

REALIGNMENT OF INTANGIBLE ASSETS

1. REALIGNMENT OF GOODWILL

In the fourth quarter of 2008, the Intesa Sanpaolo Group exercised the option provided for in Article 15, paragraph 10 of Decree Law 185/2008. This option allows realignment of goodwill recorded in a company's financial statements that are generated by operations that are tax-neutral such as mergers, demergers or neutral business contributions. This option, through the payment of a substitute tax of 16%, allows the deduction, on a non-accounting basis, as amortisation, of the higher taxable value recorded. This deduction takes place over ten years (instead of nine years as originally envisaged, pursuant to modifications introduced by the "milleproroghe" decree of year-end 2010), starting from the tax period after that in which the substitute tax was paid.

The realignment led to recognition of deferred tax assets of 2,193 million euro corresponding to lower taxes to be due owing to the tax deduction of goodwill amortisation for IRES and IRAP purposes against a substitute tax charge of 1,086 million euro, with a net contribution of 1,107 million euro to the income statement.

In the first quarter of 2010, the Intesa Sanpaolo Group carried out additional goodwill realignment pursuant to Article 15, paragraph 10 of Decree Law 185/2008, which led to the recognition of deferred tax assets of 172 million euro against a substitute tax charge of 86 million euro, with a net contribution of 86 million euro to the income statement.

In the third quarter of 2011, the Intesa Sanpaolo Group exercised the option for the realignment of intangibles recorded in the 2010 Consolidated Financial Statements, as provided for by Decree Law 98/2011. The option, through the payment of a substitute tax of 16%, allows the deduction, on a non-accounting basis, as amortisation, of the higher taxable value recorded. This deduction will take place over ten years, starting from tax period 2018 (instead of from 2013 as originally envisaged, pursuant to modifications introduced by the 2013 Stability Law). The realignment regarded only the goodwill to which, pending the issue of the Order, the regulation was deemed applicable on the basis of a very prudent interpretation. Exercise of this option led to recognition of deferred tax assets of 2,172 million euro against a substitute tax charge of 1,072 million euro, with a net contribution of 1,100 million euro to the income statement.

In the fourth quarter of 2011, following the issue of the Order, the Intesa Sanpaolo Group carried out additional realignment of goodwill recorded in the Consolidated Financial Statements. This led to the recognition of deferred tax assets of 1,525 million euro against a substitute tax charge of 750 million euro, with a net contribution of 775 million euro to the income statement.

In the third quarter of 2012, Intesa Sanpaolo exercised the option, introduced by Decree Law 201/2011 ("Monti Decree"), allowing the realignment of additional goodwill recorded in the Consolidated Financial Statements during 2011. Exercise of this option led to the recognition of deferred tax assets of 10 million euro against a substitute tax charge of 5 million euro, with a net contribution of 5 million euro to the income statement.

In the fourth quarter of 2012, the Intesa Sanpaolo Group exercised the option, provided for in Article 15, paragraph 10 of Decree Law 185/2008, for the realignment of goodwill recorded in a company's financial statements under operations of contributions occurred within the Group. Exercise of this option led to the recognition of deferred tax assets of 23 million euro against a substitute tax charge of 11 million euro, with a net contribution of 12 million euro to the income statement.

In the fourth quarter of 2016, the Intesa Sanpaolo Group exercised the option, provided for in Article 15, paragraph 10-ter, of Decree Law 185/2008, for the realignment of goodwill recorded in consolidated financial statements with reference to the acquisition of the total control of Banca ITB. Exercise of this option led to the recognition of deferred tax assets of 36 million euro against a substitute tax charge of 18 million euro, with a net contribution of 18 million euro to the income statement.

As a result of the modifications introduced by Law no. 147/2013, Article 1, paragraphs 150 and 151 ("2014 Stability Law"), exercise of the option allowing goodwill realignment as per Article 15, paragraphs 10-bis and 10-ter, of Decree Law 185/2008 also applies to operations carried out after the financial year 2012.

The abovementioned modifications deferred at the same time, the effects of the goodwill realignment starting from the second year after the payment of the tax, also providing for a recapture regime to be applied in the event of realisation of assets that have been subject to goodwill realignment within four years of the tax payment. Moreover, as regards the purchase of controlling stakes, the tax realignment of goodwill and other intangible assets can occur only in relation to Italian-based companies or permanent establishments of foreign companies. Finally, further modifications (Article 1, paragraph 95, of Law 208/2015 - “2016 Stability Law”) increased the annual rate of fiscally deductible amortisation from one tenth to one fifth in accordance with Article 15, paragraph 10, of Decree Law 185/2008. Most recently, Article 1, paragraph 81, of Law 27 December 2017, no. 205 (“2018 Budget Law”) has reintroduced the possibility to realign higher values of controlling stakes in non-resident companies also without a permanent establishment in Italy.

With effect as of 1 January 2018, the 2019 Budget Law (Law 30 December 2018, no. 145) modified, among other things, the timing for deduction of amortisation relating to goodwill recognised in the financial statements, against which “qualified” deferred tax assets pursuant to Law 214/2011 have been recorded. Goodwill referred to in this paragraph and realigned by 31 December 2014 are covered by the above. In accordance with law provisions in force until 31 December 2017, the aforementioned goodwill was deductible from taxable income in 10 portions.

The new rules establish (i) the deferral of the deduction of the portion for 2018 on the basis of the regulation previously in force, (ii) the redefinition of annual deduction rates (rates are now set at 5% in 2019, 3% in 2020, 10% in 2021, 12% from 2022 to 2027 and 5% in both 2028 and 2029). Amortisation determined in accordance with law provisions in force before the enactment of the aforementioned Budget Law, remains unchanged, if of a lower amount. Therefore, from 2019 to 2028, as regards goodwill amortisation recorded before and after the 2019 Budget Law, the lower amount is deducted while the deduction of the remaining amount that has not been amortised in the previous years is postponed to 2029.

The 2020 Budget Law (Law 27 December 2019, no. 160, in the Official Gazette no. 304 of 30 December 2019) modified the timing for reversal of amortisation relating to goodwill recognised in the financial statements, against which “qualified” deferred tax assets pursuant to Law 214/2011 have been recorded. Specifically, the legislator has provided for the deferral, for both IRES and IRAP purposes, of the portion of amortisation of 5% for 2019 through a 1% increase in the percentages of deduction established in the abovementioned 2019 Budget Law for the financial years 2025 to 2029. The full deduction of amortisation of goodwill realigned until 31 December 2014 by the financial year 2029 is confirmed.

The period for deduction of goodwill realigned after 31 December 2014 remains unchanged.

2. REALIGNMENT OF OTHER INTANGIBLES

As regards intangibles, other than goodwill, generated by operations such as mergers, demergers or neutral business combination, IAS provide that on initial recognition, if the book value is not recognised for fiscal purposes, deferred tax liabilities shall be recognised corresponding to the higher taxes due, owing to non-deductible amortisation or, for those intangibles not subject to amortisation (brand name), to higher fiscal gain achievable in case of disposal.

Fiscal realignment, in these circumstances, allows recognition for tax purposes of the higher accounting value of intangibles recorded on the financial statements and, therefore, the release of the related deferred taxation recognised upon first recognition.

In the first quarter of 2009, Intesa Sanpaolo exercised the option, provided for in Article 15, paragraph 10 of Decree Law 185/2008, for the realignment of other intangibles (brand name and intangibles with finite useful lives) recorded in a company’s financial statements. This realignment led to the cancellation of the deferred taxation recognised in the financial statements. As a result of this realignment, the deferred taxation recognised in the financial statements was reversed generating a benefit of 1,028 million euro to the income statement against a substitute tax charge of 517 million euro, with a net contribution of 511 million euro to the income statement.

In the fourth quarter of 2011, Intesa Sanpaolo exercised the option, introduced by Decree Law 98/2011 regarding the realignment of intangibles recorded in the 2010 Consolidated Financial Statements. As a result of this realignment, the deferred taxation recognised in the consolidated financial statements was reversed generating a benefit of 500 million euro to the income statement against a substitute tax charge of 245 million euro, with a net contribution of 255 million euro to the income statement. Provisions introduced by the “2019 Budget Law” (see above under 1. REALIGNMENT OF GOODWILL) apply to amortisation.

In the third quarter of 2018, Intesa Sanpaolo exercised the option, provided for in Article 15, paragraph 10 of Decree Law 185/2008, for the realignment of certain intangibles for a total of 67.4 million euro recorded ex novo in the 2017 financial statements due to the PPA process relating to the acquisition of the former Venetian Banks. As a result of this realignment, the deferred taxation recognised in the financial statements was reversed generating a benefit of 21.8 million euro to the income statement against a substitute tax charge of 10.8 million euro, with a net contribution of 11 million euro to the income statement.

In the second quarter of 2019, Intesa Sanpaolo exercised the option, provided for in Article 15, paragraph 10 of Decree Law 185/2008, for the realignment of intangibles for a total of 4.3 million euro recorded ex novo in the 2018 financial statements following the merger of Banca Nuova, in continuity with the figures in the consolidated financial statements due to the PPA process relating to the acquisition of the abovementioned bank. As a result of this realignment, the deferred taxation recognised in the financial statements was reversed generating a benefit of 1.4 million euro to the income statement against a substitute tax charge of 0.7 million euro, with a net contribution of 0.7 million euro to the income statement.

In the second quarter of 2019, Fideuram - Intesa Sanpaolo Private Banking exercised the option, provided for in Article 15, paragraph 10-*ter* of Decree Law 185/2008, for the realignment of intangibles recorded in the 2018 consolidated financial statements, implicit in the value of the investment in Morval Vonwiller Holding. Exercise of this option led to a positive impact on deferred taxes of 10.7 million euro against a substitute tax charge of 5.2 million euro, with a net contribution of 5.5 million euro to the income statement.

In the second quarter of 2020, Intesa Sanpaolo exercised the option, provided for in Article 15, paragraph 10 of Decree Law 185/2008, for the realignment of intangibles for a total of 4.1 million euro recorded ex novo in the 2019 financial statements following the merger of Banca Apulia, in continuity with the figures in the consolidated financial statements due to the PPA process relating to the acquisition of the abovementioned Bank. As a result of this realignment, the deferred taxation recognised in the financial statement was reversed generating a benefit of 1.3 million euro to the income statement against a substitute tax charge of 0.65 million euro, with a net contribution of 0.65 million euro to the income statement.

3. AGGREGATE SET OF BANCA POPOLARE DI VICENZA AND VENETO BANCA

Intesa Sanpaolo signed a contract, effective 26 June 2017, with the liquidators of Banca Popolare di Vicenza and Veneto Banca concerning the acquisition, for a token price of 1 euro, of certain assets and liabilities and certain legal relationships of Banca Popolare di Vicenza and Veneto Banca (“Aggregate Set”) under the compulsory administrative liquidation proceedings as established by Decree Law 25 June 2017, no. 99 (converted, with amendments, into law 31 July 2017 no. 121).

Following the acquisition of the Aggregate Set, also deferred tax assets have been transferred. These relate to realignment of goodwill and other intangibles recognised in the consolidated balance sheet of former Banca Popolare di Vicenza and in that of former Veneto Banca, in accordance with Article 15, paragraph 10-*ter* of Decree Law 185/2008, amounting to:

- 61 million euro relating to former Banca Popolare di Vicenza;
- 32 million euro relating to former Veneto Banca.