

# INTESA SANPAOLO

The Intesa Sanpaolo Group, with 12 million customers and approximately 4,600 branches in Italy, is the country's leading banking group. It is also one of the top banking groups in Europe. The Group was formed in January 2007 following the merger of Sanpaolo IMI and Banca Intesa. Both these banks were already key players in the Italian market and had contributed to the consolidation process of the country's banking industry. The Intesa Sanpaolo Group is the leading provider of financial products and services to both households and businesses in Italy. The Group also has strategic operations in central and eastern Europe and in middle eastern and north African countries. It is among the top players in several countries with 7.7 million customers and a network of approximately 1,100 branches. Through its local subsidiary banks, the Intesa Sanpaolo Group ranks first in Serbia, second in Croatia and Slovakia, fourth in Albania, fifth in Bosnia and Herzegovina, sixth in Egypt, seventh in Slovenia and Hungary. The Group operates through seven business units, reporting directly to the CEO

**The Banca dei Territori division:** focus on the market and centrality of the territory for stronger relations with individuals, small and medium-sized businesses and non-profit entities. The division includes the Italian subsidiary banks and the activities in industrial credit, leasing and factoring carried out through Mediocredito Italiano and instant banking (with Banca 5).

**The Corporate and Investment Banking division:** a global partner which supports, taking a medium-long term view, the balanced and sustainable development of corporates and financial institutions, both nationally and internationally. Its main activities include capital markets and investment banking carried out through Banca IMI. The division is present in 25 countries where it facilitates the cross-border activities of its customers through a specialist network made up of branches, representative offices, and subsidiary banks focused on corporate banking. The division operates in the public finance sector as a global partner for public administration.

**The International Subsidiary Banks division:** includes the commercial banking subsidiaries Intesa Sanpaolo Bank Albania, Intesa Sanpaolo Banka Bosna i Hercegovina in Bosnia and Herzegovina, Privredna Banka Zagreb in Croatia, the Prague branch of VUB Banka in the Czech Republic, Bank of Alexandria in Egypt, CIB Bank in Hungary, Intesa Sanpaolo Bank Romania and Intesa Sanpaolo Bucharest Branch, Eximbank in Moldova Banca Intesa Beograd in Serbia, VUB Banka in Slovakia, Banka Koper in Slovenia and Pravex Bank in Ukraine.

**The Private Banking division:** serves the customer segment consisting of Private clients and High Net Worth Individuals with the offering of products and services tailored for this segment. The division includes Intesa Sanpaolo Private Banking and Banca Fideuram, with about 6,017 private bankers.

**The Asset Management division:** asset management solutions targeted at the Group's customers, commercial networks outside the Group, and the institutional clientele. The division includes Eurizon Capital, with approximately 253 billion euro of assets under management.

**The Insurance division:** insurance and pension products tailored for the Group's clients. The division includes Intesa Sanpaolo Vita, Fideuram Vita, and Intesa Sanpaolo Assicura with technical reserves of approximately 153 billion euro.

**Capital Light Bank:** set up to extract greater value from non-core activities through the workout of non-performing loans and repossessed assets, the sale of non-strategic equity stakes, and proactive management of other non-core assets.

## THE CAPITAL AND OPERATING HIGHLIGHTS OF THE GROUP (€)

	31st December 2017	30th June 2018
<b>NET INCOME</b> (excluding extraordinary charges for the resolution fund in 2015 vs €1,690min 2014 excluding the retroactive tax rate increase relating to the stake in the Bank of Italy)	€7,316 million euro versus 3,111 million euro in 2016, excluding the public contribution of €3,5 billion euro and the aggregate set	2,179 million euro in 1h 2018 from €1,738m in h1 2017
<b>INCOME BEFORE TAX FROM CONTINUING OPERATIONS</b>	6,216 million euro versus 5,450 million euro of 2016 (excluding the public contribution)	3,553 million euro h1 2018 from 2,916 million euro in h1 2017
<b>OPERATING MARGIN</b>	8,438 million euro versus 5,450 million euro of 2016	4,806 million euro h1 2018 from 4,106 million euro in h1 2017
<b>OPERATING INCOME</b>	17,177 million euro versus 16,975 million euro in 2016	9,416 million euro h1 2018 from 8,877 million euro h1 2017
<b>OPERATING COSTS</b>	8,739 million euro versus 8,702 million of 2016	4,610 million euro h1 2018 from 4,771 million euro h1 2017
<b>CAPITAL RATIOS</b>	Common equity tier 1 ratio after proposed dividends 14% pro-forma fully loaded (1) 13,3% phased-in (2)	Common equity tier 1 ratio after accrued dividends: 13.6% pro-forma fully loaded (3)(4) 13.4% pro-forma phased-in (4)(**)

(\*) Methodological note on the scope of consolidation on page 23 of the press release dated 6th February 2018 (results as at 31st December 2017) and on page 19 of the press release dated 1 August 2018 (results as at 30 June 2018)

(1) Estimated by applying the fully loaded parameters to the financial statements as at 31 December 2017, considering 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, and the expected absorption of DTAs on losses carried forward. (2) Includes the net income for 2017 net of proposed dividends and coupons accrued on the Additional Tier 1 issues.

(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.

## GOVERNANCE AT A GLANCE

A one-tier corporate governance system has been in force in Intesa Sanpaolo since 27 April 2016, based on a Board of Directors and a Management Control Committee established within the Board. Both the Board of Directors and the Management Control Committee are appointed at the Shareholders' Meeting.

This system has been identified as the most suitable for ensuring efficient management and effective control within the Bank. Its adoption and the new Articles of Association were approved by the Shareholders at an extraordinary meeting held on 26 February 2016.

The previous two-tier governance system, adopted by Intesa Sanpaolo at the time of its creation, was based on a Supervisory Board appointed at the Shareholders' Meeting, responsible for major strategic operations, and on a Management Board appointed by the Supervisory Board, responsible for the management of the Bank and with a mandate to elect the CEO from its members.

The one-tier governance system combines, in practice, the simultaneous exercise of strategic supervision and control, which has already demonstrated its efficiency and effectiveness in the implementation of the two-tier system previously in place.

The main advantages of the one-tier governance system are that it:

- centralises the strategic supervision and management roles in a single body, ensuring the following benefits:
  - a more direct relationship between those in charge of determining the strategic direction (the Board in its plenary session) and those in charge of implementing it (the Managing Director);
  - immediacy in the flow of information, thus saving time and costs;
  - greater interaction and dialogue between those in charge of ensuring that management is consistent with strategic guidelines (the Board as a whole, but especially the non-executive members) and the Managing Director;
- ensures the effectiveness of the control function which remains centralised in a committee (the Management

## BOARD OF DIRECTORS

Gian Maria Gros-Pietro	Chairman
Paolo Andrea Colombo <sup>(2)(3)</sup>	Deputy Chairperson
Carlo Messina <sup>(*)</sup>	Managing Director and CEO
Bruno Picca	Director
Rossella Locatelli	Director
Giovanni Costa	Director
Livia Pomodoro	Director
Giovanni Gorno Tempini	Director
Giorgina Gallo	Director
Franco Ceruti	Director
Gianfranco Carbonato	Director
Francesca Cornelli <sup>(3)</sup>	Director
Daniele Zamboni <sup>(3)</sup>	Director
Maria Mazzarella <sup>(3)</sup>	Director
Maria Cristina Zoppo	Director
Edoardo Gaffeo	Director
Milena Teresa Motta	Director
Marco Mangiagalli <sup>(3)</sup>	Chairman of the MCC
Alberto Maria Pisani <sup>(3)</sup>	Director

(\*) Carlo Messina was appointed Managing Director and CEO by the Board of Directors on 28 April 2016. He is the only executive member on the Board.

(1) Is enrolled on the Register of Statutory Auditors and has practiced as an auditor or been a member of the supervisory body of a limited company

(2) Meets the independence requirements pursuant to Article 13.4 of the Articles of Association, the Corporate Governance Code and Article 148, third paragraph, of Legislative Decree 24 February 1998 no 58

(3) Is a representative of the Minority List

## Consolidated income statement figures

■ 2017 ■ 2016

Consolidated income statement figures (millions of euro)		Changes (Net of the Aggregate Set)	
		amount	%
Net interest income	7.111 <sup>153</sup> 7.294	-183	-2,5
Net fee and commission income	7.735 <sup>108</sup> 7.331	404	5,5
Income from insurance business	933 995	-62	-6,2
Profits (Losses) on trading	-30 1.341 1.190	151	12,7
Operating income	17.177 <sup>266</sup> 16.975	202	1,2
Operating costs	-471 -8.739 -8.702	37	-0,4
Operating margin	-205 8.438 8.273	165	2,0
Net adjustments to loans	-51 -3.253 -3.708	-455	-12,3
Income (Loss) after tax from discontinued operations	952	-952	
Net income (loss)	7.313 <sup>3</sup> 3.111	4.202	

## Consolidated capital ratios (%)

	2017	2016
Common Equity Tier 1 capital (CET1) net of regulatory adjustments/Risk-weighted assets (Common Equity Tier 1 capital ratio)	13,3	12,7
TIER 1 Capital / Risk-weighted assets	15,2	13,9
Total own funds / Risk-weighted assets	17,9	17,0
Risk-weighted assets (millions of euro)	286.825	283.918
Absorbed capital (millions of euro)	31.294	30.865

## Earnings per share (euro)

	2017	2016
Basic earnings per share (basic EPS)	0,44	0,18
Diluted earnings per share (diluted EPS)	0,44	0,18

## Price/book value

(millions of euro)

	31.12.2017	2017	2016	2015	2014	2013
Market capitalisation	46.412	44.820	37.152	51.903	38.096	24.026
Group's shareholders' equity	56.205	52.558	48.344	46.230	44.599	46.918
<b>Price / book value</b>	<b>0,83</b>	<b>0,85</b>	<b>0,77</b>	<b>1,12</b>	<b>0,85</b>	<b>0,51</b>

## Pay-out ratio

(millions of euro)

	2017	2016	2015	2014	2013
Net income	7.316	3.111	2.739	1.251	-4.550
Dividends (*)	3.419	2.999	2.361	1.185	822
<b>Pay-out ratio</b>	<b>47%</b>	<b>96%</b>	<b>86%</b>	<b>95%</b>	<b>n.s.</b>

(\*) For 2017 and 2016, the amounts were partially assigned from reserves.  
For 2013 when a net loss was recorded, the amounts were assigned from reserves.

## Dividend yield

(in euro)

	2017	2016	2015	2014	2013
<b>Ordinary share</b>					
Dividend per share	0,203	0,178	0,140	0,070	0,050
Average stock price	2,678	2,220	3,109	2,288	1,476
Dividend yield	7,58%	8,02%	4,50%	3,06%	3,39%
<b>Savings share</b>					
Dividend per share	0,214	0,189	0,151	0,081	0,050
Average stock price	2,517	2,084	2,784	1,973	1,229
Dividend yield	8,50%	9,07%	5,42%	4,11%	4,07%

## Shareholder structure of Intesa Sanpaolo (holders of shares exceeding 2% - as at 31st december 2017)

SHAREHOLDER	ORDINARY SHARES	% HELD ON ORDINARY SHARE CAPITAL
Compagnia di San Paolo	1.308.804.043	8,252%
Black Rock Inc. <sup>(1)</sup>	794.646.624	5,010%
Fondazione Cariplo	767.029.267	4,836%

Shareholders being fund management companies may be exempted from disclosure up to the 5% threshold.

<sup>(1)</sup> Fund management. Shareholder owning aggregate investment equal to 5.106% as per form 120 B dated 4 July 2017.

## The Intesa Sanpaolo Group: presence in Italy

## Banks




## NORTH WEST

INTESA SANPAOLO		Subsidiaries	
Branches	Company	Branches	
1,222	Fideuram	89	
	Banca Prossima	29	
	Mediocredito Italiano	4	
	Banca IMI	1	
	Banca 5	1	

## CENTRE

INTESA SANPAOLO		Subsidiaries	
Filiali	Company	Branches	
606	Banca CR Firenze	289	
	Fideuram	41	
	Banca Prossima	10	
	Banco di Napoli	4	
	Banca Apulia	2	
	Mediocredito Italiano	2	
	Banca IMI	1	
	Banca Nuova	1	



## ISLANDS

INTESA SANPAOLO		Subsidiaries	
Branches	Company	Branches	
209	Banca Nuova	72	
	Fideuram	10	
	Banca Prossima	9	
	Mediocredito Italiano	1	

## NORTH EAST

INTESA SANPAOLO		Subsidiaries	
Branches	Company	Branches	
603	CR del Veneto	297	
	CR in Bologna	153	
	CR del Friuli Venezia Giulia	88	
	CR di Forlì e della Romagna	77	
	Fideuram	56	
	Banca Prossima	16	
	Mediocredito Italiano	2	

## SOUTH

INTESA SANPAOLO		Subsidiaries	
Branches	Company	Branches	
96	Banco di Napoli	549	
	Banca Apulia	92	
	Fideuram	27	
	Banca Prossima	20	
	Banca Nuova	13	
	Mediocredito Italiano	2	

Figures as at 31 December 2017

## Product Companies



Bancassurance and Pension Funds



Asset Management



Industrial credit, Factoring and Leasing



Fiduciary Services

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# The Intesa Sanpaolo Group: international presence

## Banks, Branches and Representative Offices

### INTESA SANPAOLO



#### AMERICA

Direct Branches	Representative Offices <sup>(1)</sup>
New York	Washington D.C.

Country	Subsidiaries	Branches
Brazil	Intesa Sanpaolo Brasil	1

#### OCEANIA

Representative Offices
Sydney

#### ASIA

Direct Branches	Representative Offices
Abu Dhabi	Beijing
Doha	Beirut
Dubai	Ho Chi Minh City
Hong Kong	Jakarta
Shanghai	Mumbai
Singapore	Seoul
Tokyo	

#### EUROPE

Direct Branches	Representative Offices
Frankfurt	Brussels <sup>(2)</sup>
Istanbul	Moscow
London	
Madrid	
Paris	
Romania <sup>(2)</sup>	
Warsaw	



#### AFRICA

Representative Offices	Country	Subsidiaries	Branches
Cairo	Egypt	Bank of Alexandria	172

Country	Subsidiaries	Branches
Albania	Intesa Sanpaolo Bank Albania	32
	Veneto Banka Albania	15
Bosnia and Herzegovina	Intesa Sanpaolo Banka Bosna i Hercegovina	54
Croatia	Privredna Banka Zagreb	195
	Veneto Banka Croazia	6
Czech Republic	VUB Banka	1
Hungary	CIB Banka	76
Ireland	Intesa Sanpaolo Bank Ireland	1
Luxembourg	Fideuram	1
	Intesa Sanpaolo Bank Luxembourg	1
Romania	Intesa Sanpaolo Bank Romania	30
Russian Federation	Banca Intesa	37
Serbia	Banca Intesa Beograd	158
Slovakia	VUB Banka	230
Slovenia	Intesa Sanpaolo Bank	52
Switzerland	Intesa Sanpaolo Private Bank (Suisse)	1
The Netherlands	Intesa Sanpaolo Bank Luxembourg	1
Ukraine	Pravex-Bank	50
United Kingdom	Banca IMI	1
	Intesa Sanpaolo Private Banking	1

Figures as at 31 December 2017

(1) The Representative Office of Santiago ceased to operate on 17 January 2018

(2) 19 branches in Romania from the Aggregate Set of Veneto Banca

(3) International and Regulatory Affairs

## Product Companies



Consumer Credit, E-money and Payment Systems



Leasing



Asset Management



Insurance

## Operating structure

Operating structure	31.12.2017	31.12.2016	Changes amount
Number of employees <sup>(a)</sup>	<b>96.892</b>	<b>88.884</b>	<b>8.008</b>
Italy	72.741	64.080	8.661
Abroad	24.151	24.804	-653
Number of financial advisors <sup>(a)</sup>	<b>5.136</b>	<b>5.032</b>	<b>104</b>
Number of branches <sup>(b)</sup>	<b>5.843</b>	<b>5.163</b>	<b>680</b>
Italy	4.694	3.978	716
Abroad	1.149	1.185	-36

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

<sup>(a)</sup> The figures as at 31.12.2017 include the personnel of the Aggregate Set of Banca Popolare di Vicenza and Veneto Banca (8,661 employees in Italy, 216 abroad and no financial advisor).

The figures for comparison have not been restated.

<sup>(b)</sup> Including Retail Branches, SME Branches and Corporate Branches. The figures as at 31.12.2017 include the branches of the Aggregate Set of Banca Popolare di Vicenza and Veneto Banca (783 in Italy and 40 abroad).

The figures for comparison have not been restated.