,083M FROM €17,813M IN 2018
OPERATING COSTS:	Q4 2019	+10.8%	€2,534M FROM €2,287M IN Q3 2019
	2019	-2.1%	€9,290M FROM €9,487M IN 2018
OPERATING MARGING:	Q4 2019	-7.8%	€2,033M FROM €2,206M IN Q3 2019
	2019	+5.6%	€8,793M FROM €8,326M IN 2018
GROSS INCOME:	Q4 2019	€1,247M	FROM €1,734M IN Q3 2019
	2019	€6,593M	FROM €6,322M IN 2018
NET INCOME:	Q4 2019	€872M	FROM €1,044M IN Q3 2019
	2019	€4,182M	FROM €4,050M IN 2018

CAPITAL RATIOS: COMMON EQUITY TIER 1 RATIO AFTER PROPOSED DIVIDENDS:
14.1% PRO-FORMA FULLY LOADED (3) (4);
13.9% PHASED-IN (4) (5)

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(3) Estimated by applying the fully loaded parameters to the financial statements as at 31 December 2019, taking into account the total absorption of deferred tax assets (DTAs) related to goodwill realignment, loan adjustments, the first time adoption of IFRS 9 and the non-taxable public cash contribution of €1,285m covering the integration and rationalisation charges relating to the acquisition of the Aggregate Set of Banca Popolare di Vicenza and Veneto Banca, as well as the expected absorption of DTAs on losses carried forward and the expected distribution of the 2019 net income of insurance companies that exceeds the amount of reserves already distributed in the first quarter.

(4) After the deduction of dividends proposed for 2019 and the coupons accrued on the Additional Tier 1 issues.

(5) Equal to 13% excluding the mitigation of the impact of the first time adoption of IFRS 9.

Turin - Milan, 4 February 2020 – At its meeting today, the Board of Directors of Intesa Sanpaolo approved both parent company and consolidated results for the year ended 31 December 2019 (6).

Results for 2019 show that the Group is firmly on track to deliver on its targets. They also highlight the continued **support provided by the Group to the country**, which includes its commitment to **becoming a reference model in terms of sustainability and social and cultural responsibility**.

Results reflect the Group's **sustainable profitability** which derives from a **solid capital base and** a **strong liquidity position**, and from a **resilient and well-diversified business model further strengthened by the strategic actions carried out in 2019**:

- **managing revenue generation** in a challenging macroeconomic environment, through:
  - a **continued focus on Wealth Management & Protection driven by a client-centric approach**, with a **strong development of the non-motor P&C insurance business** and in the presence of a **pick-up in net inflow of assets under management** in the second half of the year (around €8bn), which has been favoured by a further decrease in interest rates and **should progressively gather momentum** in an unchanged financial market scenario, in the light of the **strong reserve of potential value creation** deriving from the amount of **household sight deposits that can be converted into assets under management –** which is estimated to be in the region of €70bn at year-end 2019 – and from the pool of around €176bn of **assets held under administration**;
  - **strengthening of financial activities**, **structurally increasing the total contribution of the securities portfolio management**, including net interest income, to the Group's **revenues**;
- **strategic flexibility in managing operating costs**, through:
  - the agreement reached in May 2019 with the trade unions in respect of **1,600 voluntary exits** by June 2021 – **in addition to the 9,000 envisaged** in the 2018-2021 Business Plan by June 2020. **On top of these, around 1,000 applications have been received**, which are currently being evaluated.
- **effective proactive credit management at no extraordinary cost to shareholders**, with a **focus on loans in early delinquency stages** (specifically, the Pulse initiative), also thanks to the strategic partnerships with Prelios in respect of unlikely-to-pay loans and with Intrum in respect of bad loans;

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(6) Methodological note on the scope of consolidation on page 24.

In addition, the Group has started **strategic actions to capture future opportunities for revenue growth**:

- **a further strengthening of the Wealth Management & Protection business**, through:
  - the **acquisition of RBM Assicurazione Salute**, becoming the **no. 2 player in Italy in the** fast-growing **health insurance sector**,
  - **strong development of activities in China targeting** the fast-growing **wealthy households**, with the launch of the **"Chinese Fideuram"** (subsidiary Yi Tsai) which started **fund distribution after receiving first licence**, and having obtained **from the ECB/the Bank of Italy authorisation to set up a Securities company** providing products and services also tailored to the business of the "Chinese Fideuram";
- **partnerships with leading players in scale-intensive businesses**, through:
  - the **agreement with Nexi in respect of payment systems**, to secure **participation in a high-growth business**, without having to make the significant investment required to successfully compete in this sector, and strengthen the **timely offering of new products and services** leveraging the digital and analytical capabilities of a highly specialised partner,
  - the **agreement with SisalPay in respect of proximity banking**, to **enhance the offering of products and services** and **expand the customer base**, reaching around 13 million SisalPay customers, as well as **optimise the branch network** in Italy **through branch closures**, in addition to around 1,100 closures envisaged in the Business Plan, made possible by the **widening of the distribution network of Banca 5, the Group's proximity bank, to over 50,000 points of sale** due to the **growth in the number of joined merchants**.

In 2019, the Group recorded:

- **net income for the year at €4,182m** versus €4,050m in 2018, of which **€872m in Q4 2019** versus €1,044m in Q3 2019 and €1,038m in Q4 2018;

- **growth in gross income**, up 4.3% on 2018, up 17.4% when excluding the positive impact of the NTV and Intrum transactions from 2018;

- **growth in operating margin**, up 5.6% on 2018;

- **growth in operating income**, up 1.5% on 2018;

- **reduction in operating costs**, down 2.1% on 2018;

- **high efficiency** highlighted by a **cost/income of 51.4%** in 2019 – **a figure that places Intesa Sanpaolo in the top tier of its European peers**;

- **net adjustments to loans down** 12.7% on 2018;

- 2019 **cost of risk down to 53bps** versus the 61bps of 2018;

- **improving credit quality** mainly due to an **effective proactive credit management approach**, **at no extraordinary cost to shareholders**:
  - gross **NPLs were reduced** by around **€6bn in 2019** (*), by around **€34bn since September 2015** (the reduction was around €20bn excluding, on one hand, the sale of bad loans to Intrum finalised in Q4 2018 and the sale of unlikely-to-pay loans to Prelios finalised in Q4 2019 and, on the other, the increase due to the impact of the new definition of default) and by around **€21bn since December 2017** (the reduction was around €8bn excluding the Intrum and Prelios transactions and the new definition of default). **In the first two years of the 2018-2021 Business Plan, the NPL reduction achieved was as much as 83% of the target set for the entire four-year period**.
  - **NPL stock**, which at year-end 2019 was affected by the adoption of the new definition of default (with an increase in the stock of around 0.6bn gross and 0.5bn net), **in December 2019 decreased 14.2% gross** and **14.3% net on December 2018** (the decrease was 15.9% gross and 17.5% net excluding the effect of the new definition of default);
  - **NPL to total loan ratio** was **7.6% gross and 3.6% net** in December 2019;

- **sizeable NPL coverage**:
  - **NPL cash coverage ratio of 54.6%** at year-end 2019, **with a cash coverage ratio of 65.3% for the bad loan component**;
  - **robust reserve buffer on performing loans**, amounting to 0.5% at year-end 2019;

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

- **very solid capital position**, with capital ratios well above regulatory requirements. As at 31 December 2019, the **pro-forma fully loaded Common Equity Tier 1 ratio** came in at **14.1%** (7) (8) – **one of the highest levels amongst major European banks** – and the Common Equity Tier 1 ratio calculated by applying the transitional arrangements for 2019 and the Danish Compromise (under which insurance investments are risk weighted instead of being deducted from capital) came in at 13.9% (8) (9), after the deduction of €3,362m of proposed dividends. The aforementioned ratios compare with the SREP requirement for 2019, comprising Capital Conservation Buffer, O-SII Buffer and Countercyclical Capital Buffer (10), which set the fully loaded Common Equity Tier 1 ratio at 9.38% and the phased-in Common Equity Tier 1 ratio at 8.96%. Under the adverse scenario of the 2018 EBA/ECB stress test for 2020, the Common Equity Tier 1 ratio stands at 9.7%, calculated on the basis of the balance sheet date as at 31 December 2017, taking the impact of the first time adoption of IFRS 9 into account. It would stand at 10.3% taking into account the capital increase executed on 11 July 2018 to serve the 2018-2021 LECOIP 2.0 Long-term Incentive Plan and the conversion of savings shares into ordinary shares finalised on 7 August 2018, other things being equal, and at 11.4% calculated on a pro-forma basis (***).

- **strong liquidity position and funding capability**, with **liquid assets of €190bn** and **available unencumbered liquid assets of €118bn at the end of December 2019. The Basel 3 Liquidity Coverage Ratio and Net Stable Funding Ratio requirements have been comfortably complied with**. The Group's refinancing operations with the ECB to optimise the cost of funding and to support businesses in their investment amounted to an average of €58.9bn in Q4 2019 (an average of €60.5bn in each of the first three quarters of 2019 and €61.9bn in 2018) and consisted entirely of the TLTRO with a four-year maturity.

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(7) Estimated by applying the fully loaded parameters to the financial statements as at 31 December 2019, taking into account the total absorption of deferred tax assets (DTAs) related to goodwill realignment, loan adjustments, the first time adoption of IFRS 9 and the non-taxable public cash contribution of €1,285m covering the integration and rationalisation charges relating to the acquisition of the Aggregate Set of Banca Popolare di Vicenza and Veneto Banca, as well as the expected absorption of DTAs on losses carried forward and the expected distribution of the 2019 net income of insurance companies that exceeds the amount of reserves already distributed in the first quarter.

(8) After the deduction of dividends proposed for 2019 and the coupons accrued on the Additional Tier 1 issues.

(9) Equal to 13% excluding the mitigation of the impact of the first time adoption of IFRS 9.

(10) Countercyclical Capital Buffer calculated taking into account the exposures as at 31 December 2019 in the various countries where the Group has a presence, as well as the respective requirements set by the competent national authorities and relating to the 2019-2021 period, where available, or the most recent update of the reference period (requirement was set at zero per cent in Italy for 2019 and for the first quarter of 2020).

(***) Also taking into account the total absorption of deferred tax assets (DTAs) related to goodwill realignment, loan adjustments, the non-taxable public cash contribution of €1,285m covering the integration and rationalisation charges relating to the acquisition of the Aggregate Set of Banca Popolare di Vicenza and Veneto Banca, as well as the expected absorption of DTAs on losses carried forward.

- **<u>support provided to the real economy</u>**, with around **€58bn of medium/long-term new lending** in 2019. **Loans** amounting to around **€48bn** were granted **in Italy**, of which around **€38bn was granted to households and SMEs**. **In 2019, the Group facilitated the return** from non-performing **to performing status of** around **18,500 Italian companies, thus safeguarding around 93,000 jobs**. This brought the total to around **112,000 companies since 2014, with around 560,000 jobs safeguarded over the same period**.
- **<u>support provided to the social economy</u>: Intesa Sanpaolo is the engine of the Italian social economy**. Dividends distributed by the Bank have enabled the foundations that are among its shareholders to grant more than half of the total funds granted by all Italian banking foundations.
- **<u>sustainability and social and cultural responsibility</u>** which, in the presence of solid financials, translated into the actions shown below, carried out by the Group in Italy in 2019:
  - initiatives to **reduce child poverty** and **support people in need** delivering, since 2018, around **8.7 million meals**, around **519,000 dormitory beds**, around **131,000 medicine prescriptions** and around **103,000 items of clothing**;
  - **support provided to families affected by earthquakes and natural disasters, by forgiving mortgages or granting *moratoria* of mortgages** on damaged properties for around €800m in 2019 and providing over €135m in subsidised loans in 2019 (around €335m granted since 2018);
  - **support provided to families and businesses affected by the Genoa bridge collapse**, with a €4.5m plafond for unilateral mortgage forgiveness (€0.5m already forgiven) and a €50m plafond for reconstruction (€4.6m granted);
  - **support to families affected by flooding emergency in Venice** and surroundings through a €100m plafond and a 12-month *moratoria* granted on mortgages;
  - **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 €28m granted in the first ten months; **two new initiatives** announced in January 2020 to support **working mothers** and **people over the age of 50 who have lost their jobs** or have difficulties in accessing pension schemes;
  - a **€5bn Circular Economy credit Plafond** for the 2018-2021 period, to support **sustainable development**: **248 projects** evaluated, of which 63 already financed for around **€760m**; **the first Sustainability Bond launched focused on the Circular Economy** (for an amount of €750m);
  - the **Circular Economy Lab** for corporate clients which is implementing **Open Innovation projects**;
  - **around 720 start-ups evaluated** (around 1,300 since 2018) across **six acceleration programs with 124 coached start-ups** in 2019 (235 since 2018), introducing them to selected investors and ecosystem players (around 1,600 to date);

- the Intesa Sanpaolo *Giovani e Lavoro* program underway, in partnership with Generation, aimed at **training** and **introducing 5,000 young people to the Italian labour market over a three-year period**: three training courses available (Food & Beverage, Retail sales and Java programming) in four areas (Rome, Naples, Milan and Venice), around 9,300 young people, aged 18-29, applied to the programme, over 1,000 companies were involved, over 700 students started a training course, 80% successful job applications for graduates;
- launch of **P-Tech initiative** in partnership with IBM, aiming at training young professionals in the field of new digital jobs;
- over **560,000 visitors** to *Gallerie d'Italia*, the Group's museums, in 2019 (500,000 in 2018) and around **80,000 students** participating in free educational initiatives (73,000 in 2018); the **Canova/Thorvaldsen** exhibition at *Gallerie d'Italia* in Milan, in partnership with St Petersburg State Hermitage Museum and Copenhagen's Thorvaldsens Museum, is **one of the most visited exhibition in Italy** (more than 100,000 visitors in the first two months); **230 artworks from the corporate collection on loan** to Italian and international museums in 2019 (140 in 2018).

● **cash dividends of €3,362m**, which corresponds to a payout ratio of 80% indicated in the Business Plan for 2019. The Board of Directors, at its meeting today, has adopted a proposal, to be submitted at the next Ordinary Shareholders' Meeting, regarding **the distribution of 19.2 euro cents per share**, before tax. In detail, the proposal envisages the distribution of a total amount of €3,361,867,857.60 (*), deriving from 19.2 euro cents on each of the 17,509,728,425 ordinary shares. No distribution will be made to own shares held by the Bank at the record date. The dividend payment, if approved at the Shareholders' Meeting, will take place from 20 May 2020 (with coupon presentation on 18 May and record date on 19 May). The dividend yield is 8.4% and is based on the reference price recorded by the Intesa Sanpaolo stock on 3 February 2020.

(*) On the basis of a Group consolidated net income of €4,182m and a Parent Company net income of €2,137m, the proposal envisages a cash distribution of €2,031,128,497.30 as dividends on the Parent Company's net income (corresponding to 11.6 euro cents on each share) and €1,330,739,360.30 as assignment of reserves drawn on the Share Premium Reserve (corresponding to 7.6 euro cents on each share). The assignment of reserves shall be subject to the same tax regime as the distribution of dividends.

- **<u>implementation of Business Plan initiatives</u>**, specifically:
  1. **Significant de-risking at no extraordinary cost to shareholders**:
     - finalised strategic partnerships with **Intrum in respect of bad loans** and with **Prelios in respect of unlikely-to-pay loans**;
     - created an internal unit ("**Pulse**") dedicated to early delinquency management of retail loans;
     - strengthening of proactive credit portfolio management, specifically through the **Active Credit Portfolio Steering** which completed €10bn of new transactions across different asset classes aimed at dynamically managing the performing credit portfolio, and the **New Credit Strategy framework** which contributed to switch €6bn towards sectors with a better risk/return profile;

  2. **Cost reduction through further simplification of the operating model**:
     - since 2018, **around 7,800 voluntary exits** (including around 1,500 at year-end 2017), **around 850 professionals hired** and around **3,000 people already being reskilled** and redeployed to priority initiatives;
     - branch optimisation in Italy with **423** retail **branches closed** in 2019 and **885** since 2018;
     - **Banca 5 expanded in terms of network** (around 4,900 merchants operational with the new commercial model and around 16,600 with advanced machines to service clients), **products** and **client base** (around 56,000 app downloads and around 45,300 cards issued), with **cash withdrawal** available in all Banca 5 outlets;
     - **partnership with SisalPay** expanding the Banca 5 network to over 50,000 points of sale and enabling a potential further reduction of branches exceeding the Business Plan target;
     - proactive management of the **real estate portfolio** with a **reduction of around 535,000 square meters** in Italy since 2018 (of which around 439,000 from branch closure);
     - reduction of legal entities with the **merger of 11 subsidiaries into the Parent Company** completed since 2018 and the remaining merger already approved by the Board of Directors;

  3. **Revenue growth capturing new business opportunities**:
     - **P&C Insurance**: strong focus on **Retail/SME non-motor offer**, with around 550,000 contracts of **Insurance Digital Wallet ("*XME Protezione*")** sold since its commercialisation in July 2018 and around 42,000 contracts sold to **SMEs** since 2018, also thanks to the commercialisation of **"*Tutela Business Manifattura*"** since July 2018; enhancement of commercial reach and effectiveness in the Banca dei Territori Division branches through the introduction of around **220 P&C specialists and** a **dedicated training plan** (since 2018, around **30,000 employees** have obtained IVASS certificates and around 12,000 have completed advanced training); strengthening of **post-sales management**; **rebranding** of branches as **"*Banca Assicurazione*"**;

- **Private Banking**: completion of the integration of Swiss subsidiaries with the creation of **Intesa Sanpaolo Private Bank (Suisse) Morval**; strengthening of the **international Private Hub**; since 2018, **around 570 private bankers and financial advisors hired**; **new products successfully launched** (Ailis, Alternative, GPM Fogli) with placement of around **€8bn** since their commercialisation;
- **Asset Management**: joint development with the Banca dei Territori Division of the **advanced advisory platform *Valore Insieme*** for Retail and Personal clients (around 74,500 contracts and more than €27.3bn of assets under management since 2018); **launch of Eurizon Italian Fund - ELTIF, the first Italian closed fund** dedicated to the Italian equity market and compliant with the **European Long Term Investments Funds** regulation; **partnership with Oval Money**, an Italian-English fintech start-up operating in the saving and digital payments sector, allowing Eurizon to activate a new digital and simplified distribution channel, focused on a client segment that is complementary to that of the traditional networks, both in Italy and abroad;
- **Wealth Management in China**: **Type 1 licence ("Dealing in securities") obtained** from Hong Kong Monetary Authority to enable the distribution of mutual funds by Eurizon Capital (HK); **Yi Tsai has received licence for mutual fund distribution and business permit; authorisation has been received from the ECB /the Bank of Italy to set up a Securities company**.

4. **People and digital as key enablers**:
   - **people: more than 80%** of the Group's people have subscribed to the capital increase reserved for employees under the 2018-2021 LECOIP 2.0 **Long-term Incentive Plan**; around **11m training hours delivered** in 2019 (up 20% on 2018); around **17,250 people adhering to smart working** (around 9,250 more than in 2017);
   - **completion of the digital transformation: further strengthening of the position of Intesa Sanpaolo as multichannel bank**, with around **85% of products available via multichannel platforms**, around **9.2m multichannel clients** (versus 7.3m in 2017) out of a total of around 12m clients (equal to over 75%); around **98,800 products sold by the Online Branch** since 2018 and **141 remote relationship managers** in the Online Branch with around **52,500 clients served**; **further increase of sales through digital channels**, **reaching over 9%** of total sales (2% in 2017); further strengthening of digitalisation with **34.6% of activities digitalised** (versus 10% in 2017) and around **33m paperless transactions** since 2018 (around 56m since the start of the initiative); **32 legal entities of the Group already integrated into the** Intesa Sanpaolo **Cybersecurity Model**; **digital innovation of products and services** for clients, among which **Xme Banks, Xme Spensierata, Google Pay, Digital Collaboration on App Banking Intesa Sanpaolo**.

<u>The income statement for the fourth quarter of 2019</u>

The consolidated income statement for Q4 2019 recorded **net interest income** of €1,747m, up 0.3% from €1,741m in Q3 2019 and up 0.6% from €1,736m in Q4 2018.

Net fee and commission income amounted to €2,166m, up 10.2% from €1,966m in Q3 2019. Specifically, commissions on commercial banking activities were up 1.6% and commissions on management, dealing and consultancy activities were up 13.3%. The latter, which include portfolio management, distribution of insurance products, dealing and placement of securities, etc., recorded a 4.7% increase in dealing and placement of securities, a 22.1% increase in portfolio management (performance fees contributed €126m in Q4 2019 and €12m in Q3 2019), a 7.7% increase in distribution of insurance products. Net fee and commission income for Q4 2019 was up 7.9% from €2,007m in Q4 2018. Specifically, commissions on commercial banking activities were down 4% and those on management, dealing and consultancy activities were up 18.3%. The latter recorded increases of 22.1% in dealing and placement of securities, 22.5% in portfolio management (performance fees contributed €12m in Q4 2018) and 14.3% in distribution of insurance products.

Income from insurance business amounted to €308m from €301m in Q3 2019 and €238m in Q4 2018.

Profits on financial assets and liabilities at fair value amounted to €356m, compared with €480m in Q3 2019. Contributions from customers increased from €117m to €139m, those from capital markets increased from €13m to €22m, those from trading and treasury decreased from €345m to €198m and those from structured credit products were negative €3m versus a positive balance of €5m. Profits on financial assets and liabilities at fair value of €356m for Q4 2019 compare with profits of €205m in Q4 2018 when contributions from customers amounted to €82m, those from capital markets to €16m, those from trading and treasury to €100m and those from structured credit products to €6m.

Operating income amounted to €4,567m, up 1.6% from €4,493m in Q3 2019 and up 9.4% from €4,175m in Q4 2018.

Operating costs amounted to €2,534m, up 10.8% from €2,287m in Q3 2019, as a result of increases of 6.8% in personnel expenses, 20.8% in administrative expenses and 9.2% in adjustments. Operating costs for Q4 2019 were down 0.9% from €2,558m in Q4 2018, as a result of administrative expenses down 2.9%, adjustments down 0.7% and unchanged personnel expenses.

As a result, **operating margin** amounted to €2,033m, down 7.8% from €2,206m in Q3 2019 and up 25.7% from €1,617m in Q4 2018. The cost/income ratio was 55.5% in Q4 2019 versus 50.9% in Q3 2019 and 61.3% in Q4 2018.

Net adjustments to loans amounted to €693m from €473m in Q3 2019 and €698m in Q4 2018.

Net provisions and net impairment losses on other assets amounted to €168m from €19m in Q3 2019 and €76m in Q4 2018.

Other income recorded a positive balance of €50m versus a negative balance of €2m in Q3 2019 and a positive balance of €507m in Q4 2018 which included the capital gain of €443m deriving from the partnership with Intrum.

Income (Loss) from discontinued operations amounted to €25m versus €22m in Q3 2019 and €19m in Q4 2018.

Gross income amounted to €1,247m from €1,734m in Q3 2019 and €1,369m in Q4 2018.

Consolidated net income for the quarter amounted to €872m, after accounting:
- taxes on income of €317m;
- charges (net of tax) for integration and exit incentives of €27m;
- effect of purchase price allocation (net of tax) of €12m;
- levies and other charges concerning the banking industry (net of tax) of €22m, deriving from pre-tax charges of €11m in relation to contributions to the Italian deposit guarantee scheme, €4m in relation to contributions to the deposit guarantee scheme concerning the international network and €14m in relation to levies incurred by international subsidiaries. In Q3 2019, this caption amounted to €96m, deriving from the following pre-tax figures: charges of €127m in relation to contributions to the Italian deposit guarantee scheme estimated for full year 2019, €2m in relation to contributions to the deposit guarantee scheme concerning the international network, €3m in relation to contributions to the resolution fund and €13m in relation to levies incurred by international subsidiaries, and positive fair value differences of €5m regarding the *Atlante* fund. In Q4 2018, this caption amounted to €69m, deriving from pre-tax charges of €2m in relation to contributions to the Italian deposit guarantee scheme, €4m in relation to contributions to the deposit guarantee scheme concerning the international network, €13m in relation to levies incurred by international subsidiaries and €80m in relation to the National Interbank Deposit Guarantee Fund Voluntary Scheme.
- losses pertaining to minority interests of €3m.

Net income of €872m in Q4 2019 compares with €1,044m in Q3 2019 and €1,038m in Q4 2018.

The income statement for 2019

The consolidated income statement for 2019 recorded **net interest income** of €7,005m, down 3.7% from €7,271m in 2018.

Net fee and commission income amounted to €7,962m, up 0.1% from €7,952m in 2018. Specifically, commissions on commercial banking activities were down 1.9% and commissions on management, dealing and consultancy activities were up 1.5%. The latter recorded increases of 2.4% in dealing and placement of securities, 2.9% in portfolio management (performance fees contributed €140m, compared with €18m in 2018) and a decrease of 1.4% in distribution of insurance products.

Income from insurance business amounted to €1,184m from €1,084m in 2018.

Profits on financial assets and liabilities at fair value amounted to €1,928m, compared with €1,472m in 2018 (which included the positive effect of €264m deriving from the fair value measurement and subsequent sale of the NTV investment). Contributions from customers increased from €359m to €534m, those from capital markets decreased from €458m (including the aforementioned NTV positive effect) to €181m, those from trading and treasury increased from €644m to €1,187m and those from structured credit products increased from €10m to €25m.

Operating income amounted to €18,083m, up 1.5% from €17,813m in 2018.

Operating costs amounted to €9,290m, down 2.1% from €9,487m in 2018, as a result of decreases of 1.2% in personnel expenses and 5% in administrative expenses and an increase of 0.1% in adjustments.

As a result, **operating margin** amounted to €8,793m, up 5.6% from €8,326m in 2018. The cost/income ratio was 51.4% in 2019 versus 53.3% in 2018.

Net adjustments to loans amounted to €2,089m, down 12.7% from €2,394m in 2018.

Net provisions and net impairment losses on other assets amounted to €254m from €187m in 2018.

Other income amounted to €55m versus the €506m of 2018 which included the capital gain of €443m deriving from the partnership with Intrum.

Income (Loss) from discontinued operations amounted to €88m versus €71m in 2018.

Gross income amounted to €6,593m, up 4.3% from €6,322m in 2018. The increase would be 17.4% when excluding the positive impact of the NTV and Intrum transactions from 2018.

Consolidated net income for 2019 amounted to €4,182m, after accounting:
- taxes on income of €1,838m;
- charges (net of tax) for integration and exit incentives of €106m;
- effect of purchase price allocation (net of tax) of €117m;
- levies and other charges concerning the banking industry (net of tax) of €360m. This derives from the following pre-tax figures: charges of €316m in relation to contributions to the resolution fund, €138m in relation to contributions to the Italian deposit guarantee scheme, €19m in relation to contributions to the deposit guarantee scheme concerning the international network and €53m in relation to levies incurred by international subsidiaries, and positive fair value differences of €13m regarding the *Atlante* fund. In 2018, this caption amounted to €378m, deriving from the following pre-tax figures: charges of €277m in relation to contributions to the resolution fund, €125m in relation to contributions to the Italian deposit guarantee scheme, €20m in relation to contributions to the deposit guarantee scheme concerning the international network, €47m in relation to levies incurred by international subsidiaries, and €80m in relation to the National Interbank Deposit Guarantee Fund Voluntary Scheme, and positive fair value differences of €8m regarding the *Atlante* fund.
- losses pertaining to minority interests of €10m.

Net income of €4,182m for 2019 increased by 3.3% versus the €4,050m of 2018, by 24.2% when excluding the positive impact of the NTV and Intrum transactions from 2018.

Balance sheet as at 31 December 2019

As regards the consolidated balance sheet figures, as at 31 December 2019 **loans to customers** amounted to €395bn, up 0.4% on year-end 2018 (down 0.4% on Q3 2019 and down 1.8% on 2018 when taking into account quarterly and yearly average volumes [(11)]). Total **non-performing loans** (bad, unlikely-to-pay, and past due), which at year-end 2019 were affected by the new definition of default, amounted - net of adjustments - to €14,222m (including an NPL increase of around €0.5bn by the new definition of default), down 14.3% from the €16,591m of year-end 2018 (down 17.5% excluding the effect of the adoption of the new definition of default). In detail, bad loans decreased to €6,740m from €7,138m at year-end 2018, with a bad loan to total loan ratio of 1.7% (1.8% as at year-end 2018), and a cash coverage ratio of 65.3% (67.2% as at year-end 2018). Unlikely-to-pay loans decreased to €6,738m from €9,101m at year-end 2018. Past due loans amounted to €744m (of which around €0.5bn attributable to the aforementioned adoption of the new definition of default) from €352m at year-end 2018.

Customer financial assets amounted to €961bn, up 5.4% on year-end 2018. Under customer financial assets, **direct deposits from banking business** amounted to €426bn, up 2.5% on year-end 2018. **Direct deposits from insurance business and technical reserves** amounted to €166bn, up 11% on year-end 2018. Indirect customer deposits amounted to €534bn, up 7.8% on year-end 2018. **Assets under management** amounted to €358bn, up 8.3% on year-end 2018. As for bancassurance, in 2019 the new business for life policies amounted to €17.7bn. Assets held under administration and in custody amounted to €176bn, up 6.7% on year-end 2018.

Capital ratios as at 31 December 2019, calculated by applying the transitional arrangements for 2019 and the Danish compromise and taking €3,362m of dividends proposed for 2019 into account, were as follows:

- Common Equity Tier 1 ratio [(12)] at 13.9% (13.5% at year-end 2018 [(13)]),
- Tier 1 ratio [(12)] at 15.3% (15.2% at year-end 2018 [(13)]),
- total capital ratio [(12)] at 17.7% (17.7% at year-end 2018 [(13)]).

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

(12) After the deduction of the dividends proposed for 2019 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% for the Common Equity Tier 1 ratio, 14.3% for the Tier 1 ratio and 17% for the total capital ratio.

(13) In accordance with the transitional arrangements for 2018. Excluding the mitigation of the impact of the first time adoption of IFRS 9, capital ratios are 12% for the Common Equity Tier 1 ratio, 13.8% for the Tier 1 ratio and 16.5% for the total capital ratio. These would be 12.5%, 14.2% and 17.1%, respectively, taking the Danish compromise into account.

The estimated pro-forma Common Equity Tier 1 ratio for the Group on a **fully loaded basis** was 14.1% (13.6% at year-end 2018). It was calculated by applying the fully loaded parameters to the financial statements as at 31 December 2019, taking into account the total absorption of deferred tax assets (DTAs) related to goodwill realignment, loan adjustments, the first time adoption of IFRS 9 and the non-taxable public cash contribution of €1,285m covering the integration and rationalisation charges relating to the acquisition of the Aggregate Set of Banca Popolare di Vicenza and Veneto Banca, as well as the expected absorption of DTAs on losses carried forward and the expected distribution of the 2019 net income of insurance companies that exceeds the amount of reserves already distributed in the first quarter.

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

Specifically, with regard to the components of the Group's **liquidity**:
- the high level of available unencumbered liquid assets (including eligible assets with Central Banks received as collateral and excluding eligible assets currently used as collateral) amounted to €118bn at the end of December 2019;
- the high level of liquid assets (comprising available unencumbered liquid assets, excluding eligible assets received as collateral, and eligible assets currently used as collateral) amounted to €190bn at the end of December 2019;
- refinancing operations with the ECB to optimise the cost of funding and to support businesses in their investment amounted to an average of €58.9bn in Q4 2019 (an average of €60.5bn in each of the first three quarters of 2019 and €61.9bn in 2018). These refinancing operations consisted entirely of the TLTRO with a four-year maturity.
- the sources of funding were stable and well diversified, with retail funding representing 80% of direct deposits from banking business (including securities issued);
- medium/long-term wholesale funding was €9.5bn in 2019 and included benchmark transactions of €1bn covered bonds, senior of JPY13.2bn, €3.5bn, CHF250m and U.S.$2bn and €750m green bond (around 91% were placed with foreign investors).

The Group's **leverage ratio** as at 31 December 2019 was 6.7% applying the transitional arrangements for 2019 and 6.3% fully loaded, both best in class among major European banking groups.

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As at 31 December 2019, the Intesa Sanpaolo Group's **operating structure** had a total network of 4,799 branches, consisting of 3,752 branches in Italy and 1,047 abroad, and employed 89,102 people.

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Breakdown of results by business area

The **Banca dei Territori** Division comprises:
- Retail customers (individual customers with financial assets up to €100,000 and businesses/companies with low-complexity needs)
- Personal customers (individual customers with financial assets between €100,000 and €1m)
- SME customers (enterprises with group turnover of €350m or less)
- customers that are non-profit organisations.

The division includes Banca 5, a "proximity bank" linked with a non-captive network of points of sale, focused on instant banking and targeting categories of customers who rarely use banking products and services.

In the fourth quarter of 2019, the Banca dei Territori Division recorded:
- operating income of €2,103m, -2% versus €2,145m in Q3 2019
- operating costs of €1,327m, +7.1% versus €1,239m in Q3 2019;
- operating margin of €776m, -14.4% versus €906m in Q3 2019;
- a cost/income ratio of 63.1% versus 57.8% in Q3 2019;
- net provisions and adjustments of €285m, versus €271m in Q3 2019;
- gross income of €601m, -5.3% versus €635m in Q3 2019;
- net income of €411m, +3.2% versus €398m in Q3 2019.

In 2019, the Banca dei Territori Division recorded:
- operating income of €8,473m, -4% versus €8,825m in 2018, contributing approximately 47% of the consolidated operating income (50% in 2018);
- operating costs of €5,034m, -5.2% versus €5,311m in 2018;
- operating margin of €3,439m, -2.1% versus €3,514m in 2018;
- a cost/income ratio of 59.4% versus 60.2% in 2018;
- net provisions and adjustments of €1,127m, versus €1,476m in 2018;
- gross income of €2,423m, +18.9% versus €2,038m in 2018;
- net income of €1,551m, +23.5% versus €1,256m in 2018.

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

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

In the fourth quarter of 2019, the Corporate and Investment Banking Division recorded:
- operating income of €1,013m, -8.9% versus €1,113m in Q3 2019;
- operating costs of €305m, +14.5% versus €267m in Q3 2019;
- operating margin of €708m, -16.3% versus €846m in Q3 2019;
- a cost/income ratio of 30.1% versus 24% in Q3 2019;
- net provisions and adjustments of €56m, versus €65m in Q3 2019;
- gross income of €652m, -16.5% versus €781m in Q3 2019;
- net income of €456m, -14% versus €531m in Q3 2019.

In 2019, the Corporate and Investment Banking Division recorded:
- operating income of €4,162m, +6.3% versus €3,915m in 2018, contributing approximately 23% of the consolidated operating income (22% in 2018);
- operating costs of €1,088m, +0.3% versus €1,085m in 2018;
- operating margin of €3,074m, +8.6% versus €2,830m in 2018;
- a cost/income ratio of 26.1% versus 27.7% in 2018;
- net provisions and adjustments of €252m, versus €153m in 2018;
- gross income of €2,825m, +5.4% versus €2,679m in 2018;
- net income of €1,932m, +1.6% versus €1,902m in 2018.

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

In the fourth quarter of 2019, the International Subsidiary Banks Division recorded:
- operating income of €513m, +2.7% versus €499m in Q3 2019;
- operating costs of €269m, +10.9% versus €243m in Q3 2019;
- operating margin of €243m, -5.1% versus €256m in Q3 2019;
- a cost/income ratio of 52.6% versus 48.7% in Q3 2019;
- net provisions and adjustments of €36m, versus €6m in Q3 2019;
- gross income of €211m, -16% versus €252m in Q3 2019;
- net income of €159m, -17.9% versus €193m in Q3 2019.

In 2019, the International Subsidiary Banks Division recorded:
- operating income of €1,998m, +0.5% versus €1,988m in 2018, contributing approximately 11% of the consolidated operating income (11% in 2018 as well);
- operating costs of €991m, +1.6% versus €975m in 2018;
- operating margin of €1,007m, -0.6% versus €1,013m in 2018;
- a cost/income ratio of 49.6% versus 49% in 2018;
- net provisions and adjustments of €72m, versus €168m in 2018;
- gross income of €944m, +10.4% versus €855m in 2018;
- net income of €723m, +7% versus €676m in 2018.

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

In the fourth quarter of 2019, the Private Banking Division recorded:
- operating income of €526m, +9.2% versus €482m in Q3 2019;
- operating costs of €164m, +2.6% versus €160m in Q3 2019;
- operating margin of €362m, +12.5% versus €322m in Q3 2019;
- a cost/income ratio of 31.2% versus 33.2% in Q3 2019;
- net recoveries of €6m, versus net provisions and adjustments of €14m in Q3 2019;
- gross income of €368m, +19.5% versus €308m in Q3 2019;
- net income of €246m, +18.4% versus €208m in Q3 2019.

In 2019, the Private Banking Division recorded:
- operating income of €1,971m, +5.2% versus €1,874m in 2018, contributing approximately 11% of the consolidated operating income (11% in 2018 as well);
- operating costs of €613m, +3.4% versus €593m in 2018;
- operating margin of €1,358m, +6% versus €1,281m in 2018;
- a cost/income ratio of 31.1% versus 31.6% in 2018;
- net provisions and adjustments of €32m, versus €8m in 2018;
- gross income of €1,335m, +4.1% versus €1.283m in 2018;
- net income of €919m, +8.4% versus €848m in 2018.

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

In the fourth quarter of 2019, the Asset Management Division recorded:
- operating income of €282m, +44.8% versus €195m in Q3 2019;
- operating costs of €49m, +34.5% versus €37m in Q3 2019;
- operating margin of €233m, +47.1% versus €158m in Q3 2019;
- a cost/income ratio of 17.5% versus 18.8% in Q3 2019;
- gross income of €233m, +47.2% versus €158m in Q3 2019;
- net income of €174m, +47% versus €118m in Q3 2019.

In 2019, the Asset Management Division recorded:
- operating income of €840m, +17.3% versus €716m in 2018, contributing approximately 5% of the consolidated operating income (4% in 2018);
- operating costs of €157m, +4.7% versus €150m in 2018;
- operating margin of €683m, +20.7% versus €566m in 2018;
- a cost/income ratio of 18.7% versus 20.9% in 2018;
- no net provisions and adjustments, versus net recoveries of €2m in 2018;
- gross income of €683m, +20.2% versus €568m in 2018;
- net income of €518m, +14.1% versus €454m in 2018.

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

In the fourth quarter of 2019, the Insurance Division recorded:
- operating income of €295m, -0.3% versus €296m in Q3 2019;
- operating costs of €59m, +12.6% versus €52m in Q3 2019;
- operating margin of €236m, -3.1% versus €244m in Q3 2019;
- a cost/income ratio of 19.9% versus 17.6% in Q3 2019;
- no net provisions and adjustments, versus net provisions and adjustments of €1m in Q3 2019;
- gross income of €236m, -2.8% versus €243m in Q3 2019;
- net income of €167m, -2.2% versus €170m in Q3 2019.

In 2019, the Insurance Division recorded:
- operating income of €1,132m, +2.4% versus €1,106m in 2018, contributing approximately 6% of the consolidated operating income (6% in 2018 as well);
- operating costs of €204m, +9.1% versus €187m in 2018;
- operating margin of €928m, +1% versus €919m in 2018;
- a cost/income ratio of 18% versus 16.9% in 2018;
- net provisions and adjustments of €2m, versus €5m in 2018;
- gross income of €926m, +1.3% versus €914m in 2018;
- net income of €661m, +2% versus €648m in 2018.

<u>The outlook for 2020</u>

In 2020, the Group's net income is expected to grow compared with 2019, even when excluding the capital gain foreseen on the Nexi transaction, as a result of growth in revenues, continuous reduction in operating costs and decrease in the cost of risk. Net income for 2020 is expected to be well above 2019 when including the foreseen Nexi capital gain. The dividend policy for 2020 envisages the distribution of cash dividends corresponding to a payout ratio of 75% of net income.

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For consistency purpose, the income statement figures for the first three quarters of 2019 and the four quarters of 2018 were restated following the agreement, signed in December 2019, in respect of the transfer to Nexi of the Intesa Sanpaolo business line consisting of the acquiring activities. The related items were deconsolidated line by line and the business line contribution to the income statement was included under Income (Loss) from discontinued operations. Furthermore, the income statement and balance sheet figures for these quarters relating to the Banca dei Territori Division and the Corporate and Investment Banking Division were restated following the incorporation, in November 2019, of subsidiary Mediocredito Italiano into the Parent Company.

The income statement figures for the four quarters of 2018 were restated also for:
- the adoption of IFRS 16;
- the inclusion of the investment in Autostrade Lombarde into the full scope of consolidation, with the related items consolidated line by line and operating income fully recognised in "other operating income (expenses)" due to the company not being part of the Banking Group (given that Intesa Sanpaolo does not exercise management and control on it), and the corresponding net income included under minority interests;
- the reclassification of operating income of Risanamento, which was fully recognised in "other operating income (expenses)", similarly to Autostrade Lombarde, due to Risanamento, too, not being part of the Banking Group (given that Intesa Sanpaolo does not exercise management and control on it);
- the reclassification of commissions from placement of certificates from "profits (losses) on financial assets and liabilities designated at fair value" to "net fee and commission income";
- the reclassification of expenses relating to personnel transferred to Intrum from "personnel expenses" to "administrative expenses";
- the reclassification of charges concerning the banking industry borne by international subsidiaries from "other operating income (expenses)" to "levies and other charges concerning the banking industry (net of tax)" and "taxes on income".

* * *

In order to present more complete information on the results generated as at 31 December 2019, the reclassified consolidated income statement and the reclassified consolidated balance sheet approved by the Board of Directors are attached. Please note that the auditing firm is completing the auditor review of the financial statements, as well as the activities for the issue of the statement in accordance with art. 26 (2) of Regulation EU n. 575/2013 and with ECB Decision no. 2015/656. The parent company draft financial statements and the consolidated financial statements as at 31 December 2019 will be submitted for approval at the meeting of the Board of Directors scheduled for 25 February 2020. The parent company draft financial statements and the consolidated financial statements as at 31 December 2019 will be submitted for examination of the auditing firm in charge of auditing the annual report and will be made available for shareholders and the market by 20 March 2020. The parent company financial statements will be submitted for the approval of shareholders at the Ordinary Meeting scheduled for 27 April 2020.

* * *

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

* * *

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

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

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

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

Investor Relations
+39.02.87943180
investor.relations@intesasanpaolo.com

Media Relations
+39.02.87962326
stampa@intesasanpaolo.com

group.intesasanpaolo.com

Intesa Sanpaolo Group

Reclassified consolidated statement of income

(millions of euro)

	2019	2018	Changes	
			amount	%
Net interest income	7,005	7,271	-266	-3.7
Net fee and commission income	7,962	7,952	10	0.1
Income from insurance business	1,184	1,084	100	9.2
Profits (Losses) on financial assets and liabilities designated at fair value	1,928	1,472	456	31.0
Other operating income (expenses)	4	34	-30	-88.2
Operating income	**18,083**	**17,813**	**270**	**1.5**
Personnel expenses	-5,744	-5,812	-68	-1.2
Other administrative expenses	-2,488	-2,618	-130	-5.0
Adjustments to property, equipment and intangible assets	-1,058	-1,057	1	0.1
Operating costs	**-9,290**	**-9,487**	**-197**	**-2.1**
Operating margin	**8,793**	**8,326**	**467**	**5.6**
Net adjustments to loans	-2,089	-2,394	-305	-12.7
Other net provisions and net impairment losses on other assets	-254	-187	67	35.8
Other income (expenses)	55	506	-451	-89.1
Income (Loss) from discontinued operations	88	71	17	23.9
Gross income (loss)	**6,593**	**6,322**	**271**	**4.3**
Taxes on income	-1,838	-1,650	188	11.4
Charges (net of tax) for integration and exit incentives	-106	-120	-14	-11.7
Effect of purchase price allocation (net of tax)	-117	-156	-39	-25.0
Levies and other charges concerning the banking industry (net of tax)	-360	-378	-18	-4.8
Impairment (net of tax) of goodwill and other intangible assets	-	-	-	-
Minority interests	10	32	-22	-68.8
Net income (loss)	**4,182**	**4,050**	**132**	**3.3**

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

Intesa Sanpaolo Group

Quarterly development of the reclassified consolidated statement of income

(millions of euro)

	2019				2018			
	Fourth quarter	**Third quarter**	**Second quarter**	**First quarter**	**Fourth quarter**	**Third quarter**	**Second quarter**	**First quarter**
Net interest income	1,747	1,741	1,761	1,756	1,736	1,844	1,838	1,853
Net fee and commission income	2,166	1,966	1,965	1,865	2,007	1,939	1,996	2,010
Income from insurance business	308	301	284	291	238	271	281	294
Profits (Losses) on financial assets and liabilities designated at fair value	356	480	634	458	205	209	448	610
Other operating income (expenses)	-10	5	10	-1	-11	-11	26	30
Operating income	**4,567**	**4,493**	**4,654**	**4,369**	**4,175**	**4,252**	**4,589**	**4,797**
Personnel expenses	-1,518	-1,421	-1,418	-1,387	-1,518	-1,415	-1,447	-1,432
Other administrative expenses	-731	-605	-596	-556	-753	-637	-608	-620
Adjustments to property, equipment and intangible assets	-285	-261	-252	-260	-287	-259	-254	-257
Operating costs	**-2,534**	**-2,287**	**-2,266**	**-2,203**	**-2,558**	**-2,311**	**-2,309**	**-2,309**
Operating margin	**2,033**	**2,206**	**2,388**	**2,166**	**1,617**	**1,941**	**2,280**	**2,488**
Net adjustments to loans	-693	-473	-554	-369	-698	-519	-694	-483
Other net provisions and net impairment losses on other assets	-168	-19	-37	-30	-76	-25	-35	-51
Other income (expenses)	50	-2	1	6	507	-2	3	-2
Income (Loss) from discontinued operations	25	22	22	19	19	19	16	17
Gross income (loss)	**1,247**	**1,734**	**1,820**	**1,792**	**1,369**	**1,414**	**1,570**	**1,969**
Taxes on income	-317	-536	-449	-536	-173	-432	-504	-541
Charges (net of tax) for integration and exit incentives	-27	-27	-30	-22	-54	-31	-16	-19
Effect of purchase price allocation (net of tax)	-12	-37	-28	-40	-48	-38	-26	-44
Levies and other charges concerning the banking industry (net of tax)	-22	-96	-96	-146	-69	-90	-93	-126
Impairment (net of tax) of goodwill and other intangible assets	-	-	-	-	-	-	-	-
Minority interests	3	6	-1	2	13	10	-4	13
Net income (loss)	**872**	**1,044**	**1,216**	**1,050**	**1,038**	**833**	**927**	**1,252**

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

Intesa Sanpaolo Group

Reclassified consolidated balance sheet

(millions of euro)

Assets	**31.12.2019**	**01.01.2019**	**Changes**	
			amount	**%**
Due from banks	47,170	68,723	-21,553	-31.4
Loans to customers	395,229	393,550	1,679	0.4
Loans to customers measured at amortised cost	*394,093*	*392,945*	*1,148*	*0.3*
Loans to customers designated at fair value through other comprehensive income and through profit or loss	*1,136*	*605*	*531*	*87.8*
Financial assets measured at amortised cost which do not constitute loans	25,888	14,183	11,705	82.5
Financial assets at fair value through profit or loss	48,636	41,536	7,100	17.1
Financial assets at fair value through other comprehensive income	72,046	60,441	11,605	19.2
Financial assets pertaining to insurance companies measured at fair value pursuant to IAS 39	168,202	149,546	18,656	12.5
Financial assets pertaining to insurance companies measured at amortised cost pursuant to IAS 39	612	952	-340	-35.7
Investments in associates and companies subject to joint control	1,240	943	297	31.5
Property, equipment and intangible assets	17,153	17,145	8	-
Assets owned	*15,655*	*15,516*	*139*	*0.9*
Rights of use acquired under leases	*1,498*	*1,629*	*-131*	*-8.0*
Tax assets	15,467	17,258	-1,791	-10.4
Non-current assets held for sale and discontinued operations	494	1,297	-803	-61.9
Other assets	23,965	23,811	154	0.6
Total Assets	**816,102**	**789,385**	**26,717**	**3.4**

Liabilities	**31.12.2019**	**01.01.2019**	**Changes**	
			amount	**%**
Due to banks at amortised cost	103,316	107,982	-4,666	-4.3
Due to customers at amortised cost and securities issued	414,578	405,960	8,618	2.1
Financial liabilities held for trading	45,226	41,895	3,331	8.0
Financial liabilities designated at fair value	4	4	-	-
Financial liabilities pertaining to insurance companies measured at amortised cost pursuant to IAS 39	818	810	8	1.0
Financial liabilities pertaining to insurance companies measured at fair value pursuant to IAS 39	75,935	67,800	8,135	12.0
Tax liabilities	2,321	2,391	-70	-2.9
Liabilities associated with non-current assets held for sale and discontinued operations	41	258	-217	-84.1
Other liabilities	23,381	20,884	2,497	12.0
of which lease payables	*1,496*	*1,603*	*-107*	*-6.7*
Technical reserves	89,136	80,797	8,339	10.3
Allowances for risks and charges	5,131	6,254	-1,123	-18.0
of which allowances for commitments and financial guarantees given	*482*	*510*	*-28*	*-5.5*
Share capital	9,086	9,085	1	-
Reserves	38,250	37,690	560	1.5
Valuation reserves	-157	-913	-756	-82.8
Valuation reserves pertaining to insurance companies	504	9	495	
Equity instruments	4,103	4,103	-	-
Minority interests	247	326	-79	-24.2
Net income (loss)	4,182	4,050	132	3.3
Total liabilities and shareholders' equity	**816,102**	**789,385**	**26,717**	**3.4**

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

Intesa Sanpaolo Group

Quarterly development of the reclassified consolidated balance sheet

(millions of euro)

Assets			**2019**					**2018**	
	31/12	**30/9**	**30/6**	**31/3**	**1/1**	**31/12**	**30/9**	**30/6**	**31/3**
Due from banks	47,170	71,958	77,141	85,515	68,723	68,723	71,178	69,876	70,646
Loans to customers	395,229	395,193	394,253	395,595	393,550	393,550	395,265	399,704	400,958
Loans to customers measured at amortised cost	*394,093*	*394,289*	*393,243*	*394,990*	*392,945*	*392,945*	*394,543*	*399,083*	*400,344*
Loans to customers designated at fair value through other comprehensive income and through profit or loss	*1,136*	*904*	*1,010*	*605*	*605*	*605*	*722*	*621*	*614*
Financial assets measured at amortised cost which do not constitute loans	25,888	24,104	20,396	19,995	14,183	14,183	12,528	12,181	11,688
Financial assets at fair value through profit or loss	48,636	54,542	52,693	47,626	41,536	41,536	41,377	42,158	42,115
Financial assets at fair value through other comprehensive income	72,046	75,052	65,996	66,406	60,441	60,441	67,174	61,836	60,556
Financial assets pertaining to insurance companies measured at fair value pursuant to IAS 39	168,202	167,034	159,171	155,240	149,546	149,546	153,350	152,229	153,550
Financial assets pertaining to insurance companies measured at amortised cost pursuant to IAS 39	612	570	568	702	952	952	638	682	476
Investments in associates and companies subject to joint control	1,240	1,113	1,071	1,075	943	943	592	602	608
Property, equipment and intangible assets	17,153	16,953	16,959	16,963	17,145	15,538	14,352	14,410	14,400
Assets owned	*15,655*	*15,411*	*15,389*	*15,381*	*15,516*				
Rights of use acquired under leases	*1,498*	*1,542*	*1,570*	*1,582*	*1,629*				
Tax assets	15,467	15,556	16,122	16,858	17,258	17,258	17,116	17,120	17,354
Non-current assets held for sale and discontinued operations	494	2,554	803	1,236	1,297	1,297	3,694	3,609	751
Other assets	23,965	24,137	23,238	22,114	23,811	23,823	21,697	21,288	22,046
Total Assets	**816,102**	**848,766**	**828,411**	**829,325**	**789,385**	**787,790**	**798,961**	**795,695**	**795,148**

Liabilities			**2019**				**2018**		
	31/12	**30/9**	**30/6**	**31/3**	**1/1**	**31/12**	**30/9**	**30/6**	**31/3**
Due to banks at amortised cost	103,316	119,509	120,232	123,326	107,982	107,982	107,551	99,059	98,313
Due to customers at amortised cost and securities issued	414,578	415,128	411,588	416,505	405,960	405,960	417,801	424,836	417,731
Financial liabilities held for trading	45,226	53,938	51,187	48,433	41,895	41,895	39,866	39,482	39,753
Financial liabilities designated at fair value	4	4	4	4	4	4	4	4	4
Financial liabilities pertaining to insurance companies measured at amortised cost pursuant to IAS 39	818	879	847	846	810	810	905	1,413	1,394
Financial liabilities pertaining to insurance companies measured at fair value pursuant to IAS 39	75,935	74,405	72,027	70,955	67,800	67,800	71,069	70,337	69,058
Tax liabilities	2,321	2,519	2,014	2,633	2,391	2,391	2,229	2,145	2,577
Liabilities associated with non-current assets held for sale and discontinued operations	41	256	254	260	258	258	312	261	266
Other liabilities	23,381	32,236	26,483	22,675	20,884	19,289	19,370	20,190	21,073
of which lease payables	*1,496*	*1,523*	*1,547*	*1,553*	*1,603*				
Technical reserves	89,136	89,237	84,710	82,508	80,797	80,797	80,449	79,842	82,656
Allowances for risks and charges	5,131	5,164	5,260	5,694	6,254	6,254	6,566	6,877	7,242
of which allowances for commitments and financial guarantees given	*482*	*423*	*450*	*449*	*510*	*510*	*490*	*473*	*503*
Share capital	9,086	9,086	9,086	9,085	9,085	9,085	9,084	8,732	8,732
Reserves	38,250	38,197	38,232	41,704	37,690	37,690	37,949	37,212	40,796
Valuation reserves	-157	-194	-474	-877	-913	-913	-1,631	-1,366	-760
Valuation reserves pertaining to insurance companies	504	727	322	137	9	9	-44	3	429
Equity instruments	4,103	4,103	4,103	4,103	4,103	4,103	4,103	4,103	4,103
Minority interests	247	262	270	284	326	326	366	386	529
Net income (loss)	4,182	3,310	2,266	1,050	4,050	4,050	3,012	2,179	1,252
Total Liabilities and Shareholders' Equity	**816,102**	**848,766**	**828,411**	**829,325**	**789,385**	**787,790**	**798,961**	**795,695**	**795,148**

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

Intesa Sanpaolo Group

Breakdown of financial highlights by business area

(millions of euro)

	Banca dei Territori	Corporate and Investment Banking	International Subsidiary Banks	Private Banking	Asset Management	Insurance	Corporate Centre	Total
Operating income								
2019	8,473	4,162	1,998	1,971	840	1,132	-493	18,083
2018	8,825	3,915	1,988	1,874	716	1,106	-611	17,813
% change	-4.0	6.3	0.5	5.2	17.3	2.4	-19.3	1.5
Operating costs								
2019	-5,034	-1,088	-991	-613	-157	-204	-1,203	-9,290
2018	-5,311	-1,085	-975	-593	-150	-187	-1,186	-9,487
% change	-5.2	0.3	1.6	3.4	4.7	9.1	1.4	-2.1
Operating margin								
2019	3,439	3,074	1,007	1,358	683	928	-1,696	8,793
2018	3,514	2,830	1,013	1,281	566	919	-1,797	8,326
% change	-2.1	8.6	-0.6	6.0	20.7	1.0	-5.6	5.6
Net income (loss)								
2019	1,551	1,932	723	919	518	661	-2,122	4,182
2018	1,256	1,902	676	848	454	648	-1,734	4,050
% change	23.5	1.6	7.0	8.4	14.1	2.0	22.4	3.3

(millions of euro)

	Banca dei Territori	Corporate and Investment Banking	International Subsidiary Banks	Private Banking	Asset Management	Insurance	Corporate Centre	Total
Loans to customers								
31.12.2019	186,354	131,543	34,038	9,329	435	-	33,530	395,229
01.01.2019	196,093	124,232	31,538	9,530	228	-	31,929	393,550
% change	-5.0	5.9	7.9	-2.1	90.8	-	5.0	0.4
Direct deposits from banking business								
31.12.2019	199,256	96,550	43,420	38,737	10	-	47,539	425,512
01.01.2019	190,960	102,449	39,384	32,103	6	-	50,180	415,082
% change	4.3	-5.8	10.2	20.7	66.7	-	-5.3	2.5

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