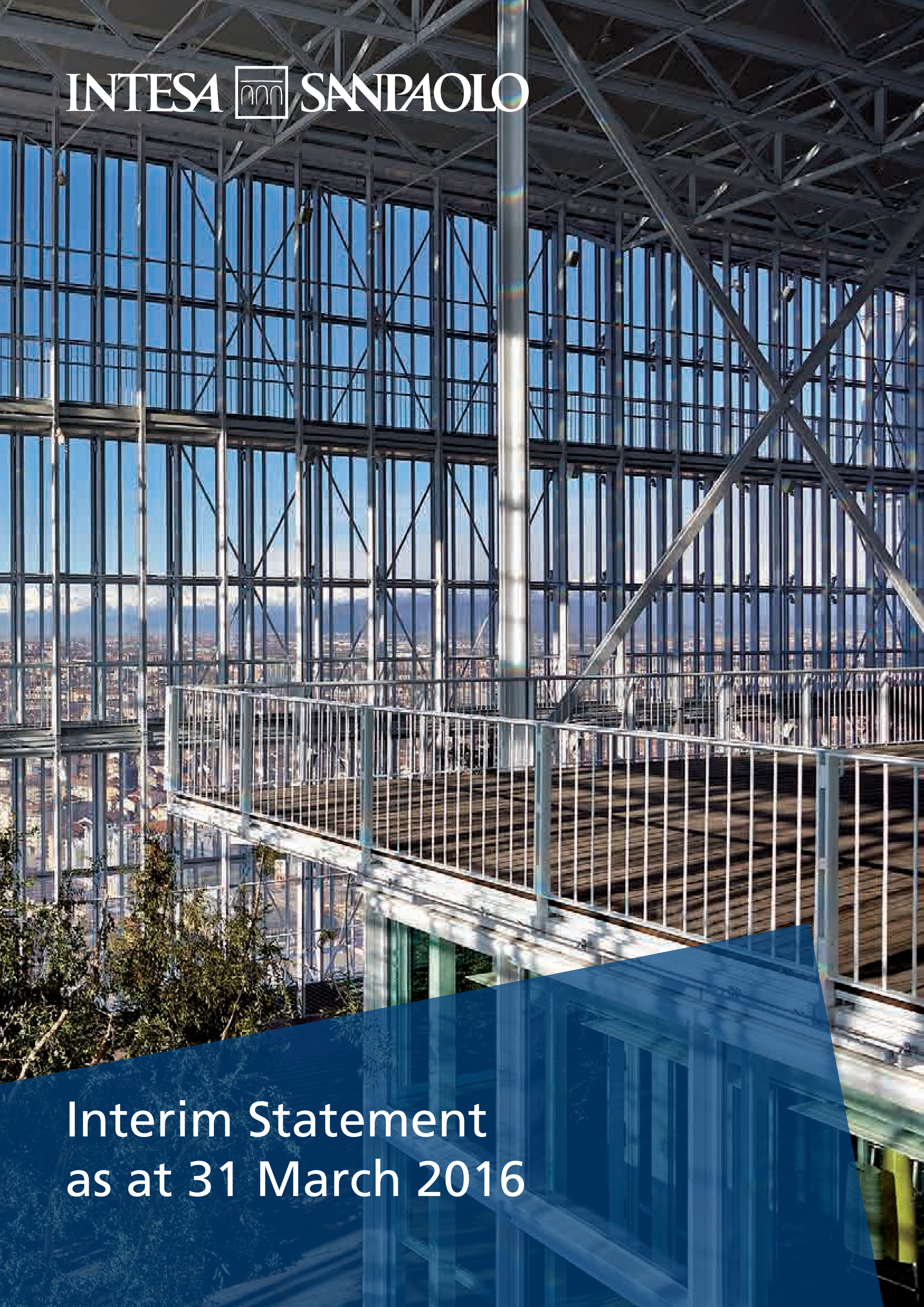
INTESA SANPAOLO



Interim Statement as at 31 March 2016

This is an English translation of the Italian language original "Resoconto intermedio al 31 marzo 2016" that has been prepared solely for the convenience of the reader. The Italian language original "Resoconto intermedio al 31 marzo 2016" was approved by the Board of Directors of Intesa Sanpaolo on 6 May 2016 and is available on group.intesasanpaolo.com
This document 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 statement, 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.

Interim Statement as at 31 March 2016

Intesa Sanpaolo S.p.A.
Registered office: Piazza San Carlo, 156 10121 Torino Secondary registered office: Via Monte di Pietà, 8 20121 Milano Share capital 8,731,874,498.36. Euro Registration number on the Torino Company Register and Fiscal Code 00799960158 VAT number 10810700152 Member of the National Interbank Deposit Guarantee Fund and of the National Guarantee Fund, included in the National Register of Banks No. 5361 and Parent Company of "Intesa Sanpaolo", included in the National Register of Banking Groups.

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CASSA DI RISPARMIO DEL VENETO
CARISBO
FIDEURAM INTESA SANPAOLO PRIVATE BANKING
MEDIOCREDITO ITALIANO

NORTH WEST

INTESA SANPAOLO	Subsidiaries	
Branches	Company	Branches
1,200	Fideuram	89
	Banca Prossima	29
	Mediocredito Italiano	2
	Banca IMI	1

NORTH EAST

INTESA SANPAOLO	Subsidiaries	
Branches	Company	Branches
210	CR del Veneto	312
	CR in Bologna	168
	CR del Friuli Venezia Giulia	94
	CR di Forlì e della Romagna	84
	Fideuram	57
	Banca Prossima	16
	Mediocredito Italiano	2

CENTRE

INTESA SANPAOLO	Subsidiaries	
Branches	Company	Branches
317	Banca CR Firenze	408
	Banca dell'Adriatico	103
	Fideuram	42
	Banca Prossima	9
	Banco di Napoli	3
	Mediocredito Italiano	2
	Banca IMI	1

SOUTH

INTESA SANPAOLO	Subsidiaries	
Branches	Company	Branches
4	Banco di Napoli	567
	Banca dell'Adriatico	94
	Fideuram	27
	Banca Prossima	20
	Mediocredito Italiano	2

ISLANDS

INTESA SANPAOLO	Subsidiaries	
Branches	Company	Branches
221	Fideuram	10
	Banca Prossima	9
	Mediocredito Italiano	1

Figures as at 31 March 2016

Product Companies

INTESA SANPAOLO VITA

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Banks, Branches and Representative Offices

INTESA SANPAOLO

ALEXBANK | بنك الإسكندرية
BANCA IMI
BANCA INTESA
BANCA INTESA Beograd
BANKA KOPER
CIB BANK
FIDEURAM INTESA SANPAOLO PRIVATE BANKING
INTESA SANPAOLO BANK Albania
INTESA SANPAOLO BANK LUXEMBOURG
INTESA SANPAOLO BANK Romania
INTESA SANPAOLO BANKA Bosna i Hercegovina
INTESA SANPAOLO BANK IRELAND
INTESA SANPAOLO BRASIL SA
INTESA SANPAOLO PRIVATE BANK SUISSE
PRAVEX-BANK
PRIVREDNA BANKA ZAGREB
VÚB BANKA

AMERICA

Direct Branches	Representative Offices
George Town	Santiago
New York	Washington D.C.

Country	Subsidiaries	Branches
Brazil	Intesa Sanpaolo Brasil	1

OCEANIA

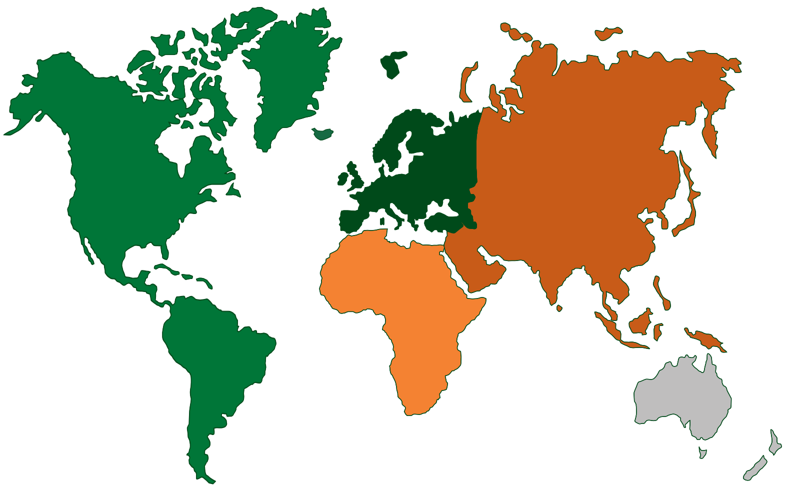
Representative Offices
Sydney

ASIA

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

EUROPE

Direct Branches	Representative Offices
Frankfurt	Athens
Innsbruck	Brussels(1)
Istanbul	Istanbul
London	Moscow
Madrid	
Paris	
Warsaw	



Country	Subsidiaries	Branches
Albania	Intesa Sanpaolo Bank Albania	32
Bosnia and Herzegovina	Intesa Sanpaolo Banka Bosna i Hercegovina	52
Croatia	Privredna Banka Zagreb	197
Czech Republic	VUB Banka	1
Hungary	CIB Bank	83
Ireland	Intesa Sanpaolo Bank Ireland	1
Luxembourg	Fideuram	1
	Intesa Sanpaolo Bank Luxembourg	1
Romania	Intesa Sanpaolo Bank Romania	45
Russian Federation	Banca Intesa	46
Serbia	Banca Intesa Beograd	168
Slovakia	VUB Banka	227
Slovenia	Banka Koper	52
Switzerland	Intesa Sanpaolo Private Bank (Suisse)	1
The Netherlands	Intesa Sanpaolo Bank Luxembourg	1
Ukraine	Pravex-Bank	137
United Kingdom	Banca IMI	1
	Intesa Sanpaolo Private Banking	1

AFRICA

Representative Offices	Country	Subsidiaries	Branches
Cairo	Egypt	Bank of Alexandria	171
Casablanca			
Tunis			

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Product Companies

CONSUMER FINANCE HOLDING — INTESA SANPAOLO CARD — PBZ CARD

Consumer Credit, E-money and Payment Systems

CIB INVESTMENT FUND MANAGEMENT — EurizonCapital s.a. — FIDEURAM Asset Management (Ireland) — PBZ INVEST — VÚB ASSET MANAGEMENT

Asset Management

CIB LEASING — INTESA LEASING Beograd — PBZ LEASING — VÚB LEASING

Leasing

VÚB FACTORING — CIB FACTOR

Factoring

INTESA SANPAOLO LIFE

Insurance

Board of Directors, Manager responsible for preparing the Company's financial reports and Independent Auditors

Board of Directors

Chairman	Gian Maria GROS-PIETRO
Deputy Chairperson	Paolo Andrea COLOMBO
Managing Director and Chief Executive Officer	Carlo MESSINA [(a)]
Members	Gianfranco CARBONATO Franco CERUTI Francesca CORNELLI Giovanni COSTA Edoardo GAFFEO [(*)] Giorgina GALLO Giovanni GORNO TEMPINI Rossella LOCATELLI Marco MANGIAGALLI [(**)] Maria MAZZARELLA Milena Teresa MOTTA [(*)] Bruno PICCA Alberto Maria PISANI [(*)] Livia POMODORO Daniele ZAMBONI Maria Cristina ZOPPO [(*)]

Manager responsible for preparing the company's financial reports	Fabrizio DABBENE
Independent Auditors	KPMG S.p.A.

(a) General Manager
(*) Member of the Management Control Committee
(**) Chairman of the Management Control Committee

Introduction

Italian Legislative Decree 25 of 15 February 2016, which transposed the new Transparency Directive (2013/50/EU) into the Italian legal system, eliminated the obligation to publish the interim statement, previously required under paragraph 5 of Article 154-ter of the Consolidated Law on Finance. The recent decree also attributed to Consob the power to impose disclosure obligations in addition to the annual report and half-yearly report, only after running an impact analysis that also takes into account the guidelines of the other member states of the European Union.
Pending the comprehensive definition of the regulatory framework, Intesa Sanpaolo prepared this Statement in continuity with the previous years. The Bank will further evaluate the content of interim statements in light of the changes in the regulatory framework.
As illustrated in detail in the chapter "Criteria for the preparation of the Interim Statement", the Interim Statement as at 31 March 2016" has been prepared, in consolidated form, in compliance with the accounting principles issued by the International Accounting Standards Board (IASB) and the relative interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and endorsed by the European Commission as provided for by Community Regulation 1606 of 19 July 2002.
The report contains the Balance sheet, the Income statement, the Statement of comprehensive income for the period, the Changes in shareholders' equity, and the Report on operations. It is also complemented by information on significant events which occurred during the period, and on the main risks and uncertainties to be faced.
In support of the comments on the results, the Report on operations also presents and illustrates reclassified income statement and balance sheet schedules. The reconciliation with the financial statements, as required by Consob in its communication 6064293 of 28 July 2006, is included in the Attachments.
The consolidated financial statements are subject to a limited review.

Overview of the first quarter 2016

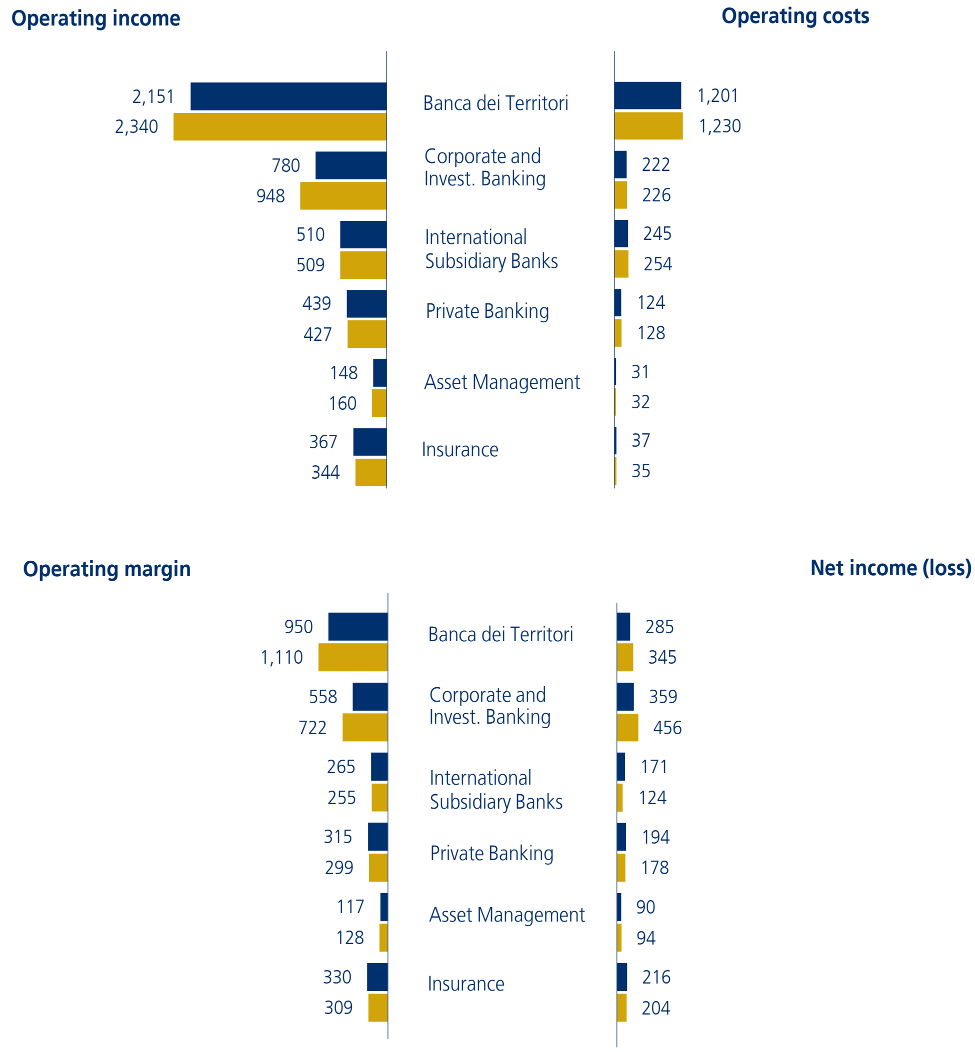
Income statement figures and alternative performance measures

Consolidated income statement figures (millions of euro)	31.03.2016	31.03.2015	Changes amount	Changes %
Net interest income	1,881	1,971	-90	-4.6
Net fee and commission income	1,713	1,813	-100	-5.5
Profits (losses) on trading	228	596	-368	-61.7
Income from insurance business	332	343	-11	-3.2
Operating income	4,090	4,689	-599	-12.8
Operating costs	-2,067	-2,118	-51	-2.4
Operating margin	2,023	2,571	-548	-21.3
Net adjustments to loans	-694	-767	-73	-9.5
Income (Loss) after tax from discontinued operations	-1	-	1	-
Net income (loss)	806	1,064	-258	-24.2

31.03.2016

31.03.2015

Main income statement figures by business area (millions of euro)



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

Balance sheet figures and alternative performance measures

Consolidated balance sheet figures (millions of euro)	31.03.2016	31.12.2015	**Changes** amount	**Changes** %
Financial assets	253,467	238,048	15,419	6.5
of which: Insurance Companies	*132,472*	*128,893*	*3,579*	*2.8*
Loans to customers	361,035	350,010	11,025	3.1
Total assets	700,226	676,496	23,730	3.5
Direct deposits from banking business	379,927	372,183	7,744	2.1
Direct deposits from insurance business and technical reserves	136,056	132,948	3,108	2.3
Indirect deposits:	477,746	493,737	-15,991	-3.2
of which: Assets under management	*324,474*	*327,826*	*-3,352*	*-1.0*
Shareholders' equity	49,453	47,776	1,677	3.5

Main balance sheet figures by business area (millions of euro)

	Loans to customers 31.03.2016	**Loans to customers** 31.12.2015	**Direct deposits from banking business** 31.03.2016	**Direct deposits from banking business** 31.12.2015
Banca dei Territori	186,490	184,750	164,168	159,860
Corporate and Invest. Banking	95,485	89,691	109,545	109,915
International Subsidiary Banks	25,709	25,827	31,611	32,456
Private Banking	9,823	8,971	22,300	20,922
Asset Management	233	372	8	9
Insurance	25	24	193	196

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

31.03.2016

31.12.2015

Other alternative performance measures

Consolidated capital ratios (%)

	31.03.2016	31.12.2015
Common Equity Tier 1 capital (CET1) net of regulatory adjustments/Risk-weighted assets (Common Equity Tier 1 capital ratio)	12.9	13.0
TIER 1 Capital / Risk-weighted assets	14.1	13.8
Total owns funds / Risk-weighted assets	17.4	16.6
Risk-weighted assets (millions of euro)	282,000	284,319
Absorbed capital (millions of euro)	31,410	31,706

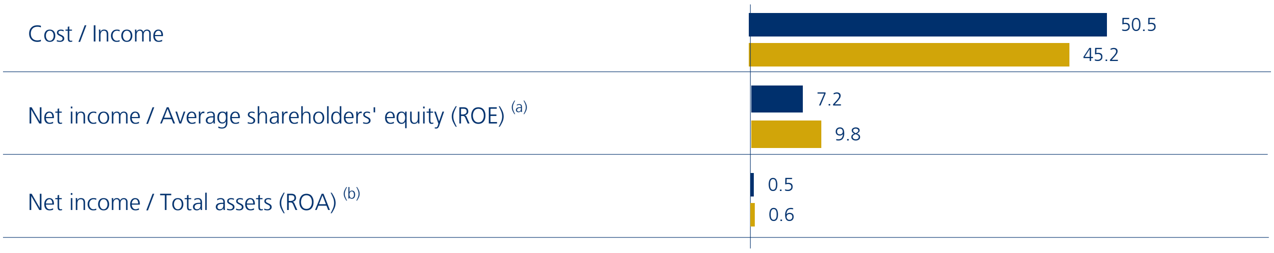
Risk-weighted assets by sector (millions of euro) and **Absorbed capital by sector** (millions of euro)

	Risk-weighted assets 31.03.2016	Risk-weighted assets 31.12.2015	Absorbed capital 31.03.2016	Absorbed capital 31.12.2015
Banca dei Territori	88,684	90,942	8,425	8,639
Corporate and Invest. Banking	92,620	89,740	8,801	8,527
International Subsidiary Banks	30,048	30,999	2,875	2,965
Private Banking	8,656	8,624	857	851
Asset Management	1,152	1,135	126	124
Insurance	-	-	4,538	4,618

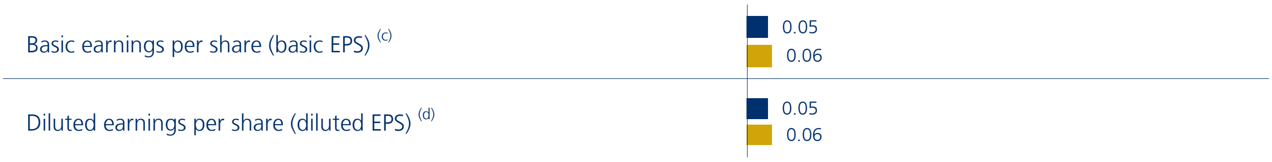
Figures restated, where necessary, considering the changes in the scope of consolidation and in business unit constituents and discontinued operations.

31.03.2016
31.12.2015

Consolidated profitability ratios (%)



Earnings per share (euro)



Consolidated risk ratios (%)

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

[a] Ratio between net income and average of share capital, share premium reserve, reserves and valuation reserves. The figure for the period with the exception of non-recurring components, has been annualised.

[b] The figure for the period has been annualised.

[c] Net income (loss) attributable to holders of ordinary shares compared to the weighted average number of outstanding ordinary shares. The figure for comparison is not restated.

[d] The dilutive effect is calculated with reference to the programmed issues of new ordinary shares.

Operating structure	31.03.2016	31.12.2015	Changes amount
Number of employees	**90,519**	**90,807**	**-288**
Italy	64,412	64,416	-4
Abroad	26,107	26,391	-284
Number of financial advisors	**5,056**	**5,050**	**6**
Number of branches [a]	**5,338**	**5,386**	**-48**
Italy	4,104	4,144	-40
Abroad	1,234	1,242	-8

Figures restated, where necessary, considering the changes in the scope of consolidation and discontinued operations.
[a] Including Retail Branches, SME Branches and Corporate Branches.

31.03.2016
31.12.2015

Executive summary

The macroeconomic context

The economy and the financial and currency markets

In the first quarter of 2016 the global economy continued on a path of moderate growth, though marked by uncertainties and, at least in the first two months, by sharp volatility on the financial markets. The flows of macroeconomic data were lower than expected, overall, with a general improvement starting at the end of February. The more encouraging recovery in data and the concurrent reduction in the sharp risk aversion which had marked the start of the year also involved flows of capital to emerging countries, which returned to positive ground, and commodities prices, including oil prices, which plummeted in January.
As in the first few months of 2015, in the first quarter of this year growth in the US was very low due to the unfavourable performance of the trade balance and the decrease in extraction activities and stocks. Nonetheless, employment and income continue to grow, and economic surveys showed signs of recovery in the manufacturing sector at the end of the quarter. Due to market volatility and uncertainties regarding the global scenario, the Federal Reserve maintained official interest rates unchanged, while continuing to report its intention to adjust them at least twice during 2016.
Contrasting economic indications were also seen in the Eurozone. Industrial production figures for the first two months indicate sharper growth than at the end of 2015, and even construction business seems to have slightly recovered. However, economic surveys show that the climate of confidence has weakened in services and trade, while in February exports dropped on the same period of 2015. As a result of opposing forces, growth remained at modest levels. Inflation returned to negative ground in February and March, reflecting the downturns in energy commodities.
The European economic scenario is also complicated by political factors. The United Kingdom announced a referendum on membership in the European Union, which will be held on 23 June. Polls continue to show that the electorate is divided, with neither side a clear winner. The possibility that the United Kingdom could be forced to start the process of withdrawing from the EU began to negatively impact the financial markets, leading to a weakening of GB pound exchange rates and an increase in risk premiums paid by British issuers. Moreover, in Spain the political elections were inconclusive, preventing the formation of a new government and meaning that it will be necessary to return to the polls shortly. The political instability in Spain was accompanied by significant overrun of fiscal targets in 2015 and a modest increase in the risk premium paid on sovereign debt.
To handle performance of the real economy and prices that is worse than expected, in addition to a highly uncertain general scenario, in March the ECB announced new monetary policy measures. The deposit rate, which currently acts as the main benchmark rate, was reduced from -0.30% to -0.40%. The rate on main refinancing operations was cut from 0.05% to zero, while the marginal refinancing rate dropped to 0.25%. The ECB also announced the inclusion of non-bank corporate bonds in the purchase programme, which rose from 60 billion euro to 80 billion euro per month. A new long-term refinancing programme was also launched, called TLTRO II, on the basis of which monetary and financial institutions may obtain 4-year secured loans from the ECB. The interest rate applied is the main refinancing operations rate, which becomes the lower deposit rate if the conditions on the minimum performance of loans are met.
In the two-month period January-February, the Italian economy showed slight growth in industrial production, in line with growth in the GDP marginally higher than that at the end of 2015. In the construction sector, the recovery in production is continuing. The business confidence climate, however, worsened both in the services and industrial sectors. Growth in employment, which was robust in 2015 due to reforms and incentives on contributions, lost ground at the end of 2015 and the beginning of 2016. In that still fragile scenario, fiscal policy took on a prudent approach, marked by an additional reduction in the primary surplus against a drop in interest expense at a greater pace than expected. Based on the planned fiscal scenario, debt will only be marginally reduced in 2016.
Yields on Italian government debt declined as a result of the general decrease in medium and long-term interest rates. As at 31 March, the 10-year BTP yielded 1.22%, compared to 1.60% at the end of 2015. The spread with German debt, which temporarily expanded once again during the financial turbulence in January and February, subsequently returned to levels near those of the fourth quarter 2015.

As regards the stock market, the first quarter of 2016 featured unusually extensive volatility of share prices, with extended directional movements, first sharply downwards, then returning to upwards movement, and a significant increase in risk aversion of investors.
Since the initial trading sessions of the year, all international stock markets tumbled, reflecting numerous, concurrent factors, both macroeconomic and relating to specific sectors. Attributable to the former are, among others, the sharp drop in oil prices, the economic slowdown of China and the oil producing countries, the new uncertainties about the direction of US monetary policy, the divergent economic policies in the EU, and the outcome of the referendum regarding the United Kingdom’s continuing membership in the European Union. Attributable to the latter are, firstly, the investors' concerns about the quality of bank assets, the levels of coverage of non-performing exposures and the capitalisation of the various national banking systems in the Eurozone. Furthermore, the automotive and luxury goods sectors were penalised by fears of new additional costs to contain emissions, and a future drop in demand from emerging markets, respectively.
Portfolio disinvestment by several sovereign funds searching for liquidity to offset the long-term reduction in oil returns acted as a trigger as well as a driver of the drop in prices on stock markets. The downturn in prices specifically penalised peripheral markets of the Eurozone (such as Italy, Spain and Greece), reaching a low point around mid-February.

Nonetheless, the markets were supported by the expectations of new expansive measures by the ECB and a season of publishing quarterly results that, through light and shadow, did not confirm the expectations of an imminent return to recession, either in the USA or in the Eurozone.
The ECB's monetary policy decisions at the beginning of March (which reinforced a clearly expansive approach) and the temporary pause in the expected cycle of rate increases by the Federal Reserve contributed to calming the financial markets. The upturn in commodities prices, specifically that of oil, and reduced concerns about global growth provided greater support to the recovery of equity prices: the positive trend stabilised in the final weeks of the quarter.
The EuroStoxx index closed the quarter down by 6.8% (after reaching a low of -17.5% on 11 February). The CAC 40 declined by 5.4% at the end of the period, while the loss of the Dax 30 came to 7.2% (-18.6% on the lows of February). The IBEX 35 index closed the period down by 8.6%. Outside the Eurozone, the Swiss market index SMI depreciated by 11.5%, while the FTSE 100 of the UK market closed the quarter almost unchanged (-1.1%).
The S&P 500 index closed the period with a positive sign, at +0.8%, recovering from the record lows of -10.5%. The major equity markets in Asia reported generally negative performances: the Chinese benchmark index SSE A-Share closed the first quarter down 15.1%, whereas the Nikkei 225 index decreased by 12% at the end of March.
The Italian stock market underperformed the other international benchmarks, also due to the significant weight of the banking sector in the index, which was harshly penalised during the period. The FTSE MIB index closed the end of March with a significant downturn (-15.4%), after recording a low of -26.4% on 11 February. The FTSE Italia All Share index closed the quarter at -14.8% (recovering from the low of -25.7%). Mid-cap shares showed a more defensive performance, with the FTSE Italia STAR index down 7.4% at the end of the quarter (from lows of -19.8% in mid-February).

European corporate bond markets closed the first three months of 2016 on positive ground, benefiting from the significant recovery in prices in March, boosted by the new monetary policy measures announced by the ECB.
In the first part of the year, the corporate bond markets, like all the financial markets, were marked by significant negativity, with a set of factors that burdened investors' risk appetite, causing a sharp correction in prices. Specifically, the combination of a number of factors such as the weakness of commodities, especially the performance of oil prices, renewed concerns of a possibly more extensive slowdown than forecast in the Chinese economy, growing fears relating to income and stability in the banking sector and the re-emergence of international geopolitical tensions resulted in a sudden expansion of spreads: +14% in January-February. In this context, the continuing shortage of liquidity on the secondary market - partly due to regulations which somehow limited the capacity of the markets to promptly absorb excess supply - contributed to increasing transactions in securities. The situation changed drastically at the beginning of March as a result of the new set of monetary policy measures introduced by the ECB. Specifically, the decision - substantially unexpected by operators - to include corporate investment-grade (IG) securities, excluding banking issuers, among assets eligible for purchase by the central bank had a highly positive effect on the markets. The announcement of the new programme, which is planned to be launched in June, though lacking specific operational details regarding which securities can be purchased, resulted in a significant shrinking of spreads, which recorded positive performance of around 20% in March, reaching lower values than at the beginning of 2016.
During the quarter, in the investment-grade segment industrial securities performed better than financial securities, which were excluded from assets eligible for purchase by the ECB, with the former reporting a narrowing of spreads of around 19%, while the banking sector closed the period on a negative note (+8% since the beginning of the year). It is worth noting that the search for yields resulted in the positive performance of more speculative (High Yield) securities as well, with spreads narrowing by around 6%. A similar performance was also recorded at the level of the iTraxx indexes (CDS - Credit Default Swap indices, which summarise the risk perceived by the market), with insolvency risk hedging costs on banking securities rising since the beginning of the year.
In terms of new issues, after a rather weak month in January, the primary market saw a substantial recovery in activity in the following months, though with lower volumes than in the same period of 2015.

The emerging economies and markets

Economic activity in emerging countries slowed further in the initial months of 2016. Year-on-year growth in industrial production for a sample representing 75% of the GDP of emerging countries decreased from 2% in the fourth quarter of 2015 to 1.7% in the first two months of 2016. The slowdown was mainly due to more modest growth in production in China (+5.4% from +5,9%), the drop in production in Brazil (-11.7%) and Egypt (-12.1%) and the weakness of the cycle in other commodity-exporter countries in Latin America and Africa. In the same two reference periods, as regards Europe, the performance of industrial production slowed in SEE countries from 4.9% to 4.6%, whereas in CEE countries, primarily due to the good performance of Slovakia, production accelerated from 7.0% to 7.7%.
The drop in commodity prices and, in several cases, the favourable comparison with the previous year, led to an overall decrease in inflation in the initial months of 2016. The year-on-year inflation rate for the same sample representing 75% of the GDP of emerging economies fell from 4.8% in December 2015 to 4.2% in March 2016. Among the countries where ISP subsidiaries are located, the slowdown in the trend in prices regarded both countries with higher inflation - Egypt (from 11.1% to 9%), Ukraine (from 43.3% to 20.9%) and Russia (from 12.9% to 7.3%) and other countries with low or negative inflation. The drop was particularly sharp in Croatia (from -0.6% to -1.7%) and in Romania (from -0.9% to -3.0%).
In the first quarter, in several emerging countries the residual inflationary pressures and, above all, exchange rate tensions generated by the outflows of private capital triggered an increase in interest rates, as in the case of Mexico, Colombia, Chile and Peru and in South Africa. Conversely, given lower inflationary and currency pressures, Turkey cut its maximum interest rate (from 10.75% to 10.5%). In Asia, China reduced the mandatory reserve ratio by 50 basis points in February, while interest rates were cut in India (25 basis points at the beginning of April) and Indonesia (three cuts of 25 basis points in the first quarter). As regards countries where ISP subsidiaries are located, in order to support the new level of the exchange rate following the depreciation of the pound, Egypt raised interest rates by 150 percentage points in March, while the decrease in inflation resulted in interest rate cuts in Hungary, Albania and Serbia. Concerns regarding the performance of exchange rates led the Central Banks of Russia and Ukraine not to ease their monetary policy at this time, despite the drop in inflation.

On financial markets, the MSCI emerging markets equity index gained 2.4% in the first quarter. On the main markets, the drop in Shanghai (-15.1% in the quarter), due to concerns regarding the outlook for the economy and financial stability, was more than offset by the upturn of other markets, following sharp sales in 2015, as investors are beginning to position themselves with a view to recovery of the economic scenario. Specifically, both Moscow (+15.7%) and Sao Paolo (+15.5%) reported upturns in the double digits. With regard to countries where ISP subsidiaries are located, in addition to Russia, increases in equity prices were seen on the stock markets in CEE countries (Slovakia, Slovenia and Hungary), in Ukraine and in Egypt.
Following the heavy losses in 2015, in the first quarter of 2016 currencies from emerging countries recovered slightly (the OITP index of the US dollar dropped by 1.4%, whereas in 2015 it had risen by 10.4%). The upturn was mainly due to the indication that the Fed will be less aggressive than expected and due to signs of stabilisation of the commodity markets, especially the oil market. As regards currencies of countries where ISP subsidiaries are located, the Russian ruble appreciated by 7.2%, while concerns regarding domestic political developments weighed on the Ukrainian hryvnia, which depreciated by 9%. In March, faced with unsustainable pressures on currency reserves, Egypt devalued the pound by 14.5% moving to a more flexible currency regime. Currencies of countries in Central and South Eastern Europe remained generally stable on the Euro, with a few slight recoveries reported by several currencies such as the Hungarian forint (0.6%) and the Romanian leu (1.1%).
Signs of stabilisation in the financial scenario favoured a slight (-13 basis points in the quarter) narrowing of the EMBI spread, which was sharper in Latin America (-23 basis points) and in Asia (-24 basis points). In countries where ISP subsidiaries are located, the spread decreased in Russia (-30 basis points to 290 basis points) and expanded in Egypt (+40 basis points to 505 basis points), while it showed no significant changes in the CEE and SEE countries (-25 basis points in Croatia and +2 basis points in Serbia).

The banking system

Rates and spreads

During the first quarter of 2016 the decrease in the cost of funding slowed, recording only small downwards adjustments. This trend was affected by the smaller weight of more costly components on the one hand, and the stabilisation of interest rates on current accounts, on the other, which slowed the decline in the cost of deposits. The average rate on stocks of bonds also reported marginal changes. The minimum level reached by interest rates on several components of funding justifies the halt in the decreasing trend.
The average rate on new loans to non-financial companies showed a fluctuating performance, reaching an average position for the quarter slightly above the level of the last quarter of 2015. This performance was impacted by the fluctuations in the interest rate on new loans exceeding 1 million euro, while interest rates on transactions of lower amounts stabilised on average at the lows reached near the end of 2015. Conversely, the decrease in interest rates on new loans to households for house purchase continued without interruption. The very favourable lending environment is also clear from a comparison between Italian rates on new loans to businesses and the average rates for the Eurozone. In the first months of the year, spreads remained very low, if not negative, such as for interest rates on new loans exceeding 1 million euro, which continue to provide relatively more beneficial conditions for Italian borrowers as compared to the average in the Eurozone. In this scenario, also due to the decrease in benchmark rates for outstanding floating rate loans, the reduction of interest rates on amounts of loans continued, with the overall average rate dropping to new record lows.
Due to a sharper decline in the average lending rate than in the cost of funding, the banking spread decreased (estimated average of 2.18% in the first quarter, from 2.20% in the fourth quarter of 2015 and 2.29% in the first quarter of 2015). The contribution from deposits, measured on short-term rates, significantly worsened as a result of increasingly negative Euribor rates (mark-down[1] on the 1-month Euribor estimated at -0.40% in the first quarter, from -0.32% in the fourth quarter of 2015 and -0.24% in the first quarter of 2015). The downward trend in the mark-up[2] on the 1-month Euribor came to a halt at the values reached in the second half of 2015 (4.10% on average in the first two months of 2016, from 4.04% in the fourth quarter of 2015, but decisively lower than the 4.43% in the first quarter of 2015). The current levels are the lowest since 2011.

Loans

The improvement in the trend in bank loans to the private sector continued, with several operating segments resuming growth. Specifically, the recovery in loans to consumer households gained strength and the growth in loans to non-financial companies operating in the manufacturing industry was confirmed, while loans to construction companies declined at a pace equivalent to that seen in the autumn. During the quarter, total loans to non-financial companies once again reported a slightly positive increase. The gradual recovery from the lows of the recessive cycle continued to be driven by medium-term loans, which confirmed double digit growth.
For loans to households, the improvement in the market scenario gained strength, with the easing of conditions for residential mortgages under way for almost three years. After an upturn near mid-2015, the growth in the stock of loans to households accelerated moderately, also in the initial months of 2016. This recovery is still driven by the significant trend in the disbursement of residential mortgages, only partially due to the renegotiation of existing loans. Specifically, the sharp growth in the disbursement of fixed-rate mortgages continued, justified by the very low levels of interest rates applied and an increasingly smaller spread between the fixed and floating rates. Consumer credit also grew, as it benefited from the improvement in the labour market conditions and the recovery in the disposable income of households.
The performance of loans was boosted by the demand from several segments, in addition to the easing of supply conditions, in a dynamic competitive scenario. A further increase in applications is expected in the second quarter of 2016. Applications for loans from households also increased, and remained strong for the purchase of homes and more moderate for consumer credit. Among credit supply factors, competitive pressure continued to significantly encourage the easing of credit access conditions,

[1] Difference between the 1-month Euribor and interest rates on household and business current accounts.
[2] Difference between the interest rate applied to households and businesses on loans with maturity up to one year and the 1-month Euribor.

whereas banks continued to show reduced concern with the perceived risks. Companies' opinions on credit access conditions also confirmed their improvement.
Growth in the stock of bad loans continued to slow and during the quarter there were initial signs of reduction in their amounts. The indications of improvement in credit quality are linked to the gradual recovery in economic activity which in 2015 resulted in a slowdown in flows of non-performing loans and, specifically, in new bad loans to businesses, as a ratio of outstanding loans.

Direct deposits

As regards funding, previous trends continued in the first quarter of 2016, specifically for deposits, which grew, driven by the significant growth in overnight deposits. At the same time, the double digit decline in time deposits continued. The performance of customer deposits was driven by the solidity of household deposits, characterised by a moderate year-on-year change and the lively trend in deposits by non-financial companies, though with significant variability. The growth in deposits continued to be offset by the collapse in the stock of bank bonds, the trend of which was affected by customer portfolio reallocation processes. On the whole, at system-wide level, customer deposits remained stable, despite the disruptive introduction of the new mechanism for managing banking crises, specifically the bail-in. As an aggregate, deposits decreased slightly, similar to what occurred in the central months of 2015.

Indirect deposits and asset management

With regard to assets under administration, the sharp decline in debt securities of households and businesses held in custody by banks continued. This performance was also impacted by the constant decline of bank bonds and the limited attractiveness of government bonds in a scenario of negative interest rates, which contrast with the interest in asset management.
With regard to the latter, 2016 began with significant flows, but lower than the beginning of 2015, also due the turbulence on the financial markets. In the first three months of the year, total flows intermediated through management mandates exceeded those managed by mutual funds. Assets under management of mutual funds came to around 850 billion euro in March, up by 4.4% on the same month of 2015, while assets managed through mandates exceeded 950 billion euro, up by 3.7% year-on-year. Inflows for portfolio management were dominated by institutional inflows, which more than offset the slight decrease in retail portfolio management. Among mutual funds, monetary funds reported highly positive inflows. Though inflows to flexible and equity funds were significantly lower than in 2015, they stayed strong, and in March bonds returned to positive ground. As regards domiciliation of funds, inflows were dominated by roundtrip products (foreign funds promoted by Italian operators), while domestic funds dropped to negative territory.
With regard to the insurance sector, new life business in the first three months of 2016 was highly positive, though lower than the record values recorded in the first quarter of 2015 (year-on-year total drop of -10.5%). Compared to 2015 there was a turnaround as regards the types of products placed: subscriptions of class I and V products (known as traditional products) saw an upturn (+5.1%), while subscriptions of insurance products with higher financial content (class III) decreased by 40.6%.

Intesa Sanpaolo in the first three months of 2016

Consolidated results

The scenario in the first quarter of 2016 was characterised by the underperformance of the real economy in relation to forecasts, by residual factors of instability and, above all, by unusually high volatility in share prices.
In a market context that continues to be challenging, the Intesa Sanpaolo Group closed the first quarter of 2016 with a net income of 806 million euro. This was a reduction, compared to that of the first quarter of the previous year, which amounted to 1,064 million euro, due to lower operating income, especially attributable to the lower contribution from trading – which had previously benefited from more favourable market conditions – and the contribution made to the bank resolution fund. Operating costs were monitored on a structural basis and lower adjustments to loans were required.
A detailed breakdown of the components of operating income shows that the income statement for the first quarter recorded net interest income of 1,881 million euro, down 4.6% compared to the first quarter of 2015, as a result of the performance of customer dealing and, to a lesser extent, lower interest from financial assets.
The services segment generated net fee and commission income of 1,713 million euro, down 5.5% on the same period of 2015, mainly related to the performance of the management and dealing activity.
In the first three months of 2016, trading activities yielded a profit of 228 million euro, significantly lower than the 596 million euro recorded in the first quarter of 2015 which, as indicated previously, benefited from particularly favourable market conditions.
Income from insurance business, which includes the cost and revenue captions of the insurance business of the Group's life and non-life companies, was 332 million euro, compared to the 343 million euro recorded in the same period of 2015.
Other operating income/expenses had a negative balance of 138 million in the quarter. This included the estimated contributions to the resolution fund relating to full year 2016, under the new mechanism for managing banking crises, which amounted to 136 million euro.
In relation to the above-mentioned dynamics, operating income in the first quarter of 2016 amounted to 4,090 million euro, down 12.8% on the figure of the first three months of 2015,
Operating costs decreased (-2.4% to 2,067 million euro) on the first quarter of the previous year. More specifically, personnel expenses decreased (-1.5%), mainly due to lower provisions for the variable component, and administrative expenses declined (-5.6%) as a result of savings achieved in property management, legal and professional fees and general structure costs. Conversely, amortisation and depreciation increased (+2.3%), due to amortisation of intangible assets. The cost/income ratio, which was 50.5%

versus 45.2% in the first quarter of 2015, was impacted by the aforementioned contributions to the resolution fund, included in other operating expenses.
The operating margin amounted to 2,023 million euro, down 21.3% on the same period of 2015.
Adjustments and provisions for risks, as a whole, decreased by approximately 12%. This performance is attributable to lower provisions for risks and charges (approximately -70%), as well as to lower adjustments to loans (approximately -10%), following both the actions implemented under the Business Plan to improve credit monitoring and a gradual stabilisation of the general economic situation, which resulted in a reductionin the flow of new non-performing loans.
Income before tax from continuing operations thus came to 1,288 million euro, compared to the 1,769 million euro recorded in the same period of the previous year.
After recognition of income tax for the period of 399 million euro (648 million in the first quarter of 2015), charges for integration and exit incentive of 13 million euro and the effects of purchase price allocation of 29 million euro, as well as minority interests of 40 million euro, the Group's income statement for the first quarter closed, as already noted, with a net income of 806 million euro, compared to 1,064 million euro for the first three months of 2015.

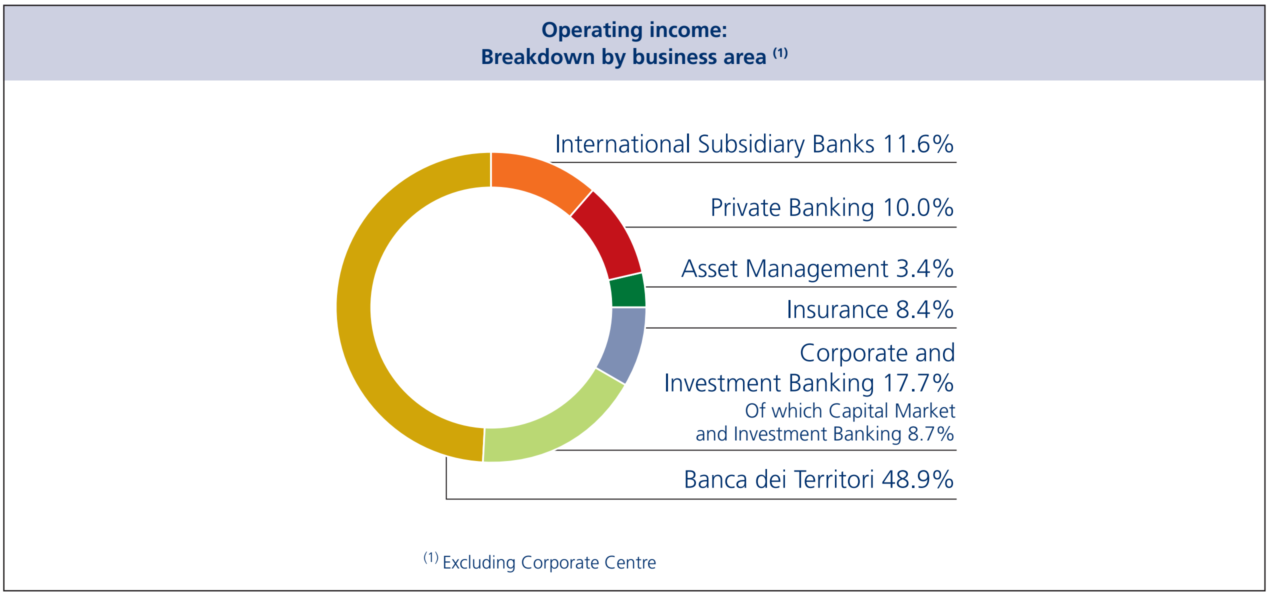
As to balance sheet aggregates, loans to customers amounted to 361 billion euro (+3.1% compared to the end of 2015). In addition to the positive trend in commercial banking loans - up 1.3% overall, due to the positive performance of current accounts, advances and loans and, above all, mortgages - and in loans represented by securities (+4.1%) higher short-term financial loans represented by outstanding repurchase agreements were recorded (approximately +32%).

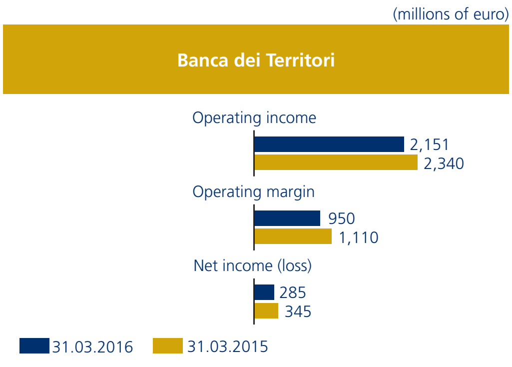
On the funding side, direct deposits from banking business neared 380 billion euro (+2.1% compared to the end of 2015). The slight downturn in funding through bonds (-1.6%) was offset by the positive performance of certificates of deposit (+13.4%), current accounts and deposits (approximately +0.5%), subordinated liabilities (approximately +11%) and other types of funding (+7.4%), in addition to a significant increase (approximately 4 billion euro) in repurchase agreements.
Direct deposits from insurance business, which include technical reserves, also increased (+2.3% to 136 billion euro). The overall increase was attributable both to the technical reserves (approximately +2.4%), which represent the amount owed to customers who have bought traditional insurance policies, and to the higher value of financial liabilities of the insurance segment designated at fair value (approximately +2%), particularly of unit-linked products. The new business of Intesa Sanpaolo Vita, Intesa Sanpaolo Life and Fideuram Vita, including pension products, amounted to 6.2 billion euro for the period.

Indirect customer deposits at 31 March 2016 came to 478 billion euro, a decrease of 3.2% on the end of 2015, primarily attributable to assets held under administration, with assets under management remaining substantially stable. In the quarter, the trend in the aggregate was impacted by declining market prices.
More specifically, assets under management fell slightly (-3.4 billion euro, equal to 1%), in relation to the negative performance of the markets, which outweighed the net inflow achieved by the distribution networks. The downturn concerned portfolio management, mutual funds and pension forms, while life policies grew.
Assets held under administration reported a decline (-12.6 billion euro, 7.6%) attributable to the sharp volatility of the institutional component, the aforementioned effect of negative performance, and the reduction in securities in the retail customer dossier in favour of asset management products.

Results of the Business Units

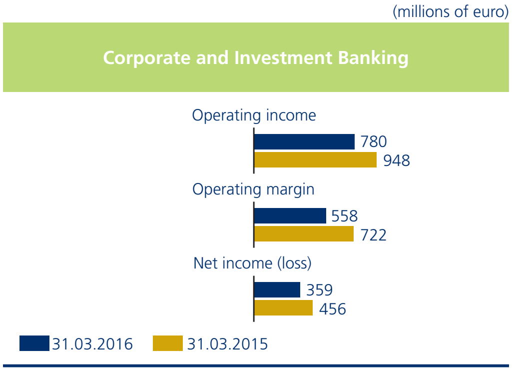
The Intesa Sanpaolo Group organisational structure is based on six business areas. In addition, there is the Corporate Centre, in charge of providing guidance, coordination and control for the entire Group, to which also the Capital Light Bank (CLB) business unit reports.
The contribution to the operating income attributable to each business area confirms that commercial banking activities in Italy continue to account for the majority (approximately 49% of the operating income of the business areas), although significant contributions were also provided by corporate and investment banking (approximately 18%), commercial banking activity abroad (approximately 12%), private banking activity (10%), insurance activity (approximately 8%) and asset management (approximately 3%).



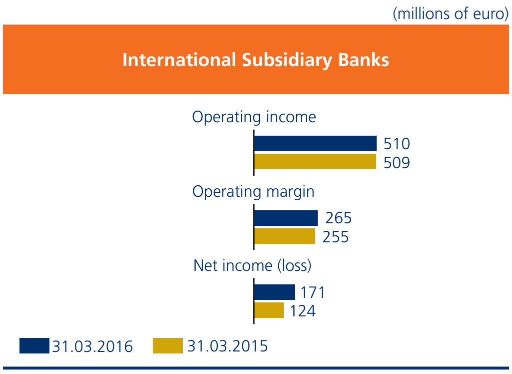


In the first quarter of 2016, Banca dei Territori – which oversees the traditional lending and deposit collecting activities in Italy and related financial services – reported operating income of 2,151 million euro, down 8.1% compared to the same period of the previous year. In further detail, decreases were recorded in net interest income (-8.3%), penalised by historically low interest rates, and net fee and commission income (-7.5%), specifically on asset management and administration products, while profits on trading were broadly stable. Operating costs decreased (-2.4% to 1,201 million euro) due to continuous cost management. As a consequence of the performance outlined above, the operating margin was down (-14.4%). A similar downward trend was recorded in income before tax from continuing operations (-17.3%) despite lower adjustments to loans. After taxes of 203 million euro (approximately -19%), charges for integration of 2 million euro and purchase price allocation effects of 3 million euro, the income statement for the quarter closed with net income of 285 million euro (-17.4%).

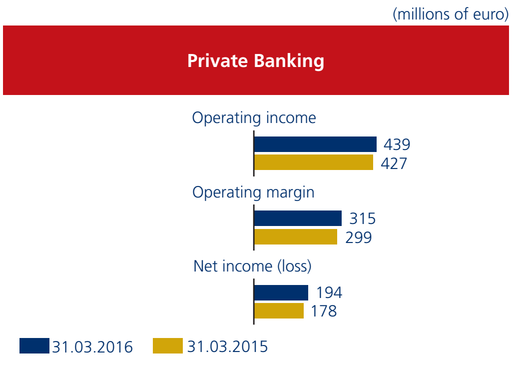
The balance sheet figures of Banca dei Territori at the end of March 2016 showed loans to customers rising slightly (+0.9% to 186,490 million euro), thanks to the increase in loans to personal customers and businesses as well as the contribution of industrial credit. Direct deposits from banking business showed a greater increase (+2.7% to 164,168 million euro), attributable to higher liquidity on customer deposits.



During the first quarter, the Corporate and Investment Banking Division – which deals with corporate banking, investment banking and public finance in Italy and abroad – recorded lower operating income than in the same period of 2015 (-17.7% to 780 million euro). In detail, net interest income declined (-6.2%) primarily as a result of smaller margins and of a lower contribution from the Luxembourg subsidiary. Conversely, net fee and commission income showed an increase (+14.1%) especially due to the investment banking sector. Profits on trading declined (approximately -44%), mainly due to proprietary trading and capital market activity. The Division's operating costs were also down (-1.8%) due to savings on personnel expenses. As a result of the abovementioned revenue and cost trends, the operating margin decreased (-22.7%), as did income before tax from continuing operations (-23.5%), though the latter benefited from a slight drop in adjustments and provisions. Net income for the quarter came to 359 million euro (-21.3%).
The Division's intermediated volumes increased compared to the end of December 2015 (+2.7%). Loans to customers grew (+6.5% to 95,485 million euro), in relation to increased operations in repurchase agreements and collateral by Banca IMI, while direct customer deposits remained substantially stable (-0.3% to 109,545 million euro) thanks to the positive performance of securities issued, which offset lower customer deposits.

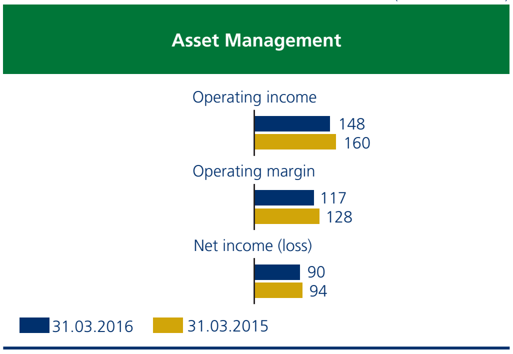


In the first quarter of 2016, operating income of the International Subsidiary Banks Division – which oversees the Group's commercial operations on international markets through subsidiary and associated banks primarily involved in retail banking operations – came to 510 million euro, broadly in line (+0.2%) with the first three months of the previous year, as a result of stable net interest income (-0.3%), declining net fee and commission income (-4%) and profits on trading which more than doubled. The revenue trends described and the decline in operating costs (-3.5%) led to a 3.9% increase in operating margin. The income before tax from continuing operations showed a higher increase (+33.5%), benefiting from the reduced requirement for adjustments.
The Division closed the first quarter of 2016 with a net income of 171 million euro (+37.9%).
Intermediated volumes decreased compared to the end of 2015 (-1.7%), mainly due to the trend in direct deposits from banking business (2.6%), specifically the component due to customers which was partially offset by greater placements of bonds. Loans to customers recorded a marginal decrease (-0.5%).



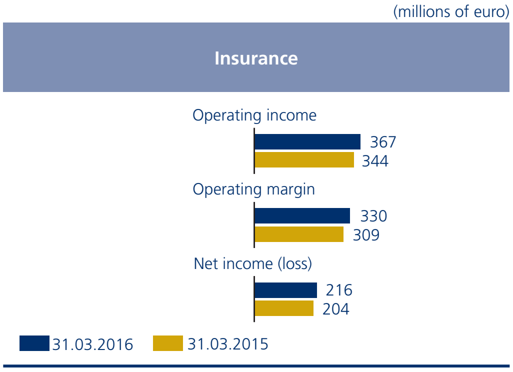
The Private Banking Division serves the top customer segment (Private and High Net Worth Individuals) by offering excellent products and services. The Division coordinates the operations of Fideuram, Fideuram Investimenti, Intesa Sanpaolo Private Banking, Sirefid, Fideuram Fiduciaria, Intesa Sanpaolo Private Bank (Suisse) and Fideuram Asset Management Ireland.
In the first quarter of 2016 the Division achieved income before tax from continuing operations of 309 million euro, up (+8.4%) on the same period of 2015, mainly as a result of higher operating income, lower operating costs and profits on disposals of loans represented by securities.
The favourable trend in operating income is attributable to fees and commissions (+6.1%) both as a result of growth in volumes of assets under management and the change in the mix of products offered. Among other revenue components, the interest margin and profits on trading declined (-4.2% and -50%, respectively). Operating costs decreased due to effective reduction in expenses. Net income for the quarter came to 194 million euro (+9%).
As at 31 March 2016 assets under administration amounted to 186 billion euro (-2.5 billion euro compared to the end of 2015). This trend is attributable to the unfavourable market performance, which was only partially offset by the positive trend in net inflows.

(millions of euro)



The Asset Management Division develops asset management solutions targeted at the Group's customers, non-Group distribution networks and institutional customers, through the subsidiary Eurizon Capital.
Operating income in the first quarter of 2016, amounting to 148 million euro, decreased by 7.5% compared to the same period of the previous year, as a result of the negative performance of net fee and commission income (-11.9%), only partially offset by the contribution of investees carried at equity (Penghua and Allfunds Bank) and financial income. Operating costs fell on the same period of the previous year (-3.1%) due to the streamlining of personnel expenses. Given the above revenue and cost trends, the operating margin declined by 8.6%. The Division closed the first quarter of 2016 with net income of 90 million euro, down slightly (-4.3%) compared to the first three months of 2015.
Total assets managed by Eurizon Capital at the end of March 2016 came to 227 billion euro, substantially stable (+0.2%) compared to the end of 2015. The unfavourable performance of the financial markets almost cancelled out the effect of positive net inflows.

(millions of euro)



The Insurance Division is in charge of the management of the subsidiaries of the insurance group Intesa Sanpaolo Vita, and Fideuram Vita, with the mission of further developing the insurance product mix reserved for Group customers.
In the first quarter of 2016, operating income increased (+6.8% to 330 million euro) on the same period of the previous year. This is attributable to higher operating income against a slight increase in costs. Income from insurance business increased (+7%) - due to the improvement in the technical margin and the positive contribution of the net investment result – and so did income before tax from continuing operations (+6.5%), and the net income (+5.9%) which came to 216 million euro.
Direct deposits from insurance business increased (+2.3% to 136 billion euro) compared to the end of 2015, mainly due to the development of technical reserves and financial liabilities in the insurance segment.

Highlights

Highlights in the quarter

The Single Resolution Mechanism Regulation (2014/806/EU) came into force on 1 January 2016. This regulation will manage banking crises of member states in the Eurozone at centralised level, by establishing and managing the Single Resolution Fund (SRF). Starting from that date, the National Funds of all member states of the monetary union, established in 2015 pursuant to the BRRD, flowed into the Single Resolution Fund. This Fund is managed at centralised level by the new Single Resolution Board (SRB), headquartered in Brussels.
Starting from 1 January 2016, and by 31 December 2023 (time frame of 8 years), the Single Resolution Fund must reach a target level of resources of at least 1% of the amount of protected deposits at all authorised entities of the Banking Union. The target level of the SRF is estimated at 55 billion euro.
Therefore, banks in the member states of the Banking Union, which paid their contributions to the National Resolution Fund in 2015, from 2016 (up to 2023) shall contribute to the Single Resolution Fund. Banks not belonging to the Banking Union will continue to pay contributions to the National Resolution Funds of their respective home countries. The rules for calculating the contributions due are set out in delegated Commission Regulation no. 63 of 2015, supplemented by Council execution Regulation no. 81 of 2015 for the period 2016-2023.
In the Intesa Sanpaolo Interim Report as at 31 March 2016, pending receipt of the official communications from the competent authorities, charges for the Resolution Fund totalling 136 million euro were estimated and recognised for the entire 2016.

On 26 February, the Extraordinary Shareholders' Meeting of Intesa Sanpaolo approved the new Articles of Association which relate to the adoption of the one-tier corporate governance system, based on a Board of Directors composed of a minimum of 15 and a maximum of 19 members, five of whom will be part of the Management Control Committee.
The dual corporate governance model previously adopted by Intesa Sanpaolo has confirmed its concrete operation and consistency with respect to the Bank's overall structure, demonstrating its capacity to meet the efficiency and effectiveness needs of governance and of the control system of a structured and complex Group. Nine years on from its adoption, however, it was considered appropriate to evaluate a change, especially in light of the results of the last self-assessment process carried out by the two Corporate Bodies which, while showing the full and extensive adequacy of each Board with regard to all the aspects under examination, identified some areas for improvement. Aside from the external factors, other factors suggested a wide-ranging assessment: first and foremost, the amendments introduced in the regulatory framework as well as the ongoing developments at Supervision level (with the transition of prudential supervision to the ECB, with a view to the Single Supervisory Mechanism) and the

shareholder base of Intesa Sanpaolo (with the strong growth of foreign investors). The relevant assessments were entrusted to a Commission set up ad hoc within the Supervisory Board - whose composition reflected the (legal and business) expertise and the (academic and professional) experiences that appeared to be best suited to meet the relevant requirements - with the task of analysing the benefits and advantages underlying the different governance models, in order to identify possible areas for improvement in Intesa Sanpaolo's dual corporate governance system or, alternatively, possible reasons that could have led to its replacement.
Having taken into account all the factors and considerations outlined above, the Commission identified the one-tier system - characterised by the presence of a board of directors and a management control committee established within it - as the most suitable model to ensure actual management efficiency and control effectiveness at Intesa Sanpaolo. Thus, in the Commission's opinion, the centralisation within a single body of strategic supervision and management functions - together with a balanced system of powers and fair debate within the board - is conducive to pursue the dual objective of greater efficiency in the performance of the governance function and of safeguarding, in line with the dual system, the immediacy, incisiveness and effectiveness of the control function, centralised within the management control committee.
The Ordinary Shareholders' Meeting on 27 April then decided to set the number of members of the Board of Directors at 19 for financial years 2016/2017/2018 and subsequently appointed the members of the Board of Directors and the Management Control Committee for said years, on the basis of lists of candidates submitted by shareholders. The 19 members appointed are listed in the "Board of Directors, Manager responsible for preparing the Company's financial reports and Independent Auditors" Section of this Interim Statement. At its meeting of 28 April the Board of Directors then appointed Carlo Messina Managing Director and CEO, granting him the powers necessary and appropriate to ensure consistent management of the Company.

With regard to other subsequent events, on 15 April 2016 the Bank's corporate bodies - within their respective remits - approved the participation in a structural solution to the significant size of non-performing loans ("sofferenze") in the Italian banking system, deriving from the serious recession which has hit the country's economy, as well as the lengthy procedures for the recovery of these loans that have led NPL investors to offer significantly discounted purchasing prices.
Under this operation, Intesa Sanpaolo will participate in the creation of an alternative investment fund, Atlante, which will be managed by Quaestio Capital Management, an autonomous asset management company (SGR). The Bank will contribute up to a maximum of 800 million - 1 billion euro to Atlante, which will have a total capital endowment of 4 billion - 6 billion euro, supplied by banks and private-sector investors. The creation of Atlante will allow Italian banks to deconsolidate a significant amount of NPLs from their balance sheets, at values consistent with non-speculative market yields, and ensure a positive outcome of the capital increases required by the Supervisory Authorities for banks that are going to face objective difficulties in the short term due to their high level of NPLs.
At least 30% of Atlante's funds, plus amounts not used to support capital actions at banks to be identified by 30 June 2017, will be reserved for the purchase of junior tranches issued by securitisation vehicles of NPLs conferred by various banks, that may include Intesa Sanpaolo, as well as other related assets.
The non-performing portfolio, which will be included in this operation, may benefit from the value creation deriving from a "best-in-class" Servicer able to exploit the economies of scale and scope of a multi-bank portfolio, as well as applying logics and competencies in the style of a Real Estate Owned Company (REOCO) in the proactive management of real estate collateral.
A comprehensive structural solution to the NPLs of the banking system will be reached through the introduction of measures by the government aimed at halving the NPL recovery time, bringing this into line with the European average. The strengthened solidity of Italy's banks resulting from this solution will allow them to support the real economy, increasing lending availability to households and businesses. It will also dispel the unfavourable perception of the market as to the stability of the banking system, which is detrimental to Italian savings.
After obtaining the necessary authorisations, on 29 April Quaestio Capital asset management company launched the Fund, with contributions amounting to a total of 4.3 billion euro. On the same date, the asset management company called the initial economic resources needed to participate in the share capital increase of Banca Popolare di Vicenza. The total amounts called up came to 1.7 billion euro, and Intesa Sanpaolo paid in approximately 334 million euro.

At the beginning of May Intesa Sanpaolo entered into a sale-and-purchase agreement in respect of the sale of the total share capital of its subsidiaries Setefi and Intesa Sanpaolo Card to a wholly-owned subsidiary of Mercury UK Holdco Limited for a consideration of 1,035 million euro in cash. Mercury, which already owns Istituto Centrale delle Banche Popolari Italiane (ICBPI), is controlled by a consortium composed of Advent, Bain Capital and Clessidra. Setefi and Intesa Sanpaolo Card carry out processing activities relating to payment instruments and operate, respectively, in Italy and in the other countries where the Group has a presence.
The agreement provides for a ten-year service contract, the commitment by Intesa Sanpaolo to use the processing services provided by Setefi and Intesa Sanpaolo Card and specific undertakings regarding the maintenance of a high service quality.
The transaction will enable the Intesa Sanpaolo Group:

- to focus on the core activities of issuing and acquiring relating to payment instruments, following the recent partial demerger of Setefi in favour of its Parent Company, with the aim of maximising effectiveness of commercial activities and optimising relationships with Group customers;
- to adequately enhance, by way of this disposal, the non-core processing activities, also taking into account that growing investment needs and economies of scale are necessary in order to operate efficiently in this sector;
- to further strengthen the technological platform by entering into a partnership with players of proven experience in the payment sector in Italy and Europe.

In 2015, the activities involved in the disposal generated an operating income of around 170 million euro, an operating margin of around 80 million euro and net income of around 60 million euro.

The finalisation of the transaction is expected to take place by the end of the year and is subject only to the customary regulatory authorisations being received. It will generate a net capital gain of around 895 million euro for the Intesa Sanpaolo Group's consolidated income statement in 2016. Thus, the transaction did not generate any effects on the Interim Statement as at 31 March. As required by IFRS 5, starting with the Half-Yearly Report as at 30 June 2016, and until the transaction is completed, the accounting balances attributable to the two subsidiaries will be reclassified under the specific captions relating to discontinued operations.

The 2014-2017 Business Plan

With the Business Plan approved in March 2014, the Intesa Sanpaolo Group has introduced the 2014-2017 objective to pursue a new growth phase based on an innovative strategy which, focusing on the individuals and adopting a clear and effective business model, aims at increasing profitability in a sustainable manner, optimising capital and liquidity.
The new strategy hinges on a number of priorities that are now part of the inheritance of Intesa Sanpaolo, which aims to become:
– a real-economy bank, which supports households and businesses and, leveraging a strong balance sheet and leadership, matches healthy credit demand and manages the financial wealth of customers with care;
– a Bank with sustainable profitability, in which operational performance, productivity, risk profile, liquidity and solidity/leverage are carefully balanced;
– a leader in retail and corporate banking in Italy and a few other key countries;
– a European leader Bank in a number of high growth/high value businesses (Private banking, Asset management, Insurance);
– a Bank structured according to a divisional model and engaged in strengthening and further simplifying the current business model of the Banca dei Territori Division, taking into account the evolution in customers' demands;
– an international Bank that acts as "Local bank abroad" for Italian companies;
– a simple yet innovative Bank, acting with a truly multi-channel model.
The Plan envisages measures in the following areas:
– "New Growth Bank", to develop revenues with innovative growth engines capable of identifying new market opportunities;
– "Core Growth Bank", to capture untapped revenue potential of existing business, in terms of revenue development, reduction in operating costs, and credit and risk governance;
– "Capital-Light Bank", to optimise the use of capital and liquidity, de-leveraging the bank's "non-core" assets;
– People and Investments as key enablers to maximise the contribution of each of the three "Banks" to the Group's result.
A number of initiatives were implemented from both the organisational standpoint as well as with regard to product innovation, improvement of customer service and development of Intesa Sanpaolo's human capital.

a) New Growth Bank
As part of the "New Growth Bank" initiative, the Banca 5® project continues, founded on an ad hoc offer and on a dedicated commercial value chain composed of approximately 3,600 people to revamp approximately five million retail customers marked by limited relations with the Bank. As a result of the commitment to them, these customers now have continuously increasing income. In addition to the development of new targeted products and the launch of commercial initiatives designed for their specific needs, particular attention is focused on training managers, which is fundamental to continuously improve the service offered.
Numerous activities were performed to develop the multi-channel approach, which will enable customers to purchase products and services from all channels through consistent, integrated paths. In the first quarter, specifically, development continued for the Online Branch, the new home banking site and the new app, the process of gradual dematerialisation of contracts and the plan for implementing the integrated telephony model.
With regard to the "new jobs" envisaged in the 2014-17 Business Plan, development continued of Intesa Sanpaolo Casa, a new company that operates in residential real estate brokerage between individuals (including non-customers) and between individuals and the Group's construction company customers. The new company offers customers an advanced range of high-value services based on the soundness and professionalism of Intesa Sanpaolo. For example, customers registered in the reserved section of the Intesa Sanpaolo Casa website can use the new interior design and renovation services and request quotes from professionals participating in the platforms of the Bank's partners Cocontest and Habitissimo. In March 2016, 18 branches were operational, located in Milan, Rome, Turin, Monza, Brescia, Bologna, Florence and Naples. Since operations began, approximately 300 sales mandates have been obtained and 87 homes sold. Intesa Sanpaolo Casa also provides an opportunity for professional growth for Group employees. The new real estate agencies include agents hired from outside (the recruitment of which also continued in the first quarter), as well as employees of Intesa Sanpaolo, who decided to accept a new challenge by using their experience and professionalism to develop the new business. Intesa Sanpaolo Casa is an important opportunity for the entire Group, owing to the possibility of developing synergies with the banking business, in line with the principle of separating the real estate business from banking.
The Group's e-commerce site, "Created in Italia" (which became part of "Mercato Metropolitano"), already has approximately 27,000 registered users and an online catalogue of approximately 800 brands. Mercato Metropolitano is a showcase of high-quality companies that contribute to enhance the value of Italian products, businesses that consider the landscape and traditions of their territory as distinctive elements in their creations and which, thanks to Intesa Sanpaolo, can promote their products on the portal, thus benefiting from extensive visibility.
February saw the launch of "Destination Italia", an ambitious project for Italian tourism that aims at promoting and selling the "Italy product" abroad through a new start-up. The founding members of the Italian NewCo are the lastminute.com group (the fifth most important online tour operator in the world by volume of transactions), Intesa Sanpaolo and the Chief Executive Officer Marco Ficarra. Destination Italia will not be an Online Travel Agency (OLTA), but intends to position itself as an authentic leading "hub" of incoming tourism, that will be achieved not only by aggregating the Italian tourist offer (today extremely fragmented and often in an inferior position with respect to foreign operators) but also by promoting and selling the "Italy product" on foreign markets, both directly to passengers and indirectly through foreign operators such as tour operators, agencies, OLTAs and system partners. According to the roadmap, sales and marketing activities will start during the year.

The SME Finance Hub is the Group's specialised credit and business advisory service unit. In the first quarter, the operating processes were launched for the transfer to the Parent Company and to Intesa Sanpaolo Group Services of the non-core activities of Mediocredito, a transaction which will allow the company to focus on business development. In the commercial area, the processes were launched to improve the commercial offering and customer service, strengthening the specialist credit monitoring (leasing, medium/long-term loans, structured finance and subsidised finance).
The project "Insieme per la Crescita" (Together for Growth), consisting of management change measures and new methods of securing employee involvement, continued on the entire Banca dei Territori Network. The idea of the project is to target commercial behaviour with the aim of improving the network's performance through a stronger focus on relationships, thereby increasing customer and employee satisfaction so as to generate pervasive, permanent change.
The implementation of the new strategy and commercial initiatives for Transaction Banking continued. A single product company at Group level will support the growth of business, guaranteeing product innovation, excellence in commercial support and pro-active development of partnerships. A number of initiatives related to the project aimed at extending Banca IMI's product range. The most important include the move to the operational phase of the partnership with the Private Banking Division, as part of the High Net Worth Individual (HNWI) project, which offers that customer segment a complete range of products and services usually reserved for professional investors. As part of the development of the offering of Advisory and Structuring services regarding third-party NPLs, the multi-originator platform for the sale of NPLs came on stream, and important mandates were concluded with leading Italian banks. The physical Gas Commodity Trading activities continued with the closing of several transactions. On the international front, further progress was made on the development of the International Network, with a view to strengthening the Group's competitive edge in terms of offering and geographical coverage. On this latter front, in particular: business development projects continued in Turkey and Brazil; in the United Arab Emirates the licence was obtained from the local authorities for the organisational establishment of the new branch in Abu Dhabi (replacing the Representative Office closed at the same time); in Indonesia, the license was obtained from the local authorities and the actions for opening the Representative Office in Jakarta continued. The reinforcement of the ISP Bank Luxembourg unit (former SEB) continued, aimed at expanding the effectiveness of commercial coverage on customers in the Benelux market.
The size of the new Fideuram-Intesa Sanpaolo Private Banking Group on the market makes it a leader in Italy and places it at a top position in private banking at European level, allowing it to develop domestic and international markets in the future. In February, the branches dedicated to High Net Worth Individuals were opened in Bologna and Rome. All the new functionalities and tools supporting advanced advisory services have been issued. The activities regarding the revitalisation of ISP Suisse and the finalisation of the London Branch continued.
The Asset Management Division took steps in several areas during the first quarter of the year. Support for the Banca dei Territori, Private Banking and Insurance Divisions continued with the development of products, informational materials and training and support activities differentiated based on the specific needs of the individual structures. The commercial focus on extra-captive and institutional customers was also strengthened. Finally, work on developing international business was no less intense. Specifically, as regards the Hong Kong subsidiary, pending the issue by the local Supervisory Authorities of the licences authorising advisory and investment activities, implementation continued of the operating model defined for the company's start-up period.
With regard to the establishment of a Wealth Management Company in the People's Republic of China (main branch in Qingdao), analyses are currently under way with the Bank of Italy to agree on the contents of the application for authorisation, based on the local reference regulations. The company's object will be to provide financial advice and distribute and promote wealth management products. The subsidiary Eurizon Capital S.A. has begun the activities for opening international branches. As regards the UK market, the activities to set up the partnership with SLJ Macro Partners LLP continued.
During the first quarter, the Insurance Division continued its actions to rebalance the commercial offering in favour of products with greater capital efficiency (Class III products), suspending the marketing and sale of traditional Class I products. The first phase of the Information Driven Insurer project was completed, aimed at increasing the efficiency of the use of the information set of the Division's data. The constant development of insurance products continued, both in the Non-Life and in the Life segments.

b) Core Growth Bank

With regard to the "Core Growth Bank" initiatives, Banca dei Territori continued three projects aimed at optimising the service model for Retail customers ("Full Potential"), Personal customers ("Investment House") and Business customers ("Business-Entrepreneur"). In detail, as regards the "Full Potential" project, the rationalisation measures for the network and development of the "Counter Service Development" initiative (introduction of branches with counter closures at 1 p.m. and branches fully dedicated to financial advisory services) continued. The transformation of the branches according to the new layout also continued.
As regards "Investment House", in the first quarter activities specifically focused on developing the product range, the "Financial Advisory" project, the Out-of-Branch offering (and, more generally, the multi-channel offering) and on implementing solutions for the dematerialisation of contracts.
As regards the "Business-Entrepreneur" project, in addition to continuously fine-tuning the service model and commercial method, the initiative to increase awareness by, and transfer knowledge to, customers on the digitalisation of business and on internationalisation went on. As regards the latter, additional initiatives were developed to support companies in their growth on foreign markets. These activities confirm that Intesa Sanpaolo is increasingly a key partner in defining the strategic decisions of its enterprise clients.
Development work continued on the "Commercial Excellence" project, aimed at increasing the level of service provided to high added-value customers, also through different organisation of the work and leveraging of leads generated by the multi-channel platform and the use of technologies capable of increasing the effectiveness and efficiency of commercial processes. Specifically, in the first quarter, the activities aimed at reducing sales time spent on mortgages and F24 tax forms continued. Furthermore, the technological upgrade of equipment continued for customer transactions in self-service mode.
The service model improvement projects for the various customer segments are supported by the new organisational model of the Banca dei Territori Division: in fact, in each of the seven existing regional governance centres, three specialised "commercial areas" have been identified – Retail, Personal and Business – to maximise the specific skills of personnel.

The Corporate and Investment Banking Division moved ahead at full pace with work on developing an asset light model aimed at making its loan assets marketable. The programme aimed at increasing business with international customers continued. Among the various activities, implementation continued of the service model by Industry and several commercial operations supporting synergies with the ISP Bank Luxembourg project were intensified. In the area of selective growth involving Italian Corporate Customers, dedicated commercial campaigns were expanded. With regard to Financial Institutions customers, in addition to the work on commercial development, those aimed at achievement of the factors that will enable the full realisation of the segment's potential continued.
The International Subsidiary Banks Division is implementing a major project to revise the operational model which, by redefining the functional relationships between Governance structures and local banks and unifying the commercial and marketing organisation, will enable better coordination and greater efficiency of the commercial initiatives. The implementation of the new target organisational model of the International Subsidiary Banks Division is being finalised. The Nexus project, aimed at simplifying governance and optimising synergies between PBZ and ISP BiH, continued. The Division's loans programme was launched in order to coordinate projects in that area. Furthermore, the Big Financial Data and RADAR projects were launched at all international subsidiaries. Development of the Division's target multi-channel platform continued in CIB (Hungary) and Alex Bank (Egypt). Lastly, the Export-Facile product dedicated to Corporate and SME customers was rolled out in Banca Koper (Slovenia), while the actions to gradually extend it to other subsidiaries continued. Following the completion of the feasibility study, the implementation of the Small Business model was launched. Lastly, the Wealth Management & MiFID II project, aimed at defining and implementing the target model for the Mass/Affluent/Private segments in line with the MiFID II regulations, continued.
Activities regarding pro-active credit management went on. The ongoing monitoring of customer positions, prompt identification of situations at risk and immediate activation of measures to keep or reposition loans in performing status contributed to stemming the deterioration of credit quality. During the first quarter, also owing to these loan management programmes, approximately 5,300 businesses returned their loans to performing status from non-performing status (around 25,000 overall since 2015), confirming Intesa Sanpaolo' intention to be a bank that supports the real economy and focuses on sustainable growth.
The Business Plan envisages an important simplification in the corporate breakdown of Banca dei Territori. The objective is to achieve a gradual and significant reduction in the number of legal entities, from 17 banks at the end of 2013 to 6 banks.
The first corporate action involved the merger of Banca di Credito Sardo and CR Venezia, 100%-owned, into Intesa Sanpaolo (effective for legal purposes from 10 November 2014). The mergers by incorporation of Banca di Trento e Bolzano and Banca Monte Parma into Intesa Sanpaolo took effect on 20 July 2015. The merger by incorporation of Cassa di Risparmio di Rieti, Cassa di Risparmio di Civitavecchia and Cassa di Risparmio della provincia di Viterbo into Intesa Sanpaolo was finalised with effect from 23 November 2015. The merger by incorporation of Banca dell'Adriatico into Intesa Sanpaolo was completed (with the transaction taking legal effect on 16 May 2016). Finally, the rationalisation of the local presence resulted in the closure of 37 branches in the first quarter (for a total of 602 closures since 2014).

c) Capital Light Bank
In addition to growth in revenues, reduction in operating costs and optimisation of credit and risk management, the Business Plan is also based on a clear strategy for optimisation of capital and liquidity, as well as deleveraging of the Group's non-core assets implemented through the Capital Light Bank.
During the quarter, organisational rationalisation in Ukraine resulted in a reduction of the workforce by approximately 90, while in Hungary additional deleverage of approximately 130 million euro was achieved. Intesa Sanpaolo REOCO, the Group company which has the mission of extracting the most value from repossessed properties and safeguarding the bank's assets, continued to carry out its activity, with a total benefit for the Group of around 35 million since 2014. Finally, Intesa Sanpaolo Provis (a Group company dedicated to managing bad loans deriving from lease agreements entered into by the Group) recorded a decrease in net adjustments to loans on the same period of 2015.

d) People and investments as key enablers
At the end of 2013, following development of technology and customer trends, the Bank had an excess capacity of about 4,500 people, equal to about 5% of the total employees of the Group. However, there has been a strong desire to involve all colleagues in the new Business Plan right from the beginning, fostering the sense of belonging to the Bank.
In line with these values, as opposed to the measures of its main competitors, the Bank decided to maintain the current employment levels, preserving know-how and the professional expertise within the company. To this end, a major project for professional re-allocation has been initiated in order to support development of the new business initiatives under the Plan. In March 2016, almost all of the staff initially identified were already re-allocated to priority initiatives (4,425 resources).
The Chief Innovation Officer Governance Area, which is fully operational, has continued to promote and expedite innovation within the Group.
As concerns the Group's main projects, which will be illustrated in detail below, in a world where data are becoming increasingly important and their correct use provides a growing competitive advantage, the Intesa Sanpaolo Group is implementing the "Big Financial Data" programme for integrated management of Bank data. The project will achieve three important goals: i) satisfying the new regulatory requirements; ii) supporting the business; and iii) supporting the Bank in its transformation from a "Data Company" into an "Information Company".
Finally, the "Digital Factory" project is active, which aims at upgrading the Group's operating model, accelerating innovation and digitalising processes. As part of the Digital Factory project, operating processes are redesigned starting from customers' needs, exploiting the digital potential made possible by new technologies and leveraging working methods that involve extensive cooperation between group structures, involving high value people. The processes relating to Mortgages, Successions, Pro-Active and Specialised International Credit are already being revised.

Ongoing projects

The implementation of numerous projects continued also during the first quarter of the year, in coordination with the structures of ISGS, Intesa Sanpaolo Group Services, a consortium company with liability limited by shares established in order to centralise in a single instrumental company the structures providing IT, operating, real estate, organisational and other services supporting the business of the Group,
The main activities carried out in the quarter are illustrated below, with specific regard to projects with cross-cutting impacts across the Group, which mainly stem from regulatory obligations, business development opportunities or risk control needs.

Integrated Multi-channel Platform
The main objectives of the Integrated Multichannel Platform are:
– to redefine the role of the channels, distinguishing between "assisted" channels (Branches and Contact Units) and self-service channels (home banking, tablet, mobile and ATMs) to increase service levels to customers and sales;
– to enable multi-channel paths, in line with customers' preferences, on selected, priority products, integrating the various channels of the Bank;
– to exploit contact points with customers and data available to the Bank to trigger and take advantage of new commercial opportunities and monitor customer satisfaction.

The role of the channels must evolve in line with the principles set out in order to increase service levels and sales. In order to implement this new commercial approach, the Integrated Multi-Channel Project was launched in January 2014, under the supervision of the Banca dei Territori Division, with contribution from the Personnel and Organisation Department of ISGS as the PMO for the project and a player in defining operating processes.
Specifically, during the first quarter, as part of the New Digital Customer Experience, the Family & Friends version of the new Internet Banking site was released, in preparation for the move to the new site for all customers, scheduled for mid-2016.
As part of the dematerialisation process, the new Personal Loans and Portfolio Management processes were released; up to mid-year, they will provide customers with the dual option of hard copy signature as well as dematerialised signature.
The analyses were consolidated for the launch of the New Transactional Platform which, in the initial stage, will support current account and card sales processes.
Concurrently, the Project started the analyses to define the innovative process of remote identification for new customers and the process of online current account sales.
Lastly, to complete the process of evolution of the Online Branch in order to provide greater commercial offering and increased advanced support to the new multi-channel sales processes, the professional figures of Online Branch Manager, Online Commercial Coordinator and Online Private and Retail Business Manager.

Digital factory
In the second half of 2015, the Group launched the "Digital Factory" with the goal of upgrading the operating model, accelerating innovation and digitising processes, disseminating a new way of working based on internal and external cooperation and co-creation, starting from customers.
The Project, which will have a duration of several years, involves, overall, a zero-based redesign - against the gradual optimisation of existing processes - of the 40 "core" processes of the Bank. For each process, there are three main steps:
– redesign phase: length of 16 weeks, at the end of which the Minimum Viable Product (MVP) will be released. This is a set of self-contained functions developed to test the effectiveness of the application and organisational solutions identified (pilot);
– engineering phase: length of around 2-3 months, during which the process is developed in order to enable the roll-out on all Bank structures involved;
– target calibration phase – to complete and consolidate the interventions with significant business content.

Specifically, during the first quarter of the year, the pilot phase of the digitisation of the process for granting mortgages to individuals was completed. This refined the application and organisational solutions with direct contribution from the Network, in view of the implementation phase, which is scheduled to begin by mid-year. In cooperation with the Banca dei Territori Division, the content of the target phase, which provides for a plan of work throughout 2016, was also identified.
Also during the quarter, as part of the "renegotiations" process, additional functionalities were gradually released in preparation for the extension of the new model to the Network. As regards the "inheritance planning" process, the pilot phase launched in the initial months of the year involved 200 branches of the Group. The engineering phase also began, which involves creations and releases in the second quarter. The "proactive credit management" and "specialised international credit" processes were also launched, defining the objectives, content and macro-design of the processes. The pilot phases of both processes are planned to be launched by mid-year. Meanwhile, the processes which will soon be activated (Online Branch, Proactive Retail, advances against invoices, CRB – remote banking contract, portfolio presentations) are currently being defined and analysed.

Big Financial Data
The operational phases of the B(F)D project were launched with the goal of structural improvement of management of all of the Bank's data by defining and implementing technological and organisational interventions. The project is organised in several phases of work over a time frame of several years. Phase I of the project, "Infrastructural Design and Realisation" concluded during 2015, achieving the goal of setting up and launching all the activities in preparation for putting the project into operation. Phase II, the roll-out, launched in September, and planned to conclude by the end of 2018, involves the gradual finalisation of the main data environments and the concurrent activation of the business initiatives using "Big Data" from 2016.
During the first quarter to date, the project achieved the following objectives:
consolidation of the Data Governance framework, setting up the Data Office Department;
– connection of the main data environments of Wave 1 (~21,000 items of data) to the Data Lake, ready to be used by the Business, and activation of the new Data Quality tools (3,100 new controls activated and ~50 Key Quality Indicators monitored);
– proposal of the strategic design and upgrading of the target B(F)D architecture and identification of the integration scenarios for priority business chains;

- activation of the Ki Portal to access the main KPIs (~1,000) and Group Reports (~50) for ~1,700 users, and issue of the data and control "Dictionary";
- set-up of the "Big Data Lab", already operational with 6 structures to support Advanced Analytics.

Risk Aggregated Data and Reporting (RADAR)
The project began with the goal of implementing the necessary measures to adopt the principles set out by the Basel Committee, aimed at increasing the robustness of the capacity of data aggregation and reporting relating to all "significant risks" managed by the Bank, not only under normal conditions, but also in situations of tension or crisis.
During the first quarter, the following were consolidated: the Data Quality methodology, with consequent planning of specific activities such as the identification of material data; the application architecture and integration logics with the Big Financial Data application model, with the definition of the relevant requirements; and the logics behind the creation of the Dictionary of terms.

New regulations for prudential supervision
The plan of work to be implemented for the Group's Internal Control System (IICS) includes both the actions indicated in the Gap Analysis and those relating to Information Systems and Business Continuity. During the first quarter:
- with regard to the extension of the IICS Regulations to the International Subsidiary Banks, the preparation of the documentation is being completed to facilitate the adaptation to the specific needs of the single entities;
- as part of the initiative regarding the Evolution of the IICS on loans (levels I, II and III):
  - the updating of the level I control sheets regarding fast closing was completed;
  - the organisational structure of the Quality, Control and Operational Coordination Department of the Corporate and Investment Banking Division;
  - the credit control model for international subsidiary banks in the International Subsidiary Banks Division was shared with the Parent Company's stakeholders, in relation to the need for separation between the Loans and Risk Management Areas and identification of the structures with level I and II control duties.

Foreign Account Tax Compliance Act (FATCA)/Common Reporting Standard (CRS)
The project was initially activated to manage the alignment with the US FATCA regulations, created to combat tax evasion by US taxpayers through holding capital abroad. The criteria for due diligence on the identity of customers and the resulting automatic exchange of information between the tax authorities, in force since 1 July 2014 for US customers, were extended to parties resident in other countries (CRS) on 1 January 2016.
During the first quarter activities continued regarding the sending of FATCA reports and, with regard to CRS regulations, the identification and classification of customers began at all the companies of the Group within this scope.

EMIR/Dodd Frank Act
The purpose of the EMIR is to increase the transparency and regulatory supervision of Over The Counter (OTC) Derivatives in a standardised manner at European supranational level. During the first quarter the activities under this project continued with regard, inter alia, to developing the target application model for managing confirmations from international branches and sharing and consolidating controls. The Italian Competent Authority was requested to grant an exemption from the clearing obligation for intragroup operations.
The purpose of the US Dodd Frank Act is to increase transparency and regulatory supervision of transactions in OTC Derivatives and FEX terminable contracts whose counterparties are so-called "US Persons", "Affiliate Conduits" and "Guaranteed Affiliates".
In that area, during the quarter a set of actions were implemented, including setting up the document framework (policies and procedures), validating processes and consolidating the set of controls and validation tools of Functional Analyses.
Furthermore, on 4 April 2016 Intesa Sanpaolo was registered and enrolled as a Swap Dealer with the CFTC, concurrently publishing the documents regarding DFA Policies and Procedures.
Finally, as regards the Volcker Rule, the internal procedures and operating guidelines that describe, inter alia*,* the methods for carrying out eligible or exempt activities, as well as monitoring and control, were formalised.

Money market statistical reporting (MMSR)
This project is aimed at defining the measures required to comply with EU Regulation no. 1333/2014, which requires the production of statistics on money market transactions, namely on secured, unsecured and certain derivatives money market transactions (Forex Swaps and OIS), concluded by Monetary Financial Institutions with other Monetary Financial Institutions and with financial institutions, public administrations or non-financial companies, excluding intragroup transactions.
In the first quarter the analysis of the products within this scope was concluded, for the purpose of launching the reporting in the transitional phase (April-June). The user testing and roll-out of the systems supporting collection and processing of all the information which will be communicated to the Bank of Italy has been completed successfully.

SEPA migration project
The goal of the project is to implement all the procedural, organisational and communication obligations so that domestic credit transfer and direct debit services migrate to the respective SEPA payment schemes, as required by EU Regulations. During the first quarter the project managed the system-wide deadline for migrating niche products (fixed-amount direct debit and financial direct debit). Furthermore, in line with the schedule, a set of technical interventions were managed and released. Among these, it is worth mentioning the implementation of the additional descriptions for Financial SDD and Fixed Amount SDD, the adaptation to the Spanish XML record, the SEDA Remuneration and MOBU SDD monitoring and several interventions regarding the LAPE counter applications and INBIZ Corporate Banking.

Prudent valuation
The CRR Regulation, issued by the European Parliament and Council on 26 June 2013, requires that financial institutions apply prudent rules in the valuation of assets and liabilities designated at fair value (Prudent Valuation), for the purpose of reaching an appropriate level of certainty in valuation, and, for the purposes of capital requirements, deducting the amount of supplementary value adjustments from Common Equity Tier 1 (CET1). This prudent valuation of regulatory capital aims to incorporate the impact of uncertainty in valuation in the bank's capital. On 26 October 2015 the EBA published the technical standards that define the scope of application, the guidelines for calculating the Additional Value Adjustment (AVA) and the related requirements in terms of documentation, systems and controls. Thus, a project was launched to adjust the Group to the regulatory requirements. The calculation methods were defined and the support tools were developed by the scheduled date of 31 March 2016. By the end of the first half of the year, internal regulations will be adjusted through the issue of dedicated Guidelines, Rules and Operating Guides.

IFRS 9
At the end of 2015 the IFRS 9 project was launched in order to implement the new accounting standard which will replace IAS 39, currently in force, as from 1 January 2018. The new standard will impact the methods of classification and measurement of financial instruments, calculation logics and methods of value adjustments and the hedge accounting model (currently with regard to micro hedging) with effects also on the banking business, specifically on credit management and, presumably, on disbursement activities. The project, coordinated by the Administration and Tax Department, the Credit Risk Management Department and the Financial and Market Risks Department of the Parent Company, is divided into the following "vertical" processes: Classification and Measurement; Impairment - Loans; Impairment - Bonds; Hedge Accounting; Non-Core and International Subsidiaries. Two "horizontal" processes are also planned: the IT process and the Organisation process, which cross-cut the abovementioned vertical processes.
The project is developed based on the three areas in which the standard is organised:
- Classification and Measurement (C&M);
- Impairment;
- Hedge Accounting.

For each area, the same methodological approach set out in the following macro phases of activity is used:
- analysis and preliminary choices (mainly concerning accounting and the model);
- design of the target operating model and definition of the related IT impacts;
- application and organisational development and impact analysis.

On the basis of the developed plan, the work currently being done relates to identifying and analysing product portfolios, defining and simulating the new C&M rules (SPPI Test and Business Model) and identifying parameters for defining "significant impairment" and, as a result, for staging the credit exposures and calculating "expected loss".
As regards Hedge Accounting, the regulatory changes exclusively regard General Hedging and are strictly linked to the Group's decision to use the opt-in / opt-out (i.e., the option to implement the new IFRS 9 to manage specific hedges in combination with IAS 39 to manage Macro Fair Value Hedges, rather than continuing to adopt IAS 39 for all types of hedges). Analyses of the current management of hedging operations in support of this decision are in progress and will be completed in the second half of 2016.
As regards the C&M area, analyses were conducted on the Group's securities portfolios as at 31 December 2015. The analyses focused on portfolios classified as L&R and AFS. Specific supporting tools with increasing levels of depth were used for this purpose.
For the loans segment, the project has launched modular analyses that take account of the significance of the portfolios, of their homogeneity and of the business division.
In the Impairment area, specific projects have been developed for both lending and securities operations. The analyses conducted concerned the following main issues:
- "staging", i.e. Elements that can or must result, for performing loans and securities, in transition from stage 1 (on which an adjustment equal to the expected loss at 12 months is envisaged) to stage 2 (on which a value adjustment equal to the lifetime expected loss is envisaged) and vice versa;
- cash flows, in view of the calculation of expected losses, particularly of the "lifetime" variety;
- definition of the model framework to be used in calculating expected loss.

Main risks and uncertainties

The macroeconomic scenario, which remains challenging, and the high volatility of the financial markets require constant monitoring of the factors that make it possible to pursue sustainable profitability: high liquidity, funding capacity, low leverage, adequate capital base, and prudent asset valuations.

Group liquidity remains high: as at 31 March 2016, both regulatory indicators envisaged by Basel 3 (LCR and NSFR), adopted also as internal liquidity risk measurement metrics, were well above fully phased-in requirements. At the end of March, the Central Banks eligible liquidity reserves came to 119 billion euro (117 billion euro at the end of December 2015), of which 77 billion euro, net of haircut, was unencumbered (78 billion euro at the end of December 2015). The *loan to deposit* ratio at the end of March 2016, calculated as the ratio of customer loans to direct deposits from banking business, came to 95%.
In terms of funding, the widespread branch network remains a stable, reliable source: 70% of direct deposits from banking business come from retail operations (268 billion euro). Moreover, during the quarter USD 1.5 billion in Tier 2 subordinated bonds, 1.25 billion euro in covered bonds and 1.25 billion euro in Additional Tier 1 instruments were placed on the international wholesale market.
The Bank obtained around 27.6 billion euro of funding from the targeted longer-term refinancing operation (TLTRO) programme launched by the European Central Bank, of which around 15 billion euro in 2015 and around 12.6 billion euro in the last four months of 2014.

Intesa Sanpaolo Group leverage (6.7% as at 31 March 2016) continues to be at the top levels recorded in the sector.

The capital base also remains high. Own funds, risk-weighted assets and the capital ratios at 31 March 2016 were calculated according to the harmonised rules and regulations for banks and investment companies contained in Directive 2013/36/EU (CRD IV) and in (EU) Regulation 575/2013 (CRR) of 26 June 2013, which transposed the banking supervision standards defined by the Basel Committee (the Basel 3 Framework) to European Union laws, and on the basis of Bank of Italy Circulars 285 and 286 (issued in 2013) and Circular 154 (updated during 2013).
At the end of March, total Own Funds came to 49,061 million euro, against risk-weighted assets of 282,000 million euro, resulting primarily from credit and counterparty risk and, to a lesser extent, operational and market risk.
The Total Capital Ratio stood at 17.4%, while the ratio of the Group's Tier 1 capital to its total risk-weighted assets (Tier 1 ratio) was 14.1 %. The Common Equity Tier 1 ratio stood at 12.9%.
Common Equity Tier 1 capital does not include the net income for the period ended 31 March 2016, less the pro-rata dividend for the period, since Intesa Sanpaolo has decided to apply to the ECB for authorisation pursuant to Art. 26 of the CRR to include the net income for the period in own funds during 2016 only when the amount of the net income exceeds the total amount of the planned dividend distribution for the year, equal to 3 billion euro for 2016 as indicated in the 2014-2017 Business Plan.

With regard to the insurance segment, as at 31 March 2016 the Solvency II Ratio of Intesa Sanpaolo Vita, the Group's main insurance company, was greater than 200% (based on management evaluations).

The Group's risk profile, while rising, remained within the limits approved by the Risk Appetite Framework, consistent with the Group's intention to continue to privilege commercial banking operations. The trend in the Group's VaR over a twelve-month period, shown in the following chart, was mainly determined by Banca IMI. The increase during the first quarter is attributable - at the beginning of February - to volatility scenarios on the financial markets which increased the absorption of VaR and, subsequently, to an expansion of the portfolio.
The Group's average risk profile in the three months, which remained within the limit set by the Risk Appetite Framework, came to 104.9 million euro compared to an average value of 76.7 million euro in the first quarter of 2015.

Market risks trend:
VaR (millions of euro)

The macroeconomic environment and the persisting financial market volatility heighten the complexity of assessing credit risk and measuring financial assets.

Intesa Sanpaolo has developed a set of instruments which ensure analytical control over quality loans to customers and financial institutions, and of exposures subject to country risk.
Risk measurement is performed by means of different rating models according to borrower segment (Corporate, Retail SME, Retail Mortgage, Other Retail, Sovereigns, Italian Public sector entities and Financial institutions). These models make it possible to summarise the counterparty's credit quality in a value, the rating, which reflects the probability of default over a period of one year, adjusted on the basis of the average level of the economic cycle. These ratings are then made comparable with those awarded by rating agencies, by means of a uniform scale of reference.
Ratings and credit-risk mitigating factors (guarantees, loan types and covenants) play a key role in the loan granting and managing process.
The methods used to classify non-performing loans and to measure both non-performing and performing loans ensure that the impacts of the deteriorating economic environment on a debtor's position are promptly recognised. The economic crisis has called for constant review of the values of loans that had already shown problematic symptoms and of loans with no obvious signs of impairment. All categories of non-performing loans were assessed using the usual criteria of prudence, as highlighted by the substantial average coverage percentages for bad loans (61.1%) and unlikely to pay loans (24.4%). With regard to performing loans to customers, the "collective" adjustments, equal to 1,961 million euro, provide a portfolio coverage ratio of 0.6% (0.7% at the end of 2015). These adjustments cover the expected loss calculated according to the Basel 3 rules.

Constant attention has been paid to the valuation of financial items. The majority of financial assets are measured at fair value, since classified as held for trading using the fair value option, under assets available for sale, or represented by hedging derivatives.
The fair value measurement of financial assets was carried out as follows: approximately 78% using level 1 inputs, around 20% using level 2 inputs and only close to 2% using level 3 inputs. Among the financial liabilities designated at fair value through profit and loss, most of the financial instruments (86%) were measured using the level 2 approach.

As regards the Intesa Sanpaolo Group' sovereign debt exposure, exposure in securities to the Italian government amounted to a total of approximately 88 billion euro, in addition to receivables for approximately 16 billion euro.
The Group banks' exposure in securities amounted to approximately 36 billion euro, of which approximately 8.4 billion euro up to 3 years (24%), with a duration of 5.2 years. On the other hand, the duration of the insurance portfolio is longer (at 6.5 years), consistently with that of liabilities.
Investment levels in structured credit products and hedge funds remained low. For the first of these products, the fair value changes over the year generated a negative impact of 5 million euro (as opposed to 2 million euro in profits from disposals). For hedge funds, the impact of fair value changes during the period considered was a negative 47 million euro.

In the current volatile market environment, measuring the recoverable amount of intangible assets is also particularly difficult. However, with regard to intangible assets and goodwill, no problem issues were identified during the quarter – also in consideration of the short length of time since the last impairment test – requiring the remeasurement of their recoverable values. In particular, with regard to goodwill, the analyses conducted showed no significant changes to the main parameters and macroeconomic aggregates which could have an impact on the Group's expected cash flows and on the discounting rates thereof based on the models used to verify the retention of the recognition value of the intangible asset in the financial statements.

Finally, with regard to the going concern assumption, the Directors of Intesa Sanpaolo have a reasonable certainty that the company will continue in operational existence in the foreseeable future and consequently have prepared the Interim Statement as at 31 March 2016 on a going concern basis. This is because in the asset and financial structure and in the performance of operations of the Group, no uncertainties have been detected that would cast doubt on the going concern assumption.

The forecast for 2016

The forecasts for the global economy are still marked by significant sources of uncertainty. The growth of GDP and world trade are expected to be stable at modest levels. The stabilisation of the Chinese economy and a modest recovery in oil prices should gradually ease the effect of the halt in exports of advanced countries. Economic growth in the United States is also expected to accelerate once again, while the trend in the Eurozone will remain stable. Italy will see a modest increase in growth. In Europe, the UK referendum on the European Union could be associated with new peaks of volatility on the markets, even if the institutional consequences will occur only at the end of a negotiation process that will last for years. The United States is expected to increase interest rates again, even though the timeframes are currently uncertain. New monetary policy measures in the Eurozone cannot be ruled out, if the performance of the economy is disappointing and the UK vote destabilises the financial markets and the climate of confidence.
In April the International Monetary Fund further decreased the growth prospects of emerging economies for the current year, now at 4.1% (compared to 4.3% in January and 4.5% last October). The most significant downward revisions regarded commodity-exporting areas or those which were impacted the most by geopolitical tensions, such as the CIS countries (with Russia still in recession), the Middle East (with sharp slowdowns in Saudi Arabia and, despite the expected acceleration, in Iran), Latin America (with Brazil still showing negative growth) and Sub-Saharan Africa. For Asia, the forecasts of the IMF are currently slightly more optimistic than at the beginning of the year, thanks to China, where the GDP, though decelerating, is now expected to increase by 6.5% (+0.2 pp compared to last January). As regards Central and South Eastern Europe, the upward revision of forecasts was mainly due to Turkey and Poland (with expected growth rates in 2016 in line with 2015, equal to 3.8% and 3.6%, respectively). For 2016, the IMF expects average growth in the GDP of 2.6% for ISP countries in the CEE and 3.3% for ISP countries in the SEE.
As regards the Italian banking system, 2016 sees prospects for a further gradual improvement in lending as a result of the highly favourable monetary conditions, the slowdown applied to the supply side and the increase in demand from businesses and households, in a scenario of consolidation of the economic recovery. Therefore, loans to businesses could finally clearly resume growth, though slightly. For households, which confirmed their financial soundness, the lending scenario remains positive: growth in stocks, which resumed in 2015, will continue at a moderate pace in 2016, favoured by interest rates at historical lows, the gradual recovery of the real estate market and the improvement in conditions on the labour market.
In terms of funding, growth of deposits will continue, whilst the overall performance will continue to feel the effect of the households' portfolio reallocation process in favour of asset management. On the other hand, the need for customer deposits by banks should remain limited, considering the evolution of loans and the significant liquidity available, specifically through the ECB's new targeted long-term refinancing operation (TLTRO). These factors will continue to favour the reduction of customer deposit costs. In a context of very low, where not negative, market rates, and favourable credit access conditions, loan rates are expected to remain at lows.
In 2016, the Intesa Sanpaolo Group is expected to record improvement in operating income, alongside the trend of net fees and commissions and loans to customers, as well as in operating margin, also thanks to continuous cost control, in income before tax from continuing operations, with a decrease in the cost of risk, all these within the framework of sustainable profitability. The Bank confirms its commitment to distribute cash dividends of 3 billion euro for 2016, as indicated in the 2014-2017 Business Plan.

Consolidated financial statements

Consolidated balance sheet

(millions of euro)

Assets		31.03.2016	31.12.2015	CHANGES amount	CHANGES %
10.	Cash and cash equivalents	6,259	9,344	-3,085	-33.0
20.	Financial assets held for trading	54,786	51,597	3,189	6.2
30.	Financial assets designated at fair value through profit and loss	54,480	53,663	817	1.5
40.	Financial assets available for sale	142,884	131,402	11,482	8.7
50.	Investments held to maturity	1,317	1,386	-69	-5.0
60.	Due from banks	33,540	34,445	-905	-2.6
70.	Loans to customers	361,035	350,010	11,025	3.1
80.	Hedging derivatives	7,669	7,059	610	8.6
90.	Fair value change of financial assets in hedged portfolios (+/-)	629	110	519	
100.	Investments in associates and companies subject to joint control	1,754	1,727	27	1.6
110.	Technical insurance reserves reassured with third parties	22	22	-	-
120.	Property and equipment	5,010	5,367	-357	-6.7
130.	Intangible assets	7,129	7,195	-66	-0.9
	of which				
	- goodwill	*3,914*	*3,914*	-	-
140.	Tax assets	14,597	15,021	-424	-2.8
	a) current	*3,146*	*3,626*	*-480*	*-13.2*
	b) deferred	*11,451*	*11,395*	*56*	*0.5*
	- of which convertible into tax credit (Law no. 214/2011)	*8,683*	*8,749*	*-66*	*-0.8*
150.	Non-current assets held for sale and discontinued operations	304	27	277	
160.	Other assets	8,811	8,121	690	8.5
Total Assets		**700,226**	**676,496**	**23,730**	**3.5**

Consolidated balance sheet

(millions of euro)

Liabilities and Shareholders' Equity		31.03.2016	31.12.2015	CHANGES	
				amount	%
10.	Due to banks	60,343	59,327	1,016	1.7
20.	Due to customers	261,605	255,258	6,347	2.5
30.	Securities issued	111,565	110,144	1,421	1.3
40.	Financial liabilities held for trading	48,936	43,522	5,414	12.4
50.	Financial liabilities designated at fair value through profit and loss	48,031	47,022	1,009	2.1
60.	Hedging derivatives	10,263	8,234	2,029	24.6
70.	Fair value change of financial liabilities in hedged portfolios (+/-)	1,041	1,014	27	2.7
80.	Tax liabilities	2,580	2,367	213	9.0
	a) current	*718*	*508*	*210*	*41.3*
	b) deferred	*1,862*	*1,859*	*3*	*0.2*
90.	Liabilities associated with non-current assets				
	held for sale and discontinued operations	283	-	283	
100.	Other liabilities	13,841	11,566	2,275	19.7
110.	Employee termination indemnities	1,423	1,353	70	5.2
120.	Allowances for risks and charges	3,373	3,480	-107	-3.1
	a) post employment benefits	*866*	*859*	*7*	*0.8*
	b) other allowances	*2,507*	*2,621*	*-114*	*-4.3*
130.	Technical reserves	86,664	84,616	2,048	2.4
140.	Valuation reserves	-1,387	-1,018	369	36.2
150.	Redeemable shares	-	-	-	
160.	Equity instruments	2,118	877	1,241	
170.	Reserves	11,906	9,167	2,739	29.9
180.	Share premium reserve	27,349	27,349	-	-
190.	Share capital	8,732	8,732	-	-
200.	Treasury shares (-)	-71	-70	1	1.4
210.	Minority interests (+/-)	825	817	8	1.0
220.	Net income (loss)	806	2,739	-1,933	-70.6
Total Liabilities and Shareholders' Equity		**700,226**	**676,496**	**23,730**	**3.5**

Consolidated income statement

(millions of euro)

	31.03.2016	31.03.2015	CHANGES	
			amount	%
10. Interest and similar income	3,293	3,452	-159	-4.6
20. Interest and similar expense	-1,105	-1,367	-262	-19.2
30. Interest margin	**2,188**	**2,085**	**103**	**4.9**
40. Fee and commission income	1,934	2,142	-208	-9.7
50. Fee and commission expense	-350	-405	-55	-13.6
60. Net fee and commission income	**1,584**	**1,737**	**-153**	**-8.8**
70. Dividend and similar income	47	27	20	74.1
80. Profits (Losses) on trading	60	250	-190	-76.0
90. Fair value adjustments in hedge accounting	-39	-79	-40	-50.6
100. Profits (Losses) on disposal or repurchase of	445	999	-554	-55.5
a) loans	*6*	*12*	*-6*	*-50.0*
b) financial assets available for sale	*425*	*1,014*	*-589*	*-58.1*
c) investments held to maturity	-	-	-	
d) financial liabilities	*14*	*-27*	*41*	
110. Profits (Losses) on financial assets and liabilities designated at fair value	161	575	-414	-72.0
120. Net interest and other banking income	**4,446**	**5,594**	**-1,148**	**-20.5**
130. Net losses / recoveries on impairment	-555	-632	-77	-12.2
a) loans	*-556*	*-673*	*-117*	*-17.4*
b) financial assets available for sale	*-31*	*-7*	*24*	
c) investments held to maturity	-	*-1*	*-1*	
d) other financial activities	*32*	*49*	*-17*	*-34.7*
140. Net income from banking activities	**3,891**	**4,962**	**-1,071**	**-21.6**
150. Net insurance premiums	3,098	3,175	-77	-2.4
160. Other net insurance income (expense)	-3,526	-4,168	-642	-15.4
170. Net income from banking and insurance activities	**3,463**	**3,969**	**-506**	**-12.7**
180. Administrative expenses	-2,238	-2,201	37	1.7
a) personnel expenses	*-1,306*	*-1,312*	*-6*	*-0.5*
b) other administrative expenses	*-932*	*-889*	*43*	*4.8*
190. Net provisions for risks and charges	-16	-54	-38	-70.4
200. Net adjustments to / recoveries on property and equipment	-86	-81	5	6.2
210. Net adjustments to / recoveries on intangible assets	-136	-131	5	3.8
220. Other operating expenses (income)	172	161	11	6.8
230. Operating expenses	**-2,304**	**-2,306**	**-2**	**-0.1**
240. Profits (Losses) on investments in associates and companies subject to joint control	61	55	6	10.9
250. Valuation differences on property, equipment and intangible assets measured at fair value	-	-	-	
260. Goodwill impairment	-	-	-	
270. Profits (Losses) on disposal of investments	6	-	6	
280. Income (Loss) before tax from continuing operations	**1,226**	**1,718**	**-492**	**-28.6**
290. Taxes on income from continuing operations	-379	-631	-252	-39.9
300. Income (Loss) after tax from continuing operations	**847**	**1,087**	**-240**	**-22.1**
310. Income (Loss) after tax from discontinued operations	-1	-	1	
320. Net income (loss)	**846**	**1,087**	**-241**	**-22.2**
330. Minority interests	-40	-23	17	73.9
340. Parent Company's net income (loss)	**806**	**1,064**	**-258**	**-24.2**
Basic EPS - Euro	**0.05**	**0.06**		
Diluted EPS - Euro	**0.05**	**0.06**		

Statement of consolidated comprehensive income

(millions of euro)

		31.03.2016	31.03.2015	Changes amount	%
10.	**NET INCOME (LOSS)**	**846**	**1,087**	**-241**	**-22.2**
	Other comprehensive income (net of tax) that may not be reclassified to the income statement	**-53**	**-8**	**45**	
20.	Property and equipment	-	-	-	
30.	Intangible assets	-	-	-	
40.	Defined benefit plans	-53	-8	45	
50.	Non-current assets held for sale	-	-	-	
60.	Share of valuation reserves connected with investments carried at equity	-	-	-	
	Other comprehensive income (net of tax) that may be reclassified to the income statement	**-330**	**489**	**-819**	
70.	Hedges of foreign investments	-	-	-	
80.	Foreign exchange differences	-79	108	-187	
90.	Cash flow hedges	-168	-109	59	54.1
100.	Financial assets available for sale	-67	432	-499	
110.	Non-current assets held for sale	-	-	-	
120.	Share of valuation reserves connected with investments carried at equity	-16	58	-74	
130.	**Total other comprehensive income (net of tax)**	**-383**	**481**	**-864**	
140.	**TOTAL COMPREHENSIVE INCOME (CAPTIONS 10 +110)**	**463**	**1,568**	**-1,105**	**-70**
150.	**Total consolidated comprehensive income pertaining to minority interests**	**26**	**29**	**-3**	**-10.3**
160.	**Total consolidated comprehensive income pertaining to the Parent Company**	**437**	**1,539**	**-1,102**	**-71.6**

Changes in consolidated shareholders’ equity as at 31 march 2016

(millions of euro)

	31.03.2016											
	Share capital		Share premium reserve	Reserves		Valuation reserves	Equity instruments	Treasury shares	Net income (loss)	Shareholders' equity	*Group shareholders' equity*	*Minority interests*
	ordinary shares	savings shares		retained earnings	other							
AMOUNTS AS AT 1.1.2016	**8,804**	**485**	**27,521**	**8,544**	**578**	**-950**	**877**	**-72**	**2,806**	**48,593**	*47,776*	*817*
ALLOCATION OF NET INCOME OF THE PREVIOUS YEAR (a)												
Reserves				**2,786**					**-2,786**	**-**	-	-
Dividends and other allocations									**-20**	**-20**	-	*-20*
CHANGES IN THE PERIOD												
Changes in reserves										**-**	-	-
Operations on shareholders' equity												
Issue of new shares										**-**	-	-
Purchase of treasury shares								-1		**-1**	*-1*	-
Extraordinary dividends										**-**	-	-
Changes in equity instruments							1,241			**1,241**	*1,241*	-
Derivatives on treasury shares										**-**	-	-
Stock options										**-**	-	-
Changes in equity investmens										**-**	-	-
Other				2						**2**	-	*2*
Total comprehensive income for the period						**-383**			**846**	**463**	*437*	*26*
SHAREHOLDERS’ EQUITY AS AT 31.03.2016	**8,804**	**485**	**27,521**	**11,332**	**578**	**-1,333**	**2,118**	**-73**	**846**	**50,278**	*49,453*	*825*
- Group	**8,247**	**485**	**27,349**	**11,328**	**578**	**-1,387**	**2,118**	**-71**	**806**	**49,453**		
- minority interests	**557**	**-**	**172**	**4**	**-**	**54**	**-**	**-2**	**40**	**825**		

(a) Includes dividends and amounts allocated to the charity fund of the Parent Company, as well as those relating to consolidated companies, pertaining to minorities.

Changes in consolidated shareholders’ equity as at 31 march 2015

(millions of euro)

	31.03.2015											
	Share capital		Share premium reserve	Reserves		Valuation reserves	Equity instruments	Treasury shares	Net income (loss)	Shareholders' equity	*Group shareholders' equity*	*Minority interests*
	ordinary shares	savings shares		retained earnings	other							
AMOUNTS AS AT 1.1.2015	**8,510**	**488**	**27,369**	**8,528**	**565**	**-1,631**	**-**	**-77**	**1,310**	**45,062**	*44,683*	*379*
ALLOCATION OF NET INCOME OF THE PREVIOUS YEAR (a)												
Reserves				**1,292**					**-1,292**	**-**	-	-
Dividends and other allocations									**-18**	**-18**	-	*-18*
CHANGES IN THE PERIOD												
Changes in reserves (b)										**-**	-	-
Operations on shareholders' equity										**-**		
Issue of new shares (c)								8		**8**	*8*	-
Purchase of treasury shares										**-**	-	-
Extraordinary dividends										**-**	-	-
Changes in equity instruments										**-**	-	-
Derivatives on treasury shares										**-**	-	-
Stock options										**-**	-	-
Changes in equity investmens										**-**	-	-
Other	-1			-49						**-50**	*-43*	*-7*
Total comprehensive income for the period						**481**			**1,087**	**1,568**	*1,539*	*29*
SHAREHOLDERS’ EQUITY AS AT 31.03.2015	**8,509**	**488**	**27,369**	**9,771**	**565**	**-1,150**	**-**	**-69**	**1,087**	**46,570**	*46,187*	*383*
- Group	**8,240**	**485**	**27,349**	**9,697**	**565**	**-1,147**	**-**	**-66**	**1,064**	**46,187**		
- minority interests	**269**	**3**	**20**	**74**	**-**	**-3**	**-**	**-3**	**23**	**383**		

(a) Includes dividends and amounts allocated to the charity fund of the Parent Company, as well as those relating to consolidated companies, pertaining to minorities.


Report on operations

Economic results

General aspects

As usual, a condensed reclassified income statement is prepared to give a more immediate understanding of results. To enable consistent comparison, the figures for previous periods are restated, where necessary, to account for changes in the scope of consolidation.
The restated financial statements are obtained by making appropriate adjustments to historical data to reflect the significant effects of such changes retroactively. Any differences due to the possibility of choosing between different options provided for by IAS/IFRS or arising from the use of different methods or parameters to measure assets and liabilities are not considered, as they are deemed irrelevant. Last, please note that no intragroup relations are netted where their amount is not significant.
Breakdowns of restatements and reclassifications performed are provided in separate tables included in the attachments, as also required by Consob in its Communication 6064293 of 28 July 2006.
Reclassifications and aggregations are as follows:

- Dividends on shares classified as assets available for sale and as assets held for trading have been reallocated to Profits (Losses) on trading;
- the portions of Net interest income, Dividend and similar income, Net fee and commission income and Profits (Losses) on trading related to the insurance business have been recorded under a specific caption, and the effect of the adjustment of the technical reserve – with respect to the component attributable to policyholders – associated with the impairment of securities available for sale held in the portfolios of the Group’s insurance companies was also attributed to this caption;
- Differentials on derivatives, classified to the trading portfolio and contracted to hedge transactions in foreign currencies, have been allocated among Net interest income owing to the close correlation;
- Fair value adjustments in hedge accounting (caption 90) have been reallocated to Profits (Losses) on trading;
- Profits and losses on disposal or repurchase of financial assets available for sale and of financial liabilities have been reallocated to Profits (Losses) on trading;
- Profits (Losses) on financial assets and liabilities designated at fair value are reallocated to Profits (Losses) on trading;
- the recoveries of expenses, taxes and duties have been subtracted from Administrative expenses, instead of being included among Other operating income;
- contributions to the Bank Resolution Funds and the Deposit Guarantee Scheme, which were reallocated from other administrative expenses to other operating expenses;
- Profits and losses on disposal or repurchase of loans are posted in Net adjustments to loans;
- Net impairment losses on other financial activities (caption 130 d), related to guarantees, commitments and credit derivatives, have been recognised under Net adjustments to loans;
- the reversal in time value on loans is recorded in Net interest income instead of being allocated to Net adjustments to loans, since the phenomenon derives directly from the application of the amortised cost criterion in the absence of changes in expected future flows. A consistent approach is used for the time value of Employee termination indemnities and Allowances for risks and charges;
- Net impairment losses on property, equipment and intangible assets (with the exception of impairment losses on intangible assets) have been reclassified from Net adjustments to property, equipment and intangible assets – which therefore solely express adjustments – to Net impairment losses on other assets, which also includes Net impairment losses on financial assets available for sale and investments held to maturity; by contrast, impairment losses on intangible assets have been reclassified, net of the tax effects, to Impairment of goodwill and other intangible assets;
- Impairment losses on property and other assets resulting from the enforcement of guarantees or purchase at auction and intended for sale on the market in the near future, which have been reclassified from Other operating income (expenses) to Net impairment losses on other assets. Accordingly, profits and losses on disposal associated with this type of asset have been reclassified from Other operating income (Expenses) to Profits (Losses) on investments held to maturity and on other investments.
- Profits (Losses) on disposal of investments in associates and companies subject to joint control and Profits (Losses) on disposal of investments are recorded in Profits (Losses) on investments held to maturity and on other investments, after the deduction of net income from investments carried at equity which is posted in a specific caption in Operating income;
- Charges (net of tax) for integration and exit incentives, which have been reclassified from Personnel expenses, Administrative expenses and, to a lesser extent, other captions of the income statement to a separate caption;
- the effects of purchase price allocation, net of the tax effect, are indicated in a specific caption. They represent adjustments to and any impairment losses on financial assets and liabilities and property, equipment and intangible assets which were measured at fair value as provided for by IFRS 3;
- Goodwill impairment and impairment losses on other intangible assets, as mentioned above, are shown, net of tax, in a specific caption amongst "non-current" income components.

Reclassified income statement

(millions of euro)

	31.03.2016	31.03.2015	Changes	
			amount	%
Net interest income	1,881	1,971	-90	-4.6
Profits (losses) on investments carried at equity	74	39	35	89.7
Net fee and commission income	1,713	1,813	-100	-5.5
Profits (Losses) on trading	228	596	-368	-61.7
Income from insurance business	332	343	-11	-3.2
Other operating income (expenses)	-138	-73	65	89.0
Operating income	**4,090**	**4,689**	**-599**	**-12.8**
Personnel expenses	-1,283	-1,302	-19	-1.5
Other administrative expenses	-605	-641	-36	-5.6
Adjustments to property, equipment and intangible assets	-179	-175	4	2.3
Operating costs	**-2,067**	**-2,118**	**-51**	**-2.4**
Operating margin	**2,023**	**2,571**	**-548**	**-21.3**
Net provisions for risks and charges	-16	-54	-38	-70.4
Net adjustments to loans	-694	-767	-73	-9.5
Net impairment losses on other assets	-20	-9	11	
Profits (Losses) on investments held to maturity and on other investments	-5	28	-33	
Income (Loss) before tax from continuing operations	**1,288**	**1,769**	**-481**	**-27.2**
Taxes on income from continuing operations	-399	-648	-249	-38.4
Charges (net of tax) for integration and exit incentives	-13	-6	7	
Effect of purchase price allocation (net of tax)	-29	-26	3	11.5
Impairment (net of tax) of goodwill and other intangible assets	-	-	-	-
Income (Loss) after tax from discontinued operations	-1	-	1	-
Minority interests	-40	-25	15	60.0
Net income (loss)	**806**	**1,064**	**-258**	**-24.2**

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

Quarterly development of the reclassified income statement

(millions of euro)

	2016		2015		
	First quarter	Fourth quarter	Third quarter	Second quarter	First quarter
Net interest income	1,881	1,953	1,912	1,976	1,971
Profits (losses) on investments carried at equity	74	1	41	15	39
Net fee and commission income	1,713	1,918	1,786	1,979	1,813
Profits (Losses) on trading	228	57	1	380	596
Income from insurance business	332	131	241	282	343
Other operating income (expenses)	-138	-373	214	-54	-73
Operating income	**4,090**	**3,687**	**4,195**	**4,578**	**4,689**
Personnel expenses	-1,283	-1,486	-1,257	-1,271	-1,302
Other administrative expenses	-605	-803	-643	-679	-641
Adjustments to property, equipment and intangible assets	-179	-201	-180	-178	-175
Operating costs	**-2,067**	**-2,490**	**-2,080**	**-2,128**	**-2,118**
Operating margin	**2,023**	**1,197**	**2,115**	**2,450**	**2,571**
Net provisions for risks and charges	-16	-56	-222	-68	-54
Net adjustments to loans	-694	-923	-769	-847	-767
Net impairment losses on other assets	-20	-108	-20	-31	-9
Profits (Losses) on investments held to maturity and on other investments	-5	51	21	38	28
Income (Loss) before tax from continuing operations	**1,288**	**161**	**1,125**	**1,542**	**1,769**
Taxes on income from continuing operations	-399	-76	-354	-516	-648
Charges (net of tax) for integration and exit incentives	-13	-37	-15	-25	-6
Effect of purchase price allocation (net of tax)	-29	-33	-27	-33	-26
Impairment (net of tax) of goodwill and other intangible assets	-	-	-	-	-
Income (Loss) after tax from discontinued operations	-1	-2	-	-1	-
Minority interests	-40	-	-7	-27	-25
Net income (loss)	**806**	**13**	**722**	**940**	**1,064**

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

The scenario in the first quarter of 2016 was characterised by a weaker performance by the real economy than expected, by elements of instability in the Eurozone and, above all, by intense, unusual equity price volatility. In this challenging environment, the Intesa Sanpaolo Group ended the first quarter of 2016 with a net income of 806 million euro, driven by stable revenues and attentive monitoring of operating costs, in addition to constantly declining adjustments to loans.
Net income was lower than in the first quarter of the previous year due to lower operating income, above all due to the lower contribution of profits on trading and the costs relating to the bank resolution fund. On the other hand, net income was up significantly compared to the 13 million euro recorded in the fourth quarter of 2015, thanks to the increased revenues from profits on trading and insurance business, and to the reduction of other operating expenses, related to the performance of expenses associated with the bank resolution fund.

Operating income

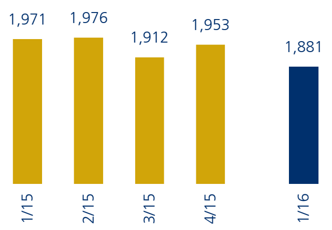
Operating income amounted to 4,090 million euro, down 12.8% compared to the first three months of 2015, due to the reduction in profits on trading (-61.7%), net fee and commission income (-5.5%) and net interest income (-4.6%). Compared to the fourth quarter of 2015, operating income increased by 10.9%, thanks to the rise in insurance business and profits on trading and to the decline in other operating expenses, which in the fourth quarter of the previous year also included the extraordinary portion of the contributions to the bank resolution fund.

Net interest income

(millions of euro)

	31.03.2016	31.03.2015	Changes amount	Changes %
Relations with customers	1,904	2,160	-256	-11.9
Securities issued	-840	-1,043	-203	-19.5
Differentials on hedging derivatives	138	218	-80	-36.7
Customer dealing	**1,202**	**1,335**	**-133**	**-10.0**
Financial assets held for trading	42	64	-22	-34.4
Investments held to maturity	14	12	2	16.7
Financial assets available for sale	201	218	-17	-7.8
Financial assets	**257**	**294**	**-37**	**-12.6**
Relations with banks	**10**	**6**	**4**	**66.7**
Non-performing assets	**410**	**337**	**73**	**21.7**
Other net interest income	**2**	**-1**	**3**	
Net interest income	**1,881**	**1,971**	**-90**	**-4.6**

Quarterly development Net interest income



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

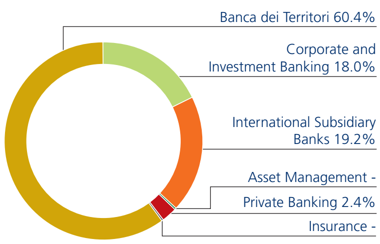
Net interest income amounted to 1,881 million euro, down 4.6% compared to the first quarter of the previous year due to the trend in lending customer dealing and, to a lesser extent, the decline in interest on financial assets.
With the spread at historically very low levels, customer dealing stood at 1,202 million euro, down 10% compared to the same period of 2015. The decline in interest related to relations with customers was essentially due to the further reduction of the spread, only partly offset by a recovery of intermediated volumes. Hedging derivative differentials had a negative effect, declining by 80 million euro.
Interest on financial assets decreased by 12.6%, primarily due to the decline in interest on assets held for trading and available for sale (respectively, -22 million euro and -17 million euro).
Net interest income on the interbank market came to 10 million euro, compared to 6 million euro in the first three months of 2015, due to the reduction in interest expense on interbank funding, including the exposure to the ECB, which amounted to 27.6 billion euro in the first quarter of 2016.

Net interest income in the first quarter of 2016 was lower than in the quarters of 2015.

(millions of euro)

	31.03.2016	31.03.2015	Changes amount	Changes %
Banca dei Territori	1,161	1,266	-105	-8.3
Corporate and Investment Banking	346	369	-23	-6.2
International Subsidiary Banks	368	369	-1	-0.3
Private Banking	46	48	-2	-4.2
Asset Management	-	-	-	-
Insurance	-	-	-	-
Total business areas	**1,921**	**2,052**	**-131**	**-6.4**
Corporate Centre	-40	-81	-41	-50.6
Intesa Sanpaolo Group	**1,881**	**1,971**	**-90**	**-4.6**

Business areas



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

The Banca dei Territori Division, which accounts for 60% of business area results, recorded a decline of 8.3% in net interest income due to the erosion of margins. Interest attributable to the Corporate and Investment Banking Division declined (-6.2%), primarily due to the spread and reduced contribution by Intesa Sanpaolo Bank Luxembourg. The Private Banking Division's net interest income decreased by 4.2%, whereas the net interest income of the International Subsidiary Banks Division was essentially stable (-0.3%).

Profits on investments carried at equity

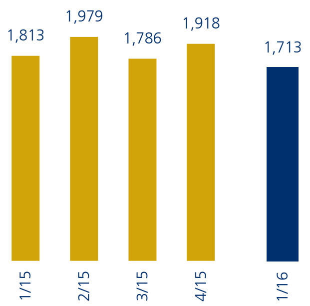
For the first three months of 2016, this aggregate totalled 74 million euro, nearly twice the 39 million euro posted for the same period of 2015, thanks to the stronger contributions of companies consolidated at equity, and markedly the net income recorded by the subsidiary Coinv.

Net fee and commission income

(millions of euro)

	31.03.2016	31.03.2015	Changes amount	Changes %
Guarantees given / received	83	92	-9	-9.8
Collection and payment services	85	86	-1	-1.2
Current accounts	247	254	-7	-2.8
Credit and debit cards	125	121	4	3.3
Commercial banking activities	**540**	**553**	**-13**	**-2.4**
Dealing and placement of securities	91	233	-142	-60.9
Currency dealing	10	11	-1	-9.1
Portfolio management	493	514	-21	-4.1
Distribution of insurance products	327	265	62	23.4
Other	41	45	-4	-8.9
Management, dealing and consultancy activities	**962**	**1,068**	**-106**	**-9.9**
Other net fee and commission income	**211**	**192**	**19**	**9.9**
Net fee and commission income	**1,713**	**1,813**	**-100**	**-5.5**

Quarterly development
Net fee and commission income



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

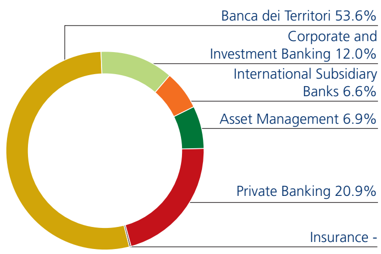
Net fee and commission income for the quarter, which makes up approximately 42% of operating income, came to 1,713 million euro, down 5.5% compared to the same period in 2015 mainly as a result of the performance of the management and dealing activity.
Fee and commission income on commercial banking activities amounted to 540 million euro, down 2.4% due to lower fees and commissions on guarantees given and current accounts, only partly offset by the increase in fees and commissions on debit and credit cards.
Management, dealing and financial consultancy activities provided the greatest contribution, generating net fee and commission income of 962 million euro, down 9.9% compared to the first quarter of 2015. The significant commercial effort devoted by the Group's distribution network to asset management products, particularly in the insurance segment, was undermined by the significant decline in equity prices, which reduced security dealing and placement commissions and eliminated portfolio management performance commissions.
Other net fee and commission income had a positive effect, increasing by 9.9%, primarily due to fees and commissions on loans issued and on other banking services.

The net fee and commission income earned in the first quarter of 2016 was lower than in the quarters of the previous year due to the factors described above.

(millions of euro)

	31.03.2016	31.03.2015	Changes amount	Changes %
Banca dei Territori	973	1,052	-79	-7.5
Corporate and Investment Banking	218	191	27	14.1
International Subsidiary Banks	120	125	-5	-4.0
Private Banking	380	358	22	6.1
Asset Management	126	143	-17	-11.9
Insurance	-	-	-	-
Total business areas	**1,817**	**1,869**	**-52**	**-2.8**
Corporate Centre	-104	-56	48	85.7
Intesa Sanpaolo Group	**1,713**	**1,813**	**-100**	**-5.5**

Business areas



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

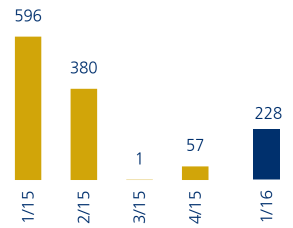
With regard to business areas, the Banca dei Territori Division, which accounts for 54% of the fee and commission income of the business units, recorded a decline (-7.5%, or -79 million euro), mainly due to fee and commission income on asset management products. Decreases were also recorded by the Asset Management Division (-11.9%), due to the elimination of incentive commissions collected on the products managed, only partly offset by the increase in management fees related to the development of average assets under management, and by the International Subsidiary Banks (-4%). On the other hand, increases were reported by the Corporate and Investment Banking Division (+14.1%), driven by the increase in fee and commission income, particularly in the investment banking sector, and by the Private Banking Division (+6.1%), in relation to both the increase in the average volumes of assets managed and the shift in the product mix towards unit-linked policies and portfolio management.

Profits (Losses) on trading

(millions of euro)

	31.03.2016	31.03.2015	Changes	
			amount	%
Interest rates	34	-2	36	
Equity instruments	-24	70	-94	
Currencies	54	81	-27	-33.3
Structured credit products	-1	-2	-1	-50.0
Credit derivatives	17	-23	40	
Commodity derivatives	11	18	-7	-38.9
Trading result	**91**	**142**	**-51**	**-35.9**
Trading on AFS securities and financial liabilities	**137**	**454**	**-317**	**-69.8**
Profits (Losses) on trading	**228**	**596**	**-368**	**-61.7**

Quarterly development Profits (losses) on trading



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

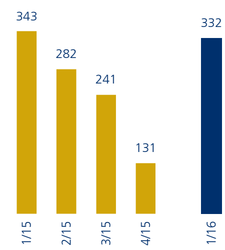
In the first three months of 2016, trading activities yielded a profit of 228 million euro, significantly lower than the 596 million euro recorded in the first quarter of 2015, which had benefited from particularly favourable market conditions, but far above the 57 million euro of the fourth quarter of 2015. In response to market turbulence, the Group took action to protect its trading and proprietary portfolios and took advantage of the increase in interest rate and credit derivative transactions. The comparison is weighed down by the capital gains realised in the first quarter of 2015 on portfolios of financial assets available for sale.
It should be noted that the sub-caption "Trading on AFS securities and financial liabilities" incorporates, in addition to dividends and proceeds on the trading of securities classified as available for sale, the effects of the measurement at fair value of financial liabilities issued associated with an assessment of creditworthiness in accordance with the fair value option.

Income from insurance business

(millions of euro)

Captions (a)	**31.03.2016**			**31.03.2015**			**Changes**	
	Life	Non-life	**Total**	Life	Non-life	**Total**	**amount**	**%**
Technical margin	**13**	**17**	**30**	**-6**	**12**	**6**	**24**	
Net insurance premiums (b)	3,029	71	3,100	3,119	56	3,175	-75	-2.4
Net charges for insurance claims and surrenders (c)	-2,035	-21	-2,056	-2,505	-24	-2,529	-473	-18.7
Net charges for changes in technical reserves (d)	-1,254	-	-1,254	-1,392	-	-1,392	-138	-9.9
Gains (losses) on investments pertaining to insured parties on insurance products (e)	352	-	352	843	-	843	-491	-58.2
Net fees on investment contracts (f)	59	-	59	38	-	38	21	55.3
Commission expenses on insurance contracts (g)	-140	-22	-162	-105	-13	-118	44	37.3
Other technical income and expense (h)	2	-11	-9	-4	-7	-11	-2	-18.2
Net investment result	**326**	**12**	**338**	**321**	**17**	**338**	**-**	**-**
Operating income from investments	78	12	90	3,502	17	3,519	-3,429	-97.4
Net interest income	*481*	*2*	*483*	*492*	*1*	*493*	*-10*	*-2.0*
Dividends	*41*	*-*	*41*	*22*	*-*	*22*	*19*	*86.4*
Gains/losses on disposal	*137*	*10*	*147*	*582*	*16*	*598*	*-451*	*-75.4*
Valuation gains/losses	*-562*	*-*	*-562*	*2,432*	*-*	*2,432*	*-2,994*	
Portfolio management fees paid (i)	*-19*	*-*	*-19*	*-26*	*-*	*-26*	*-7*	*-26.9*
Gains (losses) on investments pertaining to insured parties	248	-	248	-3,181	-	-3,181	3,429	
Insurance products (j)	*-332*	*-*	*-332*	*-695*	*-*	*-695*	*-363*	*-52.2*
Investment's unrealized capital gains/losses pertaining to insured parties on insurance products (k)	*-20*	*-*	*-20*	*-148*	*-*	*-148*	*-128*	*-86.5*
Investment products (l)	*600*	*-*	*600*	*-2,338*	*-*	*-2,338*	*2,938*	
Income from insurance business gross of consolidation effects	**339**	**29**	**368**	**315**	**29**	**344**	**24**	**7.0**
Consolidation effects								
Income from insurance business	**339**	**29**	**368**			**-92.1**		

Quarterly development
Income from insurance business



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

(a) The table illustrates the economic components of the insurance business broken down into those regarding:
- products considered to be insurance products according to IAS/IFRS, which include contracts where the risk insured is considered significant or in which the decision of the return on the contracts is not market-based but depends on the insurance company's choices;
- investment products, which include financial products without a significant insurance risk. The latter are accounted for in the consolidated financial statements as financial movements.

(b) The caption includes premiums issued only for products considered to be insurance products according to IAS/IFRS, net of the portions ceded to reinsurers. For the non-life insurance business, the change in the premiums reserve is also included.

(c) The caption includes the amounts paid (claims, surrenders and maturities) and the change in claims reserves and reserves for amounts to be paid, net of portions ceded to reinsurers.

(d) The caption includes the change in technical reserves, net of the portions ceded to reinsurers.

(e) The caption includes the portion of the profit/loss from investments (for insurance products) pertaining to insured parties, including the impact of shadow accounting.

(f) The caption includes net fees on investment products; specifically, charges paid by customers, management fees received by the financial units and fee expenses reversed by the insurance companies to the sales network and management companies.

(g) The caption includes commission expenses on insurance products (including unit and index-linked insurance products and pension funds) paid to the sales network.

(h) Residual caption comprising fee income on insurance product management fee income (unit and index-linked insurance products and pension funds), rebates, net interest income on current accounts of the insurance company and on subordinated loans and other income and technical charges.

(i) The caption includes fees paid to management companies for the management of traditional insurance products (separate management) portfolios and pension funds. This also includes fees from consolidated funds underlying insurance units.

(j) The caption includes the portion of the profit/loss from investments (for insurance products) pertaining to insured parties, without the impact of shadow accounting.

(k) The caption includes the portion of unrealized capital gains/losses pertaining to insured parties on insurance products (shadow accounting).

(l) The caption refers to the valuation of financial liabilities designated at fair value which represent the amount payable to insured parties for investment products.

During the first quarter of 2016, income from insurance business, which includes the cost and revenue captions of the insurance business of the Group's life and non-life companies, was 332 million euro, compared to the 343 million euro recorded in the same period of 2015. Both the life and non-life businesses (the latter of which still has a marginal incidence) recorded very modest variations.

The life business benefited from the improvement in the technical margin, primarily attributable to the lower charges for surrenders, and the essential stability of the net investment result, despite the decline in the profits realised on the securities portfolio compared to the first quarter of 2015. The full correlation of operating income from investments with retrocession to policyholders allowed balanced financial performance, despite a diametrically opposed market situation during the two periods compared (significant appreciation of the portfolio in 2015 compared to unrealised losses in 2016).

The non-life business recorded a slight decline to 27 million euro from the 29 million euro recorded in the first three months of 2015. This performance was essentially due to the effects of consolidation, since the decline in the net investment result was offset by an equal increase in the technical margin.

Income from insurance business in the first quarter of 2016, including both the life and non-life businesses, was slightly lower than in the first quarter of 2015, but higher than in the other three quarters of the previous year.

(millions of euro)

	31.03.2016				31.03.2015
	Periodic premiums	Single premiums	Total	*of which new business*	
Life insurance business	**44**	**2,985**	**3,029**	***2,985***	**3,119**
Premiums issued on traditional products	38	2,861	2,899	*2,861*	3,020
Premiums issued on unit-linked products	3	3	6	*3*	9
Premiums issued on capitalisation products	-	-	-	-	1
Premiums issued on pension funds	3	121	124	*121*	89
Non-life insurance business	**14**	**57**	**71**	***23***	**57**
Premiums issued	18	73	91	*65*	60
Change in premium reserves	-4	-16	-20	*-42*	-3
Premiums ceded to reinsurers	**-**	**-2**	**-2**	-	**-1**
Net premiums from insurance products	**58**	**3,040**	**3,098**	***3,008***	**3,175**
Business on index-linked contracts	-	-	-	-	-
Business on unit-linked contracts	25	3,225	3,250	*3,226*	3,529
Total business from investment contracts	**25**	**3,225**	**3,250**	***3,226***	**3,529**
Total business	**83**	**6,265**	**6,348**	***6,234***	**6,704**

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

Business in the insurance segment reached a total of 6,348 million euro in premiums in the first three months of 2016, compared to the total inflows of 6,704 million euro recorded in the same period of 2015. The result may be broken down into 3,098 million euro of premiums on traditional insurance products and 3,250 million euro on investment contracts (unit linked).
New business was 6,234 million euro, confirming the fact that the premiums of the Group's insurance companies relate almost entirely to new single-premium contracts.

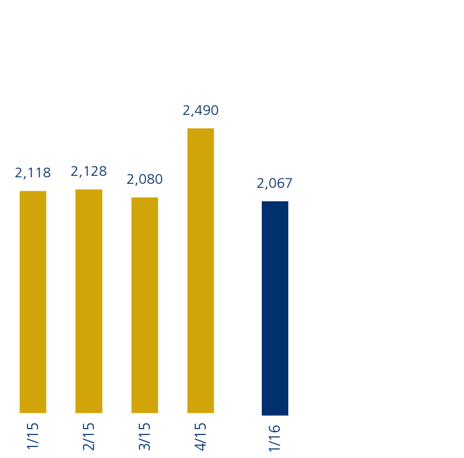
Other operating income (expenses)
Other operating income (expenses) is a caption comprising various types of income and expenses that cannot be recognised in other operating income captions, except expense, tax and duty recoveries that have been directly deducted from the corresponding sub-captions of administrative expenses. The above item includes the estimated contributions to the resolution fund of 136 million euro, charged to all of 2016.
Other operating expenses, net of income, totalled 138 million euro for the quarter.

Operating costs

(millions of euro)

	31.03.2016	31.03.2015	Changes amount	Changes %
Wages and salaries	881	894	-13	-1.5
Social security charges	219	229	-10	-4.4
Other	183	179	4	2.2
Personnel expenses	**1,283**	**1,302**	**-19**	**-1.5**
Information technology expenses	152	153	-1	-0.7
Management of real estate assets expenses	134	149	-15	-10.1
General structure costs	102	108	-6	-5.6
Professional and legal expenses	77	86	-9	-10.5
Advertising and promotional expenses	20	23	-3	-13.0
Indirect personnel costs	20	23	-3	-13.0
Other costs	83	77	6	7.8
Indirect taxes and duties	214	217	-3	-1.4
Recovery of expenses and charges	-197	-195	2	1.0
Administrative expenses	**605**	**641**	**-36**	**-5.6**
Property and equipment	83	85	-2	-2.4
Intangible assets	96	90	6	6.7
Adjustments	**179**	**175**	**4**	**2.3**
Operating costs	**2,067**	**2,118**	**-51**	**-2.4**

Quarterly development Operating costs



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

Operating costs amounted to 2,067 million euro, down (-2.4%) compared to the first quarter of the previous year and down more sharply compared to the fourth quarter of 2015, which reflects the customary seasonal factors. Personnel expenses, equal to 1,283 million euro, showed a decrease (-1.5%, equal to 19 million euro) on the same period of 2015.

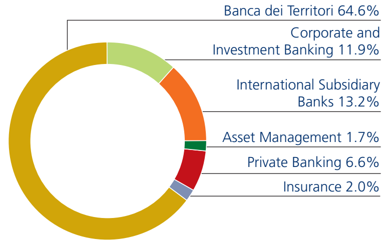
Administrative expenses amounted to 605 million euro, down 5.6% compared to the first three months of the previous year, thanks to the savings achieved on property management, legal and professional fees and general structure costs.
Adjustments amounted to 179 million euro, up 2.3% compared to the same period of 2015, due to higher amortisation of intangible assets.
The cost/income ratio for the period was 50.5% compared to 45.2% in the first quarter of 2015. The indicator was affected by the 136 million euro of contributions to the resolution fund included among other operating expenses.

At the quarterly level, operating costs in the first quarter were lower than in all quarters of 2015, chiefly attributable to other administrative expenses.

(millions of euro)

	31.03.2016	31.03.2015	Changes	
			amount	%
Banca dei Territori	1,201	1,230	-29	-2.4
Corporate and Investment Banking	222	226	-4	-1.8
International Subsidiary Banks	245	254	-9	-3.5
Private Banking	124	128	-4	-3.1
Asset Management	31	32	-1	-3.1
Insurance	37	35	2	5.7
Total business areas	**1,860**	**1,905**	**-45**	**-2.4**
Corporate Centre	207	213	-6	-2.8
Intesa Sanpaolo Group	**2,067**	**2,118**	**-51**	**-2.4**

Business areas



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

The reduction in the Group's operating costs may be attributed to all business units, with the exception of insurance (+5.7%), as a result of higher administrative expenses. The Banca dei Territori Division, which accounts for 65% of the costs of the business units, recorded a decline (-29 million euro or -2.4%) thanks to the containment of personnel and administrative expenses. Savings were also achieved by the Corporate and Investment Banking (-1.8%) and Asset Management Divisions (-3.1%), as a result of reduced personnel expenses, by the International Subsidiary Banks (-3.5%), due to savings on administrative expenses and depreciation/amortisation, and by the Private Banking Division (-3.1%), owing to lower administrative expenses.

Operating margin

The operating margin was 2,023 million euro in the first quarter of 2016, down 21.3% compared to the same period of 2015, as a result of the revenue performance. At the quarterly level, the operating margin was significantly higher than in the fourth quarter of 2015 and lower than in the first three quarters of the previous year.

Adjustments to/write-backs on assets

Net provisions for risks and charges

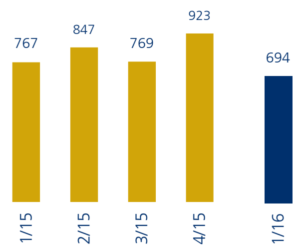
In the first three months of 2016, net provisions for risks and charges stood at 16 million euro, down significantly compared to 54 million euro in the corresponding period of 2015.

Net adjustments to loans

(millions of euro)

	31.03.2016	31.03.2015	Changes	
			amount	%
Bad loans	-505	-401	104	25.9
Unlikely to pay	-173	-318	-145	-45.6
Past due loans	-74	-82	-8	-9.8
Performing loans	27	-15	42	
Net losses/recoveries on impairment of loans	**-725**	**-816**	**-91**	**-11.2**
Net adjustments to/recoveries on guarantees and commitments	**31**	**49**	**-18**	**-36.7**
Net adjustments to loans	**-694**	**-767**	**-73**	**-9.5**

Quarterly development
Net adjustments to loans



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

The reduction in net adjustments to loans in 2015 continued in the first quarter of 2016. This is the result of both actions implemented under the Business Plan aimed at enhancing credit monitoring and a gradual stabilisation of the general economic context, which made it possible to contain the deterioration of the loan portfolio. The annualised cost of credit, expressed as the ratio of net adjustments to net loans, came to 77 bps, down compared to both the first quarter of 2015 (89 bps) and the fourth quarter of 2015 (94 bps).
In particular, net adjustments to loans amounted to 694 million euro, down 9.5% compared to the same period of the previous year, essentially due to the lower provisions for unlikely to pay exposures, which more than offset the increase in adjustments to

bad loans. Those adjustments ensure adequate coverage of both performing and non-performing loans. Bad loans required total net adjustments of 505 million euro, with an average coverage ratio of 61.1%. Net impairment losses on unlikely to pay exposures, totalling 173 million euro, were nearly halved compared to the same period of the previous year, with a coverage ratio of 24.4%. Net impairment losses on past due loans declined to 74 million euro (-9.8%). The coverage ratio for forborne positions within the non-performing loans category was 28.6% at the end of March 2016.
Lastly, within performing loans, the generic reserve offered a stable coverage ratio for the physiological risk inherent in the portfolio of 0.6%.

Impairment losses in the first quarter of 2016 were lower than in the all quarters of the previous year.

Net impairment losses on other assets
In the first three months of 2016, impairment losses on assets other than loans (financial assets available for sale, investments held to maturity, property and equipment and intangible assets) amounted to 20 million euro, compared to 9 million euro in the first quarter of 2015, owing in part to the greater impairment of equity investments.

Profits (Losses) on investments held to maturity and on other investments
Investments held to maturity and other investments generated a loss of 5 million euro. The item is compared with the profit of 28 million euro recorded in the first quarter of 2015.

Income before tax from continuing operations
Income before tax from continuing operations came to 1,288 million euro, compared to the 1,769 million euro recorded in the same period of the previous year.

Other income and expense captions

Taxes on income from continuing operations
Current and deferred taxes came to 399 million euro, corresponding to a tax rate of 31%.

Charges (net of tax) for integration and exit incentives
This caption amounted to 13 million euro, of which 7 million euro attributable to private banking, compared to the 6 million euro reported for the first three months of 2015.

Effect of purchase price allocation (net of tax)
This caption comprises amounts attributable to the revaluation of loans, debts, real estate and the recognition of new intangible assets, in application of IFRS 3, upon recognition of acquisition transactions. In the first quarter of 2016, these costs amounted to 29 million euro, confirming the structural decline that began in previous periods.

Income (Loss) from discontinued operations (net of tax)
During the period, a loss of a marginal amount (-1 million euro) was recognised on discontinued operations in relation to the sale of properties being finalised by Risanamento, a subsidiary consolidated line by line.

Net income (loss)
As a result of the above trends, the Group ended the first quarter of 2016 with a solid net income of 806 million euro, despite the difficult financial market performance.

Balance sheet aggregates

General aspects

A condensed balance sheet is prepared to permit a more immediate understanding of the Group's assets and liabilities. Where necessary, comparative figures are restated to account for discontinued operations and changes in the scope of consolidation. As usual, certain captions have been aggregated with respect to the model provided in Circular 262/05 of the Bank of Italy.

The restated financial statements are obtained by making appropriate adjustments to historical data to reflect the significant effects of such changes retroactively. Any differences due to the possibility of choosing between different options provided for by IAS/IFRS or arising from the use of different methods or parameters to measure assets and liabilities are not considered, as they are deemed irrelevant. Last, please note that no intragroup relations are netted where their amount is not significant.

Breakdowns of restatements and aggregations of captions are provided in separate tables included in the attachments to the consolidated financial statements, as also required by Consob in its Communication 6064293 of 28 July 2006.

Aggregations of captions refer to:

- the inclusion of Cash and cash equivalents in the residual caption Other assets;
- the inclusion of Hedging derivatives and Fair value change of financial assets/liabilities in hedged portfolios in Other assets/liabilities;
- the inclusion of the technical insurance reserves reassured with third parties under Other assets;
- the aggregation in one single caption of Property and equipment and Intangible assets;
- the aggregation of Due to customers and Securities issued into one caption;
- the aggregation into one caption of allowances for specific purpose (Employee termination indemnities and Allowances for risks and charges);
- the presentation of Reserves as an aggregate and net of any treasury shares.

Again, to provide a more effective presentation of the composition of aggregates, derivatives recorded in Financial assets/liabilities held for trading and Due from/Due to banks are presented on a net basis in the tables and in the relative comments.

Reclassified balance sheet

(millions of euro)

Assets	31.03.2016	31.12.2015	Changes amount	%
Financial assets held for trading	54,786	51,597	3,189	6.2
of which: Insurance Companies	*721*	*728*	*-7*	*-1.0*
Financial assets designated at fair value through profit and loss	54,480	53,663	817	1.5
of which: Insurance Companies	*53,358*	*52,519*	*839*	*1.6*
Financial assets available for sale	142,884	131,402	11,482	8.7
of which: Insurance Companies	*78,393*	*75,646*	*2,747*	*3.6*
Investments held to maturity	1,317	1,386	-69	-5.0
Due from banks	33,540	34,445	-905	-2.6
Loans to customers	361,035	350,010	11,025	3.1
Investments in associates and companies subject to joint control	1,754	1,727	27	1.6
Property, equipment and intangible assets	12,139	12,562	-423	-3.4
Tax assets	14,597	15,021	-424	-2.8
Non-current assets held for sale and discontinued operations	304	27	277	
Other assets	23,390	24,656	-1,266	-5.1
Total Assets	**700,226**	**676,496**	**23,730**	**3.5**

Liabilities and Shareholders' Equity	31.03.2016	31.12.2015	Changes amount	%
Due to banks	60,343	59,327	1,016	1.7
Due to customers and securities issued	373,170	365,402	7,768	2.1
of which: Insurance Companies	*1,361*	*1,310*	*51*	*3.9*
Financial liabilities held for trading	48,936	43,522	5,414	12.4
of which: Insurance Companies	*95*	*144*	*-49*	*-34.0*
Financial liabilities designated at fair value through profit and loss	48,031	47,022	1,009	2.1
of which: Insurance Companies	*48,031*	*47,022*	*1,009*	*2.1*
Tax liabilities	2,580	2,367	213	9.0
Liabilities associated with non-current assets held for sale and discontinued operations	283	-	283	-
Other liabilities	25,145	20,814	4,331	20.8
Technical reserves	86,664	84,616	2,048	2.4
Allowances for specific purpose	4,796	4,833	-37	-0.8
Share capital	8,732	8,732	-	-
Reserves	39,184	36,446	2,738	7.5
Valuation reserves	-1,387	-1,018	369	36.2
Equity instruments	2,118	877	1,241	
Minority interests	825	817	8	1.0
Net income (loss)	806	2,739	-1,933	-70.6
Total Liabilities and Shareholders' Equity	**700,226**	**676,496**	**23,730**	**3.5**

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

Quarterly development of the reclassified balance sheet

(millions of euro)

Assets	2016	2015			
	31/3	31/12	30/9	30/6	31/3
Financial assets held for trading	54,786	51,597	52,391	51,996	62,257
of which: Insurance Companies	*721*	*728*	*775*	*754*	*823*
Financial assets designated at fair value through profit and loss	54,480	53,663	49,998	49,407	48,620
of which: Insurance Companies	*53,358*	*52,519*	*48,877*	*48,203*	*47,361*
Financial assets available for sale	142,884	131,402	133,363	135,438	138,079
of which: Insurance Companies	*78,393*	*75,646*	*72,548*	*71,463*	*74,813*
Investments held to maturity	1,317	1,386	1,379	1,426	1,470
Due from banks	33,540	34,445	33,994	31,147	34,942
Loans to customers	361,035	350,010	345,140	344,199	346,029
Investments in associates and companies subject to joint control	1,754	1,727	1,792	1,756	1,943
Property, equipment and intangible assets	12,139	12,562	12,135	12,210	12,282
Tax assets	14,597	15,021	14,815	14,952	14,380
Non-current assets held for sale and discontinued operations	304	27	27	27	29
Other assets	23,390	24,656	23,201	25,841	23,275
Total Assets	**700,226**	**676,496**	**668,235**	**668,399**	**683,306**

Liabilities and Shareholders' Equity	2016	2015			
	31/3	31/12	30/9	30/6	31/3
Due to banks	60,343	59,327	64,118	62,493	58,312
Due to customers and securities issued	373,170	365,402	352,962	358,854	364,283
of which: Insurance Companies	*1,361*	*1,310*	*1,460*	*1,319*	*1,303*
Financial liabilities held for trading	48,936	43,522	44,189	43,221	54,398
of which: Insurance Companies	*95*	*144*	*169*	*138*	*234*
Financial liabilities designated at fair value through profit and loss	48,031	47,022	43,657	43,451	42,088
of which: Insurance Companies	*48,031*	*47,022*	*43,657*	*43,451*	*42,088*
Tax liabilities	2,580	2,367	3,394	2,973	3,371
Liabilities associated with non-current assets held for sale and discontinued operations	283	-	-	-	-
Other liabilities	25,145	20,814	25,043	26,842	25,907
Technical reserves	86,664	84,616	81,965	79,645	82,925
Allowances for specific purpose	4,796	4,833	4,701	4,591	5,280
Share capital	8,732	8,732	8,730	8,725	8,725
Reserves	39,184	36,446	36,435	36,415	37,545
Valuation reserves	-1,387	-1,018	-1,183	-1,449	-1,147
Equity instruments	2,118	877	875	-	-
Minority interests	825	817	623	634	555
Net income (loss)	806	2,739	2,726	2,004	1,064
Total Liabilities and Shareholders' Equity	**700,226**	**676,496**	**668,235**	**668,399**	**683,306**

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

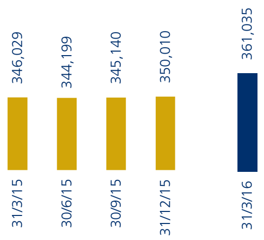
In the first quarter of 2016 Intesa Sanpaolo’s consolidated assets and liabilities increased compared to the end of 2015 (+3.5%). With regard to assets, growth was posted in both loans to customers and total financial assets. In detail, financial assets available for sale increased by 11.5 billion euro, financial assets held for trading by 3.2 billion euro and financial assets designated at fair value through profit and loss by 0.8 billion euro, due to the operations of the insurance companies; loans to customers increased by 11 billion euro, due in part to the resumption of commercial banking loans. Conversely, loans to banks decreased by approximately 1 billion euro. Liabilities showed increases in almost all components: +7.8 billion euro for amounts due to customers and securities issued, +5.4 billion euro for financial liabilities held for trading, +4.3 billion for other liabilities, +2 billion euro for the technical reserves of the Group's insurance companies, and +1 billion euro for amounts due to banks and financial liabilities designated at fair value through profit or loss attributable to insurance companies.

Loans to customers

(millions of euro)

	31.03.2016	% breakdown	31.12.2015	% breakdown	Changes amount	Changes %
Current accounts	24,643	6.8	24,535	7.0	108	0.4
Mortgages	140,389	38.9	138,036	39.4	2,353	1.7
Advances and other loans	120,761	33.4	119,520	34.2	1,241	1.0
Commercial banking loans	**285,793**	**79.1**	**282,091**	**80.6**	**3,702**	**1.3**
Repurchase agreements	**28,232**	**7.8**	**21,449**	**6.1**	**6,783**	**31.6**
Loans represented by securities	**13,928**	**3.9**	**13,384**	**3.8**	**544**	**4.1**
Non-performing loans	**33,082**	**9.2**	**33,086**	**9.5**	**-4**	**-**
Loans to customers	**361,035**	**100.0**	**350,010**	**100.0**	**11,025**	**3.1**

Quarterly development Loans to customers



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

As at 31 March 2016, Intesa Sanpaolo Group loans to customers amounted to 361 billion euro, up 3.1% compared to the end of the previous year.

The positive performance of loans was due to both the rise in commercial banking loans (+3.7 billion euro or +1.3%) and reverse repurchase agreements, which rose by 6.8 billion euro (+31.6%). The recovery in commercial banking loans, which benefited from the improved outlook for the economy, was driven by mortgages (+2.4 billion euro or +1.7%) and advances and other loans, which increased by 1.2 billion euro (+1%).

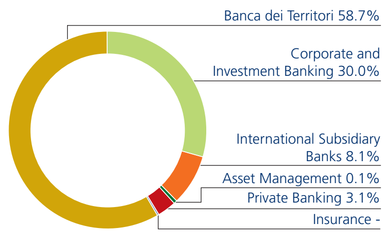
In the domestic medium-/long-term loan market, in the first quarter of 2016 disbursements to households (including the small business accounts having similar needs to family businesses) were approximately 4.8 billion euro, while disbursements to businesses under the Banca dei Territori scope (including customers with turnover of up to 350 million euro) came to 2.9 billion euro. During the same period, medium-/long-term disbursements to segments included in the scope of the Corporate Division amounted to 2.3 billion euro. Including the extra-captive activities of Mediocredito, disbursements within Italy exceeded 10 billion euro. On the whole, medium-/long-term disbursements for the Group in the first quarter of 2016 were approximately 12 billion euro.

As at 31 March 2016, the Group's share of the domestic market (calculated on the harmonised time-series established for countries in the Eurozone) was estimated at 15.6% for total loans. This estimate is based on the sample deriving from the ten-day report of the Bank of Italy as the global system figure for the end of March is not yet available.

(millions of euro)

	31.03.2016	31.12.2015	Changes amount	Changes %
Banca dei Territori	186,490	184,750	1,740	0.9
Corporate and Investment Banking	95,485	89,691	5,794	6.5
International Subsidiary Banks	25,709	25,827	-118	-0.5
Private Banking	9,823	8,971	852	9.5
Asset Management	233	372	-139	-37.4
Insurance	25	24	1	4.2
Total business areas	**317,765**	**309,635**	**8,130**	**2.6**
Corporate Centre	43,270	40,375	2,895	7.2
Intesa Sanpaolo Group	**361,035**	**350,010**	**11,025**	**3.1**

Business areas



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

In the analysis of loans by business area, the Banca dei Territori Division, which accounts for approximately 60% of the aggregate of the Group's business areas, recorded a slight increase (+1.7 billion euro, or +0.9%) compared to the end of the previous year, due essentially to loans to individuals (households and personal loans), above all in the medium-/long-term component, and to the contribution from industrial credit. The most significant contribution in absolute terms was provided by Corporate and Investment Banking Division (+5.8 billion euro or +6.5%), driven by the increased business in repurchase agreements and collateral by Banca IMI. There was also growth of Private Banking loans, which increased by 9.5%, particularly repurchase agreements with institutional customers. Conversely, there were decreases in the loans of Asset Management (-37.4%), which are of modest overall amount, and, to a lesser extent, in the International Subsidiary Banks Division (-0.5%), primarily those of subsidiaries operating in Egypt and Serbia. The positive trend in Corporate Centre loans (+7.2%) is largely attributable to increased reverse repurchase agreement transactions with Cassa di Compensazione e Garanzia.

Loans to customers: credit quality

(millions of euro)

	31.03.2016		31.12.2015		Change
	Net exposure	% breakdown	Net exposure	% breakdown	Net exposure
Bad loans	15,123	4.2	14,973	4.3	150
Unlikely to pay	17,078	4.8	17,091	4.9	-13
Past due loans	881	0.2	1,022	0.3	-141
Non-performing loans	**33,082**	**9.2**	**33,086**	**9.5**	**-4**
of which forborne	***7,984***		**7,705**		**279**
Performing loans	314,025	86.9	303,540	86.7	10,485
of which forborne	*7,299*		*7,699*		*-400*
Loans represented by performing securities	13,928	3.9	13,384	3.8	544
of which forborne	*120*		*135*		*-15*
Loans to customers	**361,035**	**100.0**	**350,010**	**100.0**	**11,025**

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

As at 31 March 2016, the Group's non-performing loans, net of adjustments, came to 33.1 billion euro, at the same levels of the end of 2015. While non-performing loans declined to 9.2% of total loans to customers, the NPL cash coverage ratio was 47.1%, down compared to 31 December 2015, following the consistent settlements made in the period on the positions with a higher coverage.
In further detail, bad loans came to 15.1 billion euro, net of adjustments, in the first quarter of 2016, up 1% from the beginning of the year, and represented 4.2% of total loans (4.3% at the end of 2015). During the same period, the coverage ratio was 61.1% (61.8% in December 2015). Loans included in the unlikely to pay category amounted to 17.1 billion euro and remained stable, accounting for 4.8% of total loans to customers, with a coverage ratio of 24.4%. Past due loans totalled 881 million euro, down 13.8% compared to the beginning of the year, with a coverage ratio of 17.6%. Forborne exposures are generated by forbearance measures for borrowers experiencing difficulty in meeting their financial obligations, according to the definition introduced by the European Banking Authority with the aim of harmonising the classification of non-performing loans at the European level: within the non-performing loan category, they amounted to 8 billion euro, with an average coverage ratio of 28.6%, whereas those in the performing loan category were slightly lower (7.3 billion euro). The coverage ratio of performing loans was 0.6%.

Customer financial assets

(millions of euro)

	31.03.2016		31.12.2015		Changes	
		% breakdown		% breakdown	amount	%
Direct deposits from banking business	379,927	44.2	372,183	42.9	7,744	2.1
Direct deposits from insurance business and technical reserves	136,056	15.8	132,948	15.3	3,108	2.3
Indirect customer deposits	477,746	55.6	493,737	56.9	-15,991	-3.2
Netting [(a)]	-134,695	-15.6	-131,638	-15.1	3,057	2.3
Customer financial assets	**859,034**	**100.0**	**867,230**	**100.0**	**-8,196**	**-0.9**

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

[(a)] Netting refers to components of indirect deposits which are also included in direct customer deposits (financial liabilities of the insurance business designated at fair value, technical reserves).

As at 31 March 2016 customer financial assets exceeded 859 million euro, down 0.9% compared to the beginning of the year as a result of the negative performance of indirect customer deposits, which were penalised by the extreme volatility of financial markets early in the year. The decline in financial assets was offset by the positive performances of direct deposits from both banking business, which increased by 7.7 billion euro (+2.1%), and from insurance business, which rose by 3.1 billion euro (+2.3%).

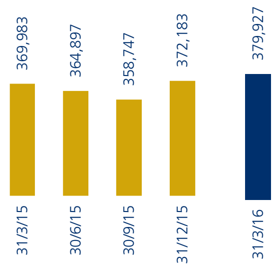
Direct deposits from banking business

The table below sets out amounts due to customers, securities issued, including those designated at fair value, and capital-protected certificates.

(millions of euro)

	31.03.2016		31.12.2015		Changes	
		% breakdown		% breakdown	amount	%
Current accounts and deposits	226,480	59.6	225,339	60.6	1,141	0.5
Repurchase agreements and securities lending	24,663	6.5	20,416	5.5	4,247	20.8
Bonds	85,778	22.6	87,147	23.4	-1,369	-1.6
of which designated at fair value (*)	-	-	-	-	-	-
Certificates of deposit	6,888	1.8	6,076	1.6	812	13.4
Subordinated liabilities	14,775	3.9	13,336	3.6	1,439	10.8
Other deposits	21,343	5.6	19,869	5.3	1,474	7.4
of which designated at fair value (**)	*8,118*	*2.1*	*8,091*	*2.2*	*27*	*0.3*
Direct deposits from banking business	**379,927**	**100.0**	**372,183**	**100.0**	**7,744**	**2.1**

Quarterly development Direct deposits from banking business



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

(*) Figures included in the Balance sheet under Financial liabilities designated at fair value through profit and loss.

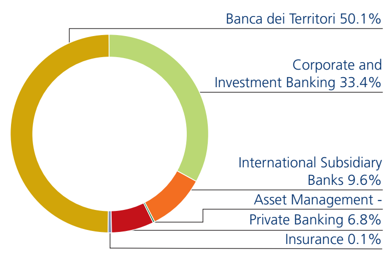
(**) Figures included in the Balance sheet under Financial liabilities held for trading.

The total of direct deposits from banking business, 380 billion euro, was up (+2.1%) compared to the end of December 2015, with diverging performances by the main deposit types.
The increase in direct deposits was due to the sharp rise in repurchase agreements (+4.2 billion euro or +20.8%), the increase in current accounts and deposits (+1.1 billion euro or +0.5%), attributable to the strong performance of the demand component, subordinated liabilities (+1.4 billion euro or +10.8%), certificates of deposit (+0.8 billion euro or +13.4%) and other deposits (+1.5 billion euro or +7.4%), primarily attributable to commercial paper. On the other hand, the decline in bonds that began in the previous year continued (-1.4 billion euro for the quarter, or -1.6%).
At the end of March 2016, the share of the Group's direct deposits on the harmonised domestic market, consisting of deposits and bonds, according to the ECB definition, was estimated to have increased by 16%. As already described above in reference to loans, this estimate is based on figures from the sample deriving from the ten-day report produced by the Bank of Italy.

(millions of euro)

	31.03.2016	31.12.2015	Changes	
			amount	%
Banca dei Territori	164,168	159,860	4,308	2.7
Corporate and Investment Banking	109,545	109,915	-370	-0.3
International Subsidiary Banks	31,611	32,456	-845	-2.6
Private Banking	22,300	20,922	1,378	6.6
Asset Management	8	9	-1	-11.1
Insurance	193	196	-3	-1.5
Total business areas	**327,825**	**323,358**	**4,467**	**1.4**
Corporate Centre	52,102	48,825	3,277	6.7
Intesa Sanpaolo Group	**379,927**	**372,183**	**7,744**	**2.1**

Business areas



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

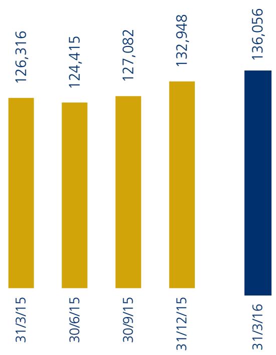
The breakdown by Group business areas shows that the direct deposits of the Banca dei Territori Division, which accounts for one-half of the aggregate attributable to the Group's total business areas, increased by 2.7% compared to the end of December 2015, due to the increase in cash held in deposits by personal and business customers. Corporate and Investment Banking remained substantially stable (-0.3%): the decrease in amounts due to customers of the Corporate & Public Finance and International Network & Global Industries departments was almost entirely offset by the positive trend in securities issued by Intesa Sanpaolo Bank Luxembourg and Banca IMI. The funding of Private Banking rose (+6.6%), chiefly due to the increase in current accounts, whereas the funding of the International Subsidiary Banks showed a decrease (-2.6%) in the component of amounts due to customers, only partially offset by greater placements of bonds. The increase reported by the Corporate Centre (+6.7%) may be attributed to the growth of repurchase agreement transactions with institutional counterparties.

Direct deposits from insurance business and technical reserves

(millions of euro)

	31.03.2016		31.12.2015		Changes	
		% breakdown		% breakdown	amount	%
Financial liabilities of the insurance business designated at fair value (*)	**48,031**	**35.3**	**47,022**	**35.4**	**1,009**	**2.1**
Index-linked products	*81*	*0.1*	*276*	0.2	*-195*	*-70.7*
Unit-linked products	*47,950*	*35.2*	*46,746*	35.2	*1,204*	*2.6*
Technical reserves	**86,664**	**63.7**	**84,616**	**63.6**	**2,048**	**2.4**
Life business	86,140	63.3	84,112	63.2	2,028	2.4
Mathematical reserves	*73,584*	*54.1*	*72,415*	*54.4*	*1,169*	*1.6*
Technical reserves where the investment risk is borne by the policyholders (**) and reserves related to pension funds	*5,234*	*3.8*	*5,300*	*4.0*	*-66*	*-1.2*
Other reserves	*7,322*	*5.4*	*6,397*	*4.8*	*925*	*14.5*
Non-life business	524	0.4	504	0.4	20	4.0
Other insurance deposits (***)	**1,361**	**1.0**	**1,310**	**1.0**	**51**	**3.9**
Direct deposits from insurance business and technical reserves	**136,056**	**100.0**	**132,948**	**100.0**	**3,108**	**2.3**

Quarterly development
Direct insurance deposits and technical reserves



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

(*) Figures included in the Balance sheet under Financial liabilities designated at fair value through profit and loss.

(**) This caption includes unit- and index-linked policies with significant insurance risk.

(***) Figures included in the Balance sheet under Due to customers and securities issued.

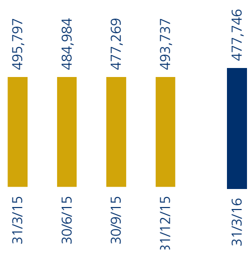
Direct deposits from insurance business came to 136 billion euro at the end of March 2016, up 2.3% compared to December 2015. Financial liabilities of the insurance business designated at fair value grew by 1 billion euro (+2.1%), thanks to the contribution from unit-linked products. Technical reserves, which represent the amounts owed to customers subscribing to traditional policies or policies with significant insurance risk, increased by 2.4% compared to the beginning of the year, due to the increase in mathematical reserves correlated to the increase in premiums and other reserves.

Indirect customer deposits

(millions of euro)

	31.03.2016		31.12.2015		Changes	
		% breakdown		% breakdown	amount	%
Mutual funds (*)	100,962	21.1	103,876	21.0	-2,914	-2.8
Open-ended pension funds and individual pension plans	6,147	1.3	6,258	1.3	-111	-1.8
Portfolio management	83,374	17.5	84,894	17.2	-1,520	-1.8
Life technical reserves and financial liabilities	123,740	25.9	122,700	24.9	1,040	0.8
Relations with institutional customers	10,251	2.1	10,098	2.0	153	1.5
Assets under management	**324,474**	**67.9**	**327,826**	**66.4**	**-3,352**	**-1.0**
Assets under administration and in custody	**153,272**	**32.1**	**165,911**	**33.6**	**-12,639**	**-7.6**
Indirect customer deposits	**477,746**	**100.0**	**493,737**	**100.0**	**-15,991**	**-3.2**

Quarterly development
Indirect deposits



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

(*) The caption includes mutual funds established and managed by Eurizon Capital, Banca Fideuram - Intesa Sanpaolo Private Banking (formerly Banca Fideuram) and several international companies. The caption does not include funds held by Group insurance companies and managed by Eurizon Capital, whose values are included in technical reserves, and the contribution of funds established by third parties and managed by Banca Fideuram - Intesa Sanpaolo Private Banking, whose value is included in assets under administration and in custody.

As at 31 March 2016, indirect customer deposits were approximately 478 billion euro, down 3.2% compared to the beginning of the year, affected by the decline in prices that reduced the value of securities under management and administration. During the quarter, customers continued to reposition into forms of professional asset management, which were the destination for new funding inflows without overlooking the need to maintain adequate liquidity in current accounts. Portfolio management, which accounts for more than two-thirds of the total aggregate, declined by 3.4 billion euro (-1%), in relation to the negative performance of the markets, which outweighed the net inflows achieved by the distribution networks. There were decreases in mutual funds, down by 2.9 billion euro (-2.8%), portfolio management, down by 1.5 billion euro (-1.8%) and collective and individual pension forms, down by 0.1 billion euro (-1.8%). There were increases in life policies, which rose by 1 billion euro (+0.8%), and relations with institutional customers. In the insurance business, the new life business of Intesa Sanpaolo Vita (including Intesa Sanpaolo Life) and Fideuram Vita, including pension products, amounted to 6.2 billion euro for the quarter.
Assets under administration reported a sharp decline (-12.6 billion euro, -7.6%) attributable to the sharp volatility of the institutional component, the aforementioned effect of negative performance, and the reduction in securities in the retail customer dossier in favour of asset management products.

Financial assets and liabilities

(millions of euro)

	31.03.2016		31.12.2015		Changes	
		of which Insurance Companies		*of which Insurance Companies*	**amount**	**%**
Financial assets held for trading	54,786	*721*	51,597	*728*	3,189	6.2
of which derivatives at fair value	*33,926*	*16*	*30,894*	*4*	*3,032*	*9.8*
Financial assets designated at fair value through profit and loss	54,480	*53,358*	53,663	*52,519*	817	1.5
Financial assets available for sale	142,884	*78,393*	131,402	*75,646*	11,482	8.7
Investments held to maturity	1,317		1,386		-69	-5.0
Total financial assets	**253,467**	***132,472***	**238,048**	***128,893***	**15,419**	**6.5**
Financial liabilities held for trading (*)	**-40,818**	***-95***	**-35,431**	***-144***	**5,387**	**15.2**
of which derivatives at fair value	*-34,717*	*-95*	*-31,715*	*-144*	*3,002*	*9.5*

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

(*) The amount of the item does not include capital protected certificates which are included in the direct customer deposits table.

The table above illustrates the breakdown of financial assets and the financial liabilities held for trading. Financial liabilities designated at fair value, referring to insurance business and capital-protected certificates, are not represented as these are included in the direct deposits aggregates.
Total financial assets rose by 6.5% as a result of increases in all components except investments held to maturity. Financial assets available for sale showed a significant increase of 11.5 billion euro (+8.7%), nearly one-half of which was attributable to the Parent Company. Financial assets designated at fair value through profit and loss recorded a more modest increase (+0.8 billion euro, or +1.5%), entirely attributable to equities and units of UCI attributable to insurance companies. The increase in financial assets held for trading (+3.2 billion euro) was almost exclusively due to trading derivatives (trading derivatives included among liabilities also increased). Financial liabilities held for trading also increased in parallel during the quarter (+5.4 billion euro or +15.2%).

Financial instrument reclassification

The table below shows the stock of securities subject to reclassification, as permitted by the amendments to IAS 39 made in October 2008, included in the portfolio as at 31 March 2016, together with the effects on the income statement and shareholders' equity reserves of the transfer from designation at fair value to measurement at amortised cost or from designation at fair value through profit and loss to fair value through shareholders' equity.

(millions of euro)

Type of financial instrument	Previous portfolio	New portfolio	Book value at 31.03.2016	Fair value at 31.03.2016	Income components in case of no transfer (before tax)		Income components for the period (before tax)	
					Valuation	Other	Valuation	Other
Debt securities	Financial assets held for trading	Loans	500	466	-15	1	1	2
Debt securities	Financial assets available for sale	Loans	5,321	4,496	62	29	203	26
Loans	Financial assets available for sale	Loans	13	13	-	-	-	-
TOTAL			**5,834**	**4,975**	**47**	**30**	**204**	**28**

Had the Group not reclassified the above financial assets, a total of 157 million euro in negative mark-to-market income components and about 2 million euro in other positive components would have been recognised during the first three months. No reclassifications were made in 2016.

Net interbank position

The net interbank position as at 31 March 2016 came to a negative 26.8 billion euro, an increase on the figure recorded at the end of 2015 (-24.9 billion euro), as a result of an increase in interbank debt and a decrease in interbank loans.

Exposure to sovereign risk by country of residence of the counterparty

The following table illustrates the value of the main exposures of the Intesa Sanpaolo Group to sovereign risk.

(millions of euro)

	DEBT SECURITIES							LOANS
	BANKING GROUP					INSURANCE COMPANIES (**)	TOTAL	
	Loans and Receivables	Financial assets available for sale	Investments held to maturity	Financial assets designated at fair value through profit and loss	Financial assets held for trading (*)			
EU Countries	**7,257**	**47,589**	**975**	**727**	**6,161**	**55,889**	**118,598**	**18,517**
Austria	-	-	3	-	31	7	41	-
Belgium	-	658	-	-	20	10	688	-
Bulgaria	-	-	-	-	-	56	56	-
Croatia	96	137	2	727	57	56	1,075	1,058
Cyprus	-	-	-	-	-	-	-	-
Czech Republic	-	-	-	-	-	-	-	22
Denmark	-	18	-	-	18	-	36	-
Estonia	-	-	-	-	-	-	-	-
Finland	-	82	-	-	45	10	137	8
France	105	5,314	-	-	655	147	6,221	15
Germany	-	3,154	-	-	673	1,216	5,043	-
Greece	-	-	-	-	-	-	-	-
Hungary	32	373	-	-	212	36	653	166
Ireland	-	198	-	-	1	101	300	-
Italy	6,725	25,230	355	-	3,158	52,822	88,290	16,478
Latvia	-	17	-	-	-	-	17	54
Lithuania	-	62	-	-	-	-	62	-
Luxembourg	-	-	-	-	20	-	20	-
Malta	-	-	-	-	-	-	-	-
Netherlands	-	290	-	-	698	145	1,133	-
Poland	28	54	-	-	-	19	101	-
Portugal	17	-	-	-	-2	-	15	25
Romania	-	155	-	-	1	120	276	2
Slovakia	-	237	615	-	64	-	916	144
Slovenia	-	193	-	-	-	7	200	205
Spain	254	11,310	-	-	255	1,137	12,956	340
Sweden	-	107	-	-	255	-	362	-
United Kingdom	-	-	-	-	-	-	-	-
North African Countries	**-**	**1,281**	**-**	**-**	**-**	**-**	**1,281**	**-**
Algeria	-	-	-	-	-	-	-	-
Egypt	-	1,281	-	-	-	-	1,281	-
Libya	-	-	-	-	-	-	-	-
Morocco	-	-	-	-	-	-	-	-
Tunisia	-	-	-	-	-	-	-	-
Japan	**-**	**-**	**-**	**-**	**826**	**-**	**826**	**-**

(*) Taking into consideration on-balance sheet positions

(**) Debt securities of insurance companies are classified almost entirely to the available-for-sale portfolio

As shown in the table, exposure to Italian government securities totals roughly 88 billion euro - in addition to around 16 billion euro in loans - essentially unchanged compared to the levels recorded in December 2015, whereas loans decreased by nearly 1 billion euro. With regard to exposure towards EU countries, in the first quarter of 2016 the Group invested in Spanish securities, bringing the total exposure towards this country from approximately 7 billion euro in December 2015 to approximately 13 billion euro.

Shareholders' equity

As at 31 March 2016, the Group's shareholders' equity, including net income for the period, came to 49,453 million euro compared to the 47,776 million euro at the end of the previous year. The change in equity was primarily due to the new AT1 issue of 1.2 billion euro and the net income for the period (0.8 billion euro), offset by the overall decline in valuation reserves (-0.4 billion euro). No changes in share capital occurred during the quarter.

Valuation reserves

(millions of euro)

	Valuation reserves as at 31.12.2015	Change in the period	Valuation reserves as at 31.03.2016	
				% breakdown
Financial assets available for sale	899	-58	841	-60.6
of which: Insurance Companies	*682*	*-14*	*668*	*-48.2*
Property and equipment	-	-	-	-
Cash flow hedges	-1,145	-168	-1,313	94.7
Legally-required revaluations	352	1	353	-25.5
Other	-1,124	-144	-1,268	91.4
Valuation reserves	**-1,018**	**-369**	**-1,387**	**100.0**

As at 31 March 2016, the negative balance of the Group's valuation reserves came to -1,387 million euro, worsening compared to the negative value at the end of December 2015 (-1,018 million euro). Almost all components provided negative contributions to the change in the period: cash flow hedge reserves (-168 million euro), other reserves (-144 million euro), and reserves for financial assets available for sale (-58 million euro), partly attributable to the insurance companies.

Own funds and capital ratios

(millions of euro)

Own funds and capital ratios	**31.03.2016**	**31.12.2015**
Own funds		
Common Equity Tier 1 capital (CET1) net of regulatory adjustments	36,344	36,908
Additional Tier 1 capital (AT1) net of regulatory adjustments	3,436	2,302
TIER 1 CAPITAL	**39,780**	**39,210**
Tier 2 capital net of regulatory adjustments	9,281	8,089
TOTAL OWN FUNDS	**49,061**	**47,299**
Risk-weighted assets		
Credit and counterparty risks	243,176	245,793
Market and settlement risk	16,819	16,582
Operational risks	20,653	20,653
Other specific risks [(a)]	1,352	1,291
RISK-WEIGHTED ASSETS	**282,000**	**284,319**
% Capital ratios		
Common Equity Tier 1 capital ratio	12.9%	13.0%
Tier 1 capital ratio	14.1%	13.8%
Total capital ratio	17.4%	16.6%

[(a)] The caption includes all other elements not contemplated in the foregoing captions that are considered when calculating total capital requirements.

Own funds, risk weighted assets and the capital ratios as at 31 March 2016 were calculated according to the harmonised rules and regulations for banks and investment companies contained in Directive 2013/36/EU (CRD IV) and in (EU) Regulation 575/2013 (CRR) of 26 June 2013, which transpose the banking supervision standards defined by the Basel Committee (the Basel 3 Framework) to European Union laws, and on the basis of Bank of Italy Circulars.
Regulatory provisions governing own funds envisage the gradual introduction of the new regulatory framework, through a transitional period generally lasting until 2017, during which several elements that will be eligible for full inclusion in or deduction from Common Equity when the framework is fully effective, will only have a partial percentage effect on Common Equity Tier 1 capital. Generally, the residual percentage, after the applicable portion, is included in/deducted from Additional Tier 1 capital (AT1) or Tier 2 capital (T2), or is considered among risk-weighted assets.
Specific transitional provisions have also been established for subordinated instruments that do not meet the requirements envisaged in the new regulatory provisions, aimed at the gradual exclusion of instruments no longer regarded as eligible from own funds (over a period of eight years).
Accordingly, the prudential ratios as at 31 March 2016 take account of the adjustments envisaged by the transitional provisions for 2016.
As at 31 March 2016, total Own Funds came to 49,061 million euro, against risk-weighted assets of 282,000 million euro, resulting primarily from credit and counterparty risk and, to a lesser extent, operational and market risk.
In January 2016 Intesa Sanpaolo launched a second Additional Tier 1 (AT1) issue of 1.25 billion euro, targeted at the international markets (a first AT1 issue of 1 billion dollars had been launched in September 2015). This issue has characteristics in line with the provisions of CRD IV and the CRR, is perpetual (with a maturity date tied to the duration of Intesa Sanpaolo, as set in its articles of

association) and can be redeemed in advance by the issuer after 5 years from the issue date and on every coupon payment date thereafter. The coupon, payable semi-annually in arrears on 19 January and 19 July of each year, with first payment on 19 July 2016, is equal to 7.00% per annum. If the early redemption option is not exercised on 19 January 2021, a new fixed-rate coupon will be determined for the following five years (until the next recalculation date). As envisaged in the regulations applicable to the Additional Tier 1 issues, coupon payment is discretionary and subject to certain limitations.
It should be emphasised that Common Equity Tier 1 capital does not include the net income for the period ended 31 March 2016, less the pro-rata dividend for the period, since Intesa Sanpaolo has decided to apply to the ECB for authorisation pursuant to Art. 26 of the CRR to include the net income for the period in own funds only when the amount of net income exceeds the total amount of the dividend planned for distribution for the year, equal to 3 billion euro for 2016 on the basis of the 2014-2017 Business Plan.
Based on the foregoing, the Total capital ratio stood at 17.4%, while the ratio of the Group's Tier 1 capital to its total risk-weighted assets (Tier 1 ratio) was 14.1%. The ratio of Common Equity Tier 1 capital (CET1) to risk-weighted assets (the Common Equity ratio) was 12.9%.

The ECB's final decision concerning the capital requirements to be observed with effect from 1 January 2016, in light of the results of the Supervisory Review and Evaluation Process (SREP), imposed a consolidated capital requirement on Intesa Sanpaolo of 9.5% in terms of the CET1 ratio.
Finally, on the basis of Article 467 (2) of the CRR, adopted by the Bank of Italy in Circular 285, the Intesa Sanpaolo Group has opted to exclude unrealised gains or losses on exposures to central administrations classified among financial assets available for sale (AFS) from its Own Funds. The effect on Common Equity Tier 1 capital as at 31 March 2016 was positive but lower than 1 basis point.

Reconciliation of Shareholders' equity and Common Equity Tier 1 capital

(millions of euro)

Captions	31.03.2016	31.12.2015
Group Shareholders' equity	49,453	47,776
Minority interests	825	817
Shareholders' equity as per the Balance Sheet	**50,278**	**48,593**
Dividends and other expected charges (a)	-	-2,383
Shareholders' equity following presumed distribution to shareholders	**50,278**	**46,210**
Adjustments for instruments eligible for inclusion in AT1 or T2 and net income for the period		
- Capital of savings shares eligible for inclusion in AT1	-485	-485
- Other equity instruments eligible for inclusion in AT1	-2,121	-871
- Minority interests eligible for inclusion in AT1	-8	-8
- Minority interests eligible for inclusion in T2	-7	-6
- Ineligible minority interests on full phase-in	-769	-763
- Ineligible net income for the period (b)	-806	-
- Treasury shares included under regulatory adjustments	69	68
- Other ineligible components on full phase-in [c]	-2,379	-11
Common Equity Tier 1 capital (CET1) before regulatory adjustments	**43,772**	**44,134**
Regulatory adjustments (including transitional adjustments)	**-7,428**	**-7,226**
Common Equity Tier 1 capital (CET1) net of regulatory adjustments	**36,344**	**36,908**

[a] The figure at 31 December 2015 takes account of the dividends paid on 2015 profit, the portion of the remuneration on the AT1 instrument issued on 17 September 2015 and the portion of the 2015 profit allocated to charity, net of the tax effect.

[b] Common Equity Tier 1 capital does not take account of the profit accrued during the period ended on 31 March 2016, after deducting the pro-rated share of the dividend on that profit, since Intesa Sanpaolo has decided to request authorisation from the ECB pursuant to Art. 26 of the CRR to include profit for the period in own funds solely if the amount of such profit exceeds the total amount of the dividend that is expected to be distributed for the year, i.e., 3 billion euro for 2016, on the basis of the 2014-2017 Business Plan.

[c] The amount at 31 March 2016 essentially includes the dividend on 2015 profit approved by the Shareholders' Meeting on 27 April 2016.

Breakdown of consolidated results by business area

The Intesa Sanpaolo Group organisational structure is based on six Business Units. In addition there is the Corporate Centre, which is charged with providing guidance, coordination and control for the entire Group.

The Intesa Sanpaolo Group

Banca dei Territori	Corporate and Investment Banking	International Subsidiary Banks	Private Banking	Asset Management	Insurance	Corporate Centre (*)

(*) Includes the Group's Treasury and the Capital Light Bank

The Intesa Sanpaolo Group's segment reporting is based on the elements that management uses to make its own operating decisions (the "management approach") and is therefore consistent with the disclosure requirements of IFRS 8.
In addition to reflecting the operating responsibilities assigned according to the Group's organisational structure, the business areas are an aggregation of business lines similar in the type of products and services they sell.

The table below shows the main data summarising the trend of the business areas of the Intesa Sanpaolo Group in the first quarter of 2016.
The following itemised analysis of the business areas contains a description of the products and services offered, the type of customers served and the initiatives carried out in the first quarter; it also illustrates income statement figures and the main balance sheet aggregates. Finally, for each business area, the capital absorbed based on Risk Weighted Assets (RWAs) was also calculated, determined in accordance with the provisions in force (Circulars 285 and 286, both issued during 2013, and the update to Circular 154 of 22 November 1991) issued by the Bank of Italy following the implementation of Directive 2013/36/EU (CRD IV) and Regulation (EU) 575/2013 (CRR) of 26 June 2013, which transpose the banking supervision standards defined by the Basel Committee (the Basel 3 Framework) to European Union laws; for asset management and private banking, business risk was also taken into consideration, and for the insurance segment reference was made to the capital absorbed by insurance risk.

Division figures for the comparative periods have been restated to reflect the changes in scope of the Business Units, where necessary.

(millions of euro)

	Banca dei Territori	Corporate and Investment Banking	International Subsidiary Banks	Private Banking	Asset Management	Insurance	Corporate Centre	Total
Operating income								
31.03.2016	2,151	780	510	439	148	367	-305	4,090
31.03.2015	2,340	948	509	427	160	344	-39	4,689
% change [(a)]	-8.1	-17.7	0.2	2.8	-7.5	6.7		-12.8
Operating costs								
31.03.2016	-1,201	-222	-245	-124	-31	-37	-207	-2,067
31.03.2015	-1,230	-226	-254	-128	-32	-35	-213	-2,118
% change [(a)]	-2.4	-1.8	-3.5	-3.1	-3.1	5.7	-2.8	-2.4
Operating margin								
31.03.2016	950	558	265	315	117	330	-512	2,023
31.03.2015	1,110	722	255	299	128	309	-252	2,571
% change [(a)]	-14.4	-22.7	3.9	5.4	-8.6	6.8		-21.3
Net income (loss)								
31.03.2016	285	359	171	194	90	216	-509	806
31.03.2015	345	456	124	178	94	204	-337	1,064
% change [(a)]	-17.4	-21.3	37.9	9.0	-4.3	5.9	51.0	-24.2
Loans to customers								
31.03.2016	186,490	95,485	25,709	9,823	233	25	43,270	361,035
31.12.2015	184,750	89,691	25,827	8,971	372	24	40,375	350,010
% change [(b)]	0.9	6.5	-0.5	9.5	-37.4	4.2	7.2	3.1
Direct deposits from banking business								
31.03.2016	164,168	109,545	31,611	22,300	8	193	52,102	379,927
31.12.2015	159,860	109,915	32,456	20,922	9	196	48,825	372,183
% change [(b)]	2.7	-0.3	-2.6	6.6	-11.1	-1.5	6.7	2.1
Risk-weighted assets								
31.03.2016	88,684	92,620	30,048	8,656	1,152	-	60,840	282,000
31.12.2015	90,942	89,740	30,999	8,624	1,135	-	62,879	284,319
% change [(b)]	-2.5	3.2	-3.1	0.4	1.5	-	-3.2	-0.8
Absorbed capital								
31.03.2016	8,425	8,801	2,875	857	126	4,538	5,788	31,410
31.12.2015	8,639	8,527	2,965	851	124	4,618	5,982	31,706
% change [(b)]	-2.5	3.2	-3.0	0.7	1.6	-1.7	-3.2	-0.9

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

[(a)] The change expresses the ratio between 31.03.2016 and 31.03.2015.

[(b)] The change expresses the ratio between 31.03.2016 and 31.12.2015.

BUSINESS AREAS

Banca dei Territori

(millions of euro)

Income statement	31.03.2016	31.03.2015	Changes	
			amount	%
Net interest income	1,161	1,266	-105	-8.3
Profits (losses) on investments carried at equity	-	-	-	-
Net fee and commission income	973	1,052	-79	-7.5
Profits (Losses) on trading	15	16	-1	-6.3
Income from insurance business	-	-	-	-
Other operating income (expenses)	2	6	-4	-66.7
Operating income	**2,151**	**2,340**	**-189**	**-8.1**
Personnel expenses	-740	-750	-10	-1.3
Other administrative expenses	-460	-479	-19	-4.0
Adjustments to property, equipment and intangible assets	-1	-1	-	-
Operating costs	**-1,201**	**-1,230**	**-29**	**-2.4**
Operating margin	**950**	**1,110**	**-160**	**-14.4**
Net provisions for risks and charges	-11	-13	-2	-15.4
Net adjustments to loans	-446	-501	-55	-11.0
Net impairment losses on other assets	-	-	-	-
Profits (Losses) on investments held to maturity and on other investments	-	-	-	-
Income (Loss) before tax from continuing operations	**493**	**596**	**-103**	**-17.3**
Taxes on income from continuing operations	-203	-250	-47	-18.8
Charges (net of tax) for integration and exit incentives	-2	-3	-1	-33.3
Effect of purchase price allocation (net of tax)	-3	2	-5	
Impairment (net of tax) of goodwill and other intangible assets	-	-	-	-
Income (Loss) after tax from discontinued operations	-	-	-	-
Minority interests	-	-	-	-
Net income (loss)	**285**	**345**	**-60**	**-17.4**

(millions of euro)

	31.03.2016	31.12.2015	Changes	
			amount	%
Loans to customers	186,490	184,750	1,740	0.9
Direct deposits from banking business	164,168	159,860	4,308	2.7
Risk-weighted assets	88,684	90,942	-2,258	-2.5
Absorbed capital	8,425	8,639	-214	-2.5

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

Banca dei Territori's operating income was 2,151 million euro in the first quarter of 2016, equal to over half of the Group's consolidated operating income, down 8.1% on the same period of the previous year. In further detail, there was a decrease in net interest income (-8.3%), as a result of smaller margins and net fee and commission income (-7.5%), mostly on asset management products, only partly offset by the development of fee and commission income on bancassurance and protection products. Among the other revenue components, which nevertheless provide a marginal contribution to Division's income, profits on trading were essentially stable (15 million) while other operating income reduced from 6 to 2 million. Operating costs, amounting to 1,201 million euro, fell by 2.4%, as a result of cost containment in personnel and administrative expenses. The operating margin amounted to 950 million euro, down 14.4% on the first three months of 2015. A similar trend was recorded in income before tax from continuing operations, equal to 493 million (-17.3%) despite lower adjustments to loans (-11%). Lastly, after allocation to the Division of charges for integration of 2 million euro and the economic effects of purchase price allocation for 3 million euro, net income amounted to 285 million euro, down 17.4%.
On a quarterly basis, the first quarter of 2016 reported an operating margin down (-0.9%) on the fourth quarter of 2015, due to the decrease in revenues (-7.1%) almost entirely offset by the significant savings on operating costs (-11.5%). Income before tax from

continuing operations, on the other hand, showed a 29.5% improvement compared to the previous quarter, mainly benefiting from lower adjustments to loans. This trend was reflected in net income (+51.1%).

The balance sheet figures at the end of March 2016 showed loans to customers of 186,490 million euro, up slightly (+1.7 million, equal to +0.9%) compared to the beginning of the year essentially as a result of the increase in loans (households and personal), particularly in medium-long term loans, and contributions from the industrial credit. Direct deposits from banking business, amounting to 164,168 million euro were up 2.7%, as a result of greater cash held in deposits of Personal and Business customers.

Business	Traditional lending and deposit collection operations in Italy and associated financial services
Mission	To serve Retail, Personal, Small Business, and Small and Medium Enterprise customers, creating value through: – widespread local coverage – focus on the characteristics of local markets, and the needs of customer segments serviced – development of service levels to customers using different channels in order to improve the efficiency of the commercial offering – exploitation of the brands of banks and the centrality of the roles of the officers responsible for the Regional Governance Centres, Area Governance Centres, banks and branches as points of reference for the Group at local level – exploitation of the companies specialised in medium-term lending, leasing, factoring, agribusiness and the management of electronic payments, reporting to the Business Unit
Organisational structure	
Marketing and Multichannel Integration Departments	Overseeing the Retail sector, which consists of the following segments: Base (individual customers with financial assets of up to 10,000 euro), Households (individual customers with financial assets of between 10,000 euro to 100,000 euro) and Retail Businesses (businesses with less complex requirements); the Personal area (individual customers with financial assets of between 100,000 euro to 1 million euro); and the SME area (enterprises with group turnover of 350 million euro or less) as well as multi-channel services for customers and the Network
Product companies	Specialised in medium-term credit, leasing, factoring and agribusiness (Mediocredito Italiano), and management of electronic payments (Setefi)
Banca Prossima	Serves non-profit organisations
Distribution structure	Over 3,800 branches, including Retail and Business branches, distributed broadly throughout Italy. The network structure consists of 7 Regional Governance Centres, each of which directly reports to the Regional Manager. There are three Commercial Managers (one specialist for each business area, i.e. Retail, Personal and SME) in each Centre, coordinating around 400 commercial areas, in order to improve commercial focus and ensure the best possible service levels.

On 1 January 2016 the partial demerger of Setefi in favour of Intesa Sanpaolo, with the transfer to the latter of the business line regarding the acquisition of payment instruments (acquiring) towards captive customers, came into effect.
The activity of Setefi, simultaneously renamed Setefi Services (in abbreviated form Setefi) remains predominantly focused on the servicing and processing activities (to support the operations of the demerged business line). In this regard, it is worth mentioning that a Setefi and ISP Card sales agreement was recently signed, the economic impact of which will be felt during the year.

Marketing and Multichannel Integration Departments

Investment

During the first quarter of 2016, the diversification of customer portfolios continued according to the rationale underlying the need-based approach (spending, reserves, investment and pension) and the Recommended Portfolios.
The range of investment products, developed considering both the market scenario and the rationale behind the Recommended Portfolios, was extended following the launch of:
- eleven new mutual funds, including Eurizon Multiasset Strategia Flessibile, the first gradual risk investment fund, and IS by Epsilon Multiasset Cedola Globale, the first fund with two classes of units, one income distribution class and one income accumulation class;
- "Exclusive Insurance", a customisable and flexible new unit-linked policy of Intesa Sanpaolo Life, which allows to invest in funds of the Group and of the main international asset management companies, offering three investment lines (Guided, Free and Protected) according to the customer's risk level and his/her willingness to participate in the asset allocation composition;
- the new Protezione Dinamica internal fund for the "ISPL Prospettiva 2.0" unit-linked policy by Intesa Sanpaolo Life, the first partially protected internal fund covering the need for protection, particularly required in a market phase characterized by high volatility;
- Group bonds and certificates.

Thanks to the agreement with Diamond Private Investment, a stock broking company that acts as a meeting point between demand and supply in diamond investment, the Bank's offer was expanded, at the moment only for Personal customers, with a supplementary service to the traditional financial products, allowing customers to invest in a safe haven asset such as diamonds, expanding the opportunities for diversification of their investments.

Payment cards

From mid-March a review of the catalogue of prepaid cards was launched, with the first release, in all the Group branches, of the new Carta Flash Nominativa (Named Flash Card), as a replacement of the named Expo Flash Card and Visa Paywave Flash Card. The distinctive features of the new range include the presence of IBAN to receive bank transfers, the expiration of the card after 4 years and the possibility to customise the layout with an image chosen by the customer.

Protection

In a scenario of growing demand for integration of health services and as part of an innovative offer of healthcare solutions by Intesa Sanpaolo, from mid-March a new accident insurance policy is being launched on the market, allowing to cope with unexpected expenses related to small accidents and to protect the economic stability of the insured and of his/her family in the event of major accidents. The product is also intended for businesses, for their members and employees (with a maximum of 7 policyholders) and is customisable with increasing levels of protection (basic, premium and gold packages), with guarantees related to permanent disability, temporary disability (for freelancers) or daily hospitalisation allowance (for employees, non-employed and unemployed), as well as death by accident and assistance. As part of the motor sector, the "ViaggiaConMe" policy has been enriched with a new consumption-based plan, in addition to the existing distance-based plans, dedicated to those who wish to pay the premium based on the actual use of the vehicle.

Mortgages

During the quarter, various promotions and initiatives continued with the aim of increasing loans and supporting households and the property market, including through subrogation, while also promoting protection products through campaigns that allow customers to pair their loans with innovative services such as the policy "aCasaConMe".

Loans

With the aim of favouring growth in consumer credit, as well as commercial initiatives dedicated to personal loans, promotional campaigns have been launched dedicated to the products "PerTe Prestito in Tasca" and "PerTe Prestito Pensionati INPS". As part of the "PerTe Prestito Con Lode", to enable particularly deserving students to finance their studies, a new agreement with the Jesuit Education Foundation was signed, which brings together the network of Jesuit schools in Italy and Albania, to allow access to credit, previously granted only to University students, also to the families of students of the high schools that are part of the Foundation.

Intesa Sanpaolo Casa

As part of the process of developing and expanding the services offered to customers, aimed at achieving an increasingly broad presence and meeting customers' comprehensive home needs, the development plan of Intesa Sanpaolo Casa, the Group company with the objective of buying and selling residential real estate, continued with the expansion to 4 new cities (Naples, Florence, Bologna and Brescia, in addition to Milan, Rome, Turin and Monza), and with the offer of cutting edge services for home research, purchase, renovation and furnishing. By the end of the quarter, real-estate agencies operating in Italy were eighteen, spread across the country, managed by employees and set up as "shops in shops" within Bank branches.

Tourism

Intesa Sanpaolo entered the tourism sector through a partnership with lastminute.com, among the top global players in the field of online tourism and leisure, creating "Destination Italia", a start-up that aims to enhance and sell abroad the "Italy product", operating both online and offline also through B2B and B2C platforms. The goal is to encourage and develop the presence and spending of foreign visitors in Italy, enhancing the key assets of our country such as tourism, wine and food and fashion, focusing on exclusivity and integration of the offer as well as on service innovation.

Multichannel Project

The process of dematerialisation of documentation continued, for branch and out-of-branch transactions. This new method of signing documents for the sale of banking, financial and insurance products was developed also in the interest of customers, since electronic signatures provide greater security, easier storage and documentation management and greater environmental protection. The first months of 2016 witnessed an increase in the dematerialised products scope, which already included all accounting documents at the counter, all investment products, payment cards and the main regulatory documents, with the extension to personal loans and after-sales support.

Agreements

The agreement "Una crescita possibile" (Possible growth), entered into with Confindustria Piccola Industria in 2014 and expired at the end of 2015, has been extended until 30 September 2016. The extension provided for the additional financial assistance for companies that make use of the 140% super-depreciation provided by the 2016 Stability Law, with the possibility to access a medium to long-term loan worth up to 100% of the investment, as well as a further credit line up to 40% to free up the credits arising from business growth generated by the investment. The agreement also introduced new themes, such as corporate welfare, and access to the capital market for SMEs.
A three-year partnership agreement has been signed between Intesa Sanpaolo and the Ministry of Agricultural, Food and Forestry Policies to support agriculture and the food and agricultural companies in our country and help the competitiveness of a key sector for the Italian economy. In order to facilitate access to credit, the Bank has allocated an annual ceiling of 2 billion euro, intended primarily for investments to enhance and develop the Italian productive chains, with the additional aim of facilitating the process of internationalisation, facilitating generational change, computer use and e-commerce in the sector, and supporting research, experimentation, technological innovation and product enhancement. The agreement also aims to help the companies operating in the sector to use the funds provided by the Rural Development Plans, and involves collaboration with ISMEA (the public entity that supplies financial, insurance and IT services to agricultural businesses) to focus on the positioning of the companies, their needs and potential.

Programma Filiere

"Programma Filiere", an innovative project launched by Intesa Sanpaolo with the aim of supporting the growth of production chains of excellence in the Italian entrepreneurial system, continued to be developed. The initiative, which focuses on relationships between companies and their suppliers, improves credit access conditions and offers custom-tailored products for companies that have production arrangements with one another. The participating lead companies are 300, for a potential credit ceiling of approximately 18.5 billion, involving about 15,000 suppliers.

Loans

To help small businesses having difficulties in accessing credit, by supporting their growth plans, Intesa Sanpaolo has established "Finanziamento Microcredito Imprenditoriale" (business microcredit financing), which offers the possibility to access credit without collaterals, taking advantage of a special section of the SME Guarantee Fund established by the supplementary decree of the Ministry of Economic Development of 18 March 2015. The new medium-long term loan with a maximum duration of 7 years and a maximum amount of 25,000 euro, is intended to finance the start-up or the development of a self-employed or micro-enterprise activity or to promote the integration of individuals in the labour market. Since February the "Surroga per microimprese" (subrogation for micro-enterprises) product has been launched, aimed at Micro-enterprise customers with less than 10 employees and turnover/budget of less than 2 million euro, intended to subrogate loans being regularly repaid at another bank, both assisted by mortgage guarantee and unsecured.

Internationalisation

Through the dedicated structure, which supports business managers and specialists of Banca dei Territori to provide companies with qualified and prompt consulting, in response to the growing need of businesses to find new international partners, during the quarter a B2B meeting between numerous and qualified Italian companies and an important English department stores chain has been organised, together with about 120 meetings to support and assist corporate customers' projects related to internationalisation. Moreover, further partnership agreements were signed with foreign banks which allow, in addition to the international network, to provide assistance to customers in approximately 80 countries, and an initiative addressed to Italian companies already present abroad has been launched, in order to raise awareness and promote the internationalisation support and the banking services of the international network of the Group operating in 40 countries.

Training and layout

The new open and flexible branch model launched in 2015 has been extended during the quarter to a total of approximately 50 branches, with a space where to listen to, meet and develop customer relations, making it possible to integrate the customer experience at the branch in the multi-channel strategy of the Bank.

Product companies

In the first quarter of 2016, **Mediocredito Italiano** recorded a sales volume of medium- and long-term products of over 1 billion euro, up 5% (+54 million euro) compared with the same period in 2015, whilst factoring turnover was approximately 13 billion euro, down 6% (-828 million euro).
Mediocredito Italiano disbursed loans totalling 787 million euro, increasing by 16% compared to the first quarter of 2015. With 706 million euro of loans disbursed (+14% compared to the same period of the previous year), Banca dei Territori accounts for 90% of total volumes, whilst the Corporate and Investment Banking Division represents 10% of disbursed loans (81 million euro, +61%).
"Subito Mediocredito" generated 31% of the channelled lending in the Banca dei Territori Division (compared with 28% in the same period of the previous year). The Specialist Desks dedicated to the principal economic sectors generated long-term loan disbursements of 213 million euro (equal to 27% of the total disbursed during the period), a value which more than doubled compared with the same period in 2015.
In the first quarter of 2016, Mediocredito Italiano entered into leasing contracts with a value of 263 million euro (-17% compared to the first quarter of the previous year). Contracts entered into by customers of the Banca dei Territori Division amounted to 251 million euro (-2%), representing 95% of total volumes. Customers in the Corporate Division signed contracts totalling 6 million euro, equal to 2% of volumes, marking a decrease (-88%) compared to the same period of 2015. The best-selling leasing products were instrumental leases, albeit with a lower impact on volumes compared to the first quarter of 2015 (from 59% to 50%). The Real estate product accounts for little less than 28%, recording a decrease compared to the same period of the previous year (29%). There was an increase in the weight of car leasing (from 10% to 16%), whereas energy leases almost doubled (from 3% to 6%).
Turning to the commercial performance of the factoring business, in the first quarter of 2016 Mediocredito reported a turnover of 12.9 billion euro, a 6% decrease on the same period of 2015, retaining its position as the number-one domestic factoring provider by turnover, with a market share close to 30%. Non-recourse factoring accounted for a greater share of factoring business (89%), unchanged compared to the same period of 2015. Compared with 31 March 2015, outstanding receivables, equal to 14.3 billion euro, posted a decline (-6.3%) and period-end loans amounted to 12.8 billion euro (-1%). The international activities related to the import and export factoring segments (both directly and intermediated through the correspondent bank members of Factors Chain International) and the foreign-on-foreign operations, predominantly conducted under the freedom to provide services in other European Union countries. The volumes generated, equal to 3.2 billion, represent 24% of the total turnover, down on the first quarter of 2015 (-4%).

Setefi specialises in managing electronic payment systems, and is registered in the Payment Institutes Registry kept by the Bank of Italy. In order to achieve a different configuration of the provision of payment services within the Group, in line with the prevailing business model at major national and international competitors, the Intesa Sanpaolo Management Board, on 31 July 2015, and the Setefi Board of Directors, on 4 August 2015, approved the partial demerger of the business unit of Setefi in favour of the Parent Company, regarding the acquisition of payment instruments (acquiring) towards captive customers. The demerger was effective from 1 January 2016. Setefi, simultaneously renamed Setefi Services (in abbreviated form Setefi) remains predominantly focused on the servicing and processing activities (to support the demerged business line). In this regard it is important to recall the aforementioned agreement for the sale of the company.

The provision of services between Intesa Sanpaolo, Setefi and the Group banks are regulated by specific agreements with regard to the management services of payment cards, of transactions performed on POS terminals supplied to merchant customers of Intesa Sanpaolo and of the withdrawal/cash advance transactions made with payment cards on the ATMs of the Intesa Sanpaolo Group.
Almost all of the 15.3 million cards managed by Setefi are cards issued directly by the Parent Company and the Group banks. Total handled POS amounted to approximately 387,000 units. The total number of "settled" transactions (transactions on Setefi POS supplied to merchant customers and incoming transactions of cards issued by Intesa Sanpaolo and released by the Group banks on POS terminals supplied by other banks) was 243 million (approximately +15% compared to the same period of 2015), and the total amount transacted was 16.7 billion euro (approximately +12%). Moreover, Setefi also manages the authorisation system for the acceptance of payments by Bancomat/Pagobancomat (via ATM and POS terminals). During the quarter, this activity generated about 81 million transactions (authorisations), amounting to approximately 10.6 billion euro.
Of the main initiatives undertaken during the period, the distribution of the "Mobile POS" product (over 57,000 "Move and Pay Business" devices were sold) and the update of the new "Move and Pay Business" App (integration of the Jiffy Pay P2B module) were carried out. Regarding the Mobile Payment arena, an innovative payment solution has been completed in host card emulation mode (storage of card data on the mobile phone's operating system rather than the SIM). Development of the integrated e-commerce services continued, enriched with new payment instruments and functions (including allowing merchants to accept online Bancomat®). In addition, efforts were made to improve the market positioning of electronic restaurant vouchers through the development of agreements with the main operators for the management of electronic restaurant vouchers. Particular efforts have been devoted to the evaluation of possible commercial synergies and agreements with major customers to expand the presence in the "crossborder" market and pursue the consolidation of the acquiring supporting platform in new foreign countries. Setefi operates in France, Germany, the United Kingdom, Spain, Switzerland, Austria, Principality of Monaco, Holland, Belgium, Slovenia and for e-commerce transactions in Greece, Portugal, Bulgaria, Cyprus, Croatia, Denmark, Finland, Ireland, Latvia, Malta, Poland, the Czech Republic, Romania, Slovakia, Sweden and Hungary.

Banca Prossima

In the first quarter of 2016, **Banca Prossima**, which operates in the non-profit sector with 83 local branches (80 of which are authorised by the Bank of Italy) and approximately 290 specialists distributed across the country, continued to acquire new customers for the Group. As at the end of March 2016 the Bank had a customer base numbering over 56,000. Financial assets amounted to 7.1 billion euro, of which 2.8 billion euro in direct customer deposits while lending operations had achieved an approved amount of 2.4 billion euro (of which 1.6 billion euro had been used).
To consolidate and further strengthen the Bank's leading role for the non-profit sector, commercial operations increasingly focused on acquiring new customers as well as developing existing customers, by further fine-tuning the commercial method introduced in late 2015: the business plan that will guide the activities of the bank for the whole year, providing for specific initiatives to develop the relationship with non-profit organisations and better meet their needs, giving priority to financial needs not yet adequately met has been structured.
In order to develop the customer base in the religious sphere, a specific commercial offer has been developed for some parishes which are not customers of the bank.
In March the bank has tested a new fundraising method that will be released in the coming months.
In addition, in order to develop greater synergies with Foundations, studies have been launched to identify innovative solutions to use the Terzo Valore platform and the Cre.S.Co. initiative.

Corporate and Investment Banking

(millions of euro)

Income statement	31.03.2016	31.03.2015	Changes	
			amount	%
Net interest income	346	369	-23	-6.2
Profits (losses) on investments carried at equity	1	1	-	-
Net fee and commission income	218	191	27	14.1
Profits (Losses) on trading	215	386	-171	-44.3
Income from insurance business	-	-	-	-
Other operating income (expenses)	-	1	-1	
Operating income	**780**	**948**	**-168**	**-17.7**
Personnel expenses	-83	-87	-4	-4.6
Other administrative expenses	-138	-138	-	-
Adjustments to property, equipment and intangible assets	-1	-1	-	-
Operating costs	**-222**	**-226**	**-4**	**-1.8**
Operating margin	**558**	**722**	**-164**	**-22.7**
Net provisions for risks and charges	-	-5	-5	
Net adjustments to loans	-38	-35	3	8.6
Net impairment losses on other assets	-	-2	-2	
Profits (Losses) on investments held to maturity and on other investments	-	-	-	-
Income (Loss) before tax from continuing operations	**520**	**680**	**-160**	**-23.5**
Taxes on income from continuing operations	-161	-224	-63	-28.1
Charges (net of tax) for integration and exit incentives	-	-	-	-
Effect of purchase price allocation (net of tax)	-	-	-	-
Impairment (net of tax) of goodwill and other intangible assets	-	-	-	-
Income (Loss) after tax from discontinued operations	-	-	-	-
Minority interests	-	-	-	-
Net income (loss)	**359**	**456**	**-97**	**-21.3**

(millions of euro)

	31.03.2016	31.12.2015	Changes	
			amount	%
Loans to customers	95,485	89,691	5,794	6.5
Direct deposits from banking business [(a)]	109,545	109,915	-370	-0.3
Risk-weighted assets	92,620	89,740	2,880	3.2
Absorbed capital	8,801	8,527	274	3.2

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

[(a)] The item includes capital protected certificates.

In the first quarter of 2016, the Corporate and Investment Banking Division recorded operating income of 780 million euro (representing 19% of the Group's consolidated total), down 17.7% compared to the same period of 2015.
In detail, net interest income, equal to 346 million euro, declined (-6.2%) primarily as a result of smaller margins and of a lower contribution from the Luxembourg subsidiary. Net fee and commission income of 218 million euro increased (+14.1%) due to the growth of fee and commission income especially in the investment banking sector. Profits on trading, equal to 215 million euro, decreased by 44.3%, mainly due to the negative performance of proprietary trading and lower contribution from capital market activities. Operating costs amounted to 222 million euro, down by 1.8% compared to the same period of 2015, due to savings on personnel expenses. As a result of the trend in revenues and costs described above, the operating margin, amounting to 558 million euro, recorded a -22.7% decrease. This trend was reflected in income before tax from continuing operations, which fell to 520 million (-23.5%). Finally, net income came to 359 million euro, compared to 456 million in the same period of 2015 (-21.3%).
In quarterly terms, the first quarter of 2016 showed an increase in operating income (+3.6%) compared to the fourth quarter of 2015, primarily attributable to the positive performance of profits on trading. The revenue performance, along with savings on operating costs (-15.2%), resulted in an increase in operating margin (+13.7%). Net income, which benefited from lower net adjustments to other assets, exceeded the previous quarter (+16%).

The Division's intermediated volumes increased compared to the end of December 2015 (+2.7%). In detail, loans to customers of 95,485 million euro showed growth (+6.5%) as a result, in particular, of increased operations in repurchase agreements and collateral by Banca IMI. Direct customer deposits from banking business, amounting to 109,545 million euro remained substantially stable (-0.3%): the decrease in amounts due to customers of the Corporate & Public Finance and International Network and Global Industries Departments was almost entirely offset by the positive performance of securities issued by Intesa Sanpaolo Bank Luxembourg and Banca IMI.

Business	Corporate, Investment Banking and Public Finance, in Italy and abroad
Mission	To act as a global partner in supporting companies and financial institutions in achieving balanced, sustainable growth, including at the international level, through a specialised network of branches, representation offices and subsidiaries that engage in corporate banking operations. To foster collaboration between the public and private sectors with the aim of supporting the creation of infrastructure and the modernisation of the public administration by pursuing international growth opportunities in countries of strategic interest to the Group.
Organisational structure	
International Network & Global Industries Department	The Department develops and manages relations with Italian and foreign industrial groups, which have a high degree of complexity and international presence, and operate in eight key sectors with strong growth potential: Automotive & Industrial; Basic Resources & Diversified; Consumer, Retail & Luxury; Healthcare & Chemicals; Infrastructures & Construction; Oil & Gas; Power & Utilities; Telecom, Media & Technology. Using the International Network, which comprises branches, representative offices and international corporate banks and through the cooperation with the International Subsidiary Banks Division, the Department manages the relationship with international counterparties and provides specialist assistance in supporting the internationalisation of Italian businesses, developing their exports. The synergy with Banca IMI ensures coverage as well as developing investment banking (ECM, DCM, M&A) and structured finance activities, whilst leasing, factoring and subsidised financing business is carried out by the Department in partnership with Mediocredito Italiano
Corporate and Public Finance Department	The Department is responsible for servicing individual companies and large and medium national groups, by means of a global and integrated offer of products and services provided by all the Divisions and Group product companies. It also serves Public counterparties consisting of Central State Administrations, Local Entities and the so called "public corporate entities"
Financial Institutions Department	The Department is responsible for servicing Italian and international financial institutions according to a dedicated, global commercial model. Its particularly sophisticated approach to relations with such customers is amply diversified and oriented towards integrated solutions that promote the cross-selling of capital markets and investment banking products.
Global Transaction Banking Department	The Department is responsible for transaction banking products and services for the entire Group
Proprietary Trading	The Service is responsible for management of the proprietary portfolio and/or risk through direct access to markets or indirect access, via relevant internal functions, in order to carry out trading, arbitrage and long/short positions on capital markets products, cash and derivatives
Global Markets and Corporate & Strategic Finance	The scope of the Division also includes the M&A, capital markets, structured finance and primary markets (equity and debt capital market) activities performed by Banca IMI
Distribution structure	In Italy, the Corporate and Investment Banking Division draws on a total of 45 branches dedicated to corporate customers and public customers. At the international level, it operates in 28 countries in support of the cross-border operations of its customers through a specialised network of branches, representative offices and subsidiaries that engage in corporate banking activity

International Network & Global Industries Department

In the first quarter of 2016, the International Network & Global Industries Department continued to act as financial partner to its customers by organising participation in a number of syndicated loans in collaboration with Banca IMI. It is worth mentioning, in particular, the participation in the merger by incorporation of Banijay Holding SA into Zodiak Media SA, in the debt refinancing of Aabar, a company belonging to the International Petroleum Investment Company Group, and in the refinancing of Saipem, a company for which the Department also acted as Joint Bookrunner in the subsequent capital increase transaction.
Worth mentioning are also the role as Mandated Lead Arranger in the granting of a new revolving credit facility to the LeasePlan Group, the support activity carried out in favour of ChemChina for the acquisition of Syngenta, of the Abbott Group for the acquisition of Alere and of the Air Liquide Group for the acquisition of Air Gas, as well as the participation in the Amendment and Extension of a loan in favour of ThyssenKrupp AG and the refinancing operations of the Cheniere and Amec Foster Wheeler groups. As part of syndicated loans, the Department acted as Senior Managing Agent in the refinancing of the Ball Corporation group and as Documentation Agent in the acquisition of Keurig by JAB Holding and of TUMI by Samsonite. Lastly, it is worth mentioning the participation in loans to Shire to acquire Dyax, to Western Digital to acquire SanDisk and those in favour of EPIF (former CE Energy) and of Fluor Corporation.
Regarding the Equity Capital Market business, the Department acted as Joint Global Coordinator in the capital increase of Prelios S.p.A., as Coordinator in the takeover bid launched by the Mitsubishi Group for Delclima S.p.A. and as "Bank in charge of the bid" in the takeover bid launched by the Hitachi Group for Ansaldo STS.
With reference to the Debt Capital Market the Department acted as Joint Lead Manager & Bookrunner in the bond issues of Heidelberg Cement, FCA and Ferrari, as Joint Bookrunner in the issues by ABInBev and Telecom Italia and as Passive Bookrunner in the Klépierre issue. Moreover, the Department also acted as Co-Lead Manager in the issue of bonds of Deutsche Telekom AG and as Dealer Manager for the Alstom SA bond buyback offer.
With regard to Mergers & Acquisitions, the Department acted as buy-side Advisor in the acquisition of Imaforni by the GEA Group.
Moreover, during the first quarter, work continued on the development of the international network, focused on monitoring relations with Italian and international customers and on investments in high-potential markets. The current international network ensures direct coverage in 28 countries through 14 wholesale branches, 15 representative offices and 3 subsidiary banks (Intesa Sanpaolo Bank Ireland, Intesa Sanpaolo Bank Luxembourg, Intesa Sanpaolo Brasil S.A.). As part of the initiatives aimed at increasing its international presence, the Bank received a banking license for the opening of a branch in Abu Dhabi, where it was previously present with a representative office. Moreover, the activities for the opening of a branch in Doha, in Qatar, continued, as well as for the establishment of a representative office in Jakarta. With the aim of strengthening coverage in Benelux, the Amsterdam branch of Intesa Sanpaolo was contributed to the subsidiary Intesa Sanpaolo Bank Luxembourg.
Finalisation of the projects will allow to considerably enhance customer support in markets of strategic interest.

Corporate and Public Finance Department

In the first quarter of 2016, the Corporate and Public Finance Department continued to ensure its support both to corporate customers, consisting of individual companies or national groups with over 350 million euro in turnover, and to public customers consisting of Central State Administrations, Local Entities and the so-called "public corporate entities" (companies with public participation of strategic importance in the services and infrastructure sectors).
In particular, further impetus has been given to the activities aimed at promoting the internationalisation of Italian customers through a dedicated service model that is based on professionals in charge of the commercial coordination of specific services and products.
At the same time, the Industry model has been strengthened with the objective of maximising the effectiveness of the commercial activity vis-à-vis the needs for industrial development of the served customers.
Moreover, in collaboration with Banca IMI, Primary Market and Structured Finance operations were developed, as well as Merger & Acquisition and Advisory activities. The business involving products for hedging market risks (interest rates, currencies and commodities) also continued.
Moreover, in synergy with the Banca dei Territori Division, "Programma Filiere" was finally consolidated with the aim of promoting production chains of excellence in the Italian entrepreneurial system. More specifically, on the basis of an agreement with the lead companies, including many customers of the Department, this programme allows the Bank to support the suppliers of such production chains by improving credit access conditions and offering tailor-made products.

Financial Institutions Department

In the first quarter of 2016, the Department has focused on all the main topics of the international and national banking system.
The Italian sector, especially, continues to be affected by situations of particular importance as regards both the competitive dynamics and the need for deep economic and financial restructuring: the central authorities and the "regulators" are playing an ever more active role to create the best conditions for such restructuring in the shortest possible time. In this connection, it is worth mentioning the intervention of the Resolution Fund for the revitalisation of four small- and medium-sized financial institutions, the recapitalisation of two institutions mainly present in the North-East area of the country, the final passing of the law on the reorganisation of credit unions and the search for mechanisms and structures of intervention on "problem loans", whose weight continues to heavily influence market prices.
With regard to the Trade Finance sector, during the first quarter of 2016, the decreasing trend in loans in China detected in the second half of 2015 was confirmed. This trend has also spread to India, where the slight decrease in spreads was accompanied by a significant reduction in the number of commercial assets to be financed. An opposite scenario can be seen in Turkey, the Gulf countries and Brazil, featuring a considerable increase in loans.
The support activities to customers for country risk mitigation continued, particularly in African countries.

The Export Credit sector received confirmation of the strong demand of Italian companies for receiving support to their exports. In fact, both large industrial companies and SMEs are strongly focused on increasing their sales to foreign countries, supported by a recognized technology leadership in various industries including energy, infrastructure and transport. The area of greatest interest appears to be the Sub-Saharan Africa, boasting a large number of new projects in different sectors and countries (Egypt, Kenya, Ethiopia, Cameroon, Ghana, Mozambique) which are currently under study. Worth mentioning is also the great interest of Italian companies for the opening to Iran, historically one of the main export markets for Italian companies.
In the first quarter of 2016 also operations in the "commodities financing" industry continued at a sustained rate, with different pre-export and pre-payment transactions concluded in the oil & gas, metals and fertilisers sectors.
In the Asset Management and Insurance segment, market volatility shrank the intermediated volumes and reduced the Primary Market activity. On the other hand, funding opportunities have increased, both thanks to the interest of specialised foreign funds for Italian loan portfolios, and to the improved real estate market outlook. The leading position of the Bank in terms of transactional services provided to customers in this sector, especially in Italy, was confirmed.
For Local Custody and especially Securities Services, the quarter was characterised by a slight decrease in transaction volumes and in custody assets due to unfavourable market conditions.
Also in synergy with Banca IMI, the commercial initiatives aimed at acquiring international and domestic customers and at developing activities for financial institutions were finally implemented.

Global Transaction Banking Department

The Department is responsible for transaction banking products and services for the Group, with the aim of supporting business growth, providing specialist assistance to networks and ensuring product innovation, the identification of specific solutions and the development of partnerships.
In the first quarter of 2016 the Department continued its activities for the set-up and development of the transactional business and identified the commercial actions to implement by identifying strategic customers in the transactional business to monitor constantly. It also defined the investment plan with a focus on the development of international business, particularly in Cash and Trade products, to be achieved through the Group's international network. It then completed the integration of the commercial acquiring activity, as a result of Setefi's carve-out, ensuring continuity and the level of service to customers and overseeing relationships and renegotiations in the light of the new MIF Regulation. With the aim of optimising the management and the offer of commercial cards, it has activated special oversight to support customers of the Corporate and Investment Banking Division and to identify future product developments aimed at enhancing the offering and its related services. Finally, it launched key projects on payment systems at national and international level, such as the Payment Services Directive II and the Global Payment Innovation Initiative.

Proprietary Trading

During the first quarter of 2016, Proprietary Trading made a negative contribution to the income statement in terms of revenues, and decreased compared with the same period of 2015.
Overall, as at 31 March 2016, the Group's risk exposure to financial trading and assets available for sale amounted to 2.1 billion euro, up from 2 billion euro as at 31 December 2015.
The hedge fund portfolio as at 31 March 2016 totalled 651 million euro, compared to 758 million euro recorded in December 2015. The reduction of the portfolio is mainly due to the decrease in the value of the units underwritten during the period and the depreciation of the positions denominated in dollars as a result of the euro appreciation against the US currency. To a lesser extent, the distributions and the redemptions of the period influenced the transactions.

Global Markets and Corporate & Strategic Finance

During the first quarter of 2016, the financial markets were characterized by high volatility, risk aversion and negative returns for riskier assets.
In the first part of the quarter, the price of oil has continued to undergo severe adjustments and natural gas lost more than 15%. The interest rate market has been heavily influenced by the performance of commodities and the swap rates fell back to the lows of 2015, with a strong flattening of the entire curve. As for the government bond market, the main drivers were the events that characterised the European banking segment and credit in general in the first part of the quarter and the expansion of the ECB Quantitative Easing programme, in the second half. The Forex market has been driven by the ECB's and FED's monetary policies and the European stock market was affected by the fall in the price of oil.
Within the retail segment, Banca IMI has recorded an intense activity on the secondary market, despite a reduction in the primary market of placements of certificates and bonds. The recovery, in March, of the volume of certificates placed on the Banca dei Territori's network and the placement with personal and retail customers of ISP unit-linked Life policies with Banca IMI protection made a positive contribution. The volumes of interest rate risk hedges increased, while foreign exchange risk hedges decreased and lending activities for the use of gold bullion and commodities remained stable. The demand from businesses was more directed towards interest rate products, thus recording a considerable success of "Obbligazioni Collezione" (Collection bonds). The Market Hub platform has increased, in the period, its volumes in listed derivatives, while also acquiring new customer transactions. In the institutional sphere, the market was affected by the heavy repricing of financial securities, with flows that have benefited from wider margins on customer dealing. For the Corporate Risk Solutions component, profits from foreign exchange transactions were stable, while commodities and interest rates transactions have considerably increased.
During the first quarter, Banca IMI has set up, as Arranger, a conduit financing transaction on a portfolio of loans from lease contracts originated by Banca Monte dei Paschi di Siena. The Bank has acted as Arranger in favour of other Italian banks, finalizing a securitisation of loans arising from loans secured by the assignment of one-fifth of salary, pension and delegated payment. Acting as

Sole Arranger, it has helped Intesa Sanpaolo finalise the fourth synthetic securitisation of a portfolio of loans to SMEs and issue a covered bond.
Lastly, it is worth mentioning the granting of the first mandate for the creation of a risk overlay portfolio for an institutional customer and the closing of new secured financing transactions.

In the Equity Capital Market segment, characterised by a sharp decline in the primary market, Banca IMI acted as Joint Bookrunner for Saipem’s capital increase and for the Coima Res IPO, as Sole Bookrunner for the sale of the share capital of Iren by the Municipality of Parma, as Co-lead Manager for the ArcelorMittal capital increase and as the intermediary responsible for coordinating subscriptions to the takeover bids for DeLClima and Ansaldo STS. At the end of the quarter, the Bank was Specialist or Corporate Broker for around 40 companies listed on the Italian market, confirming its leadership in this market segment.
With reference to the Debt Capital Markets, Banca IMI acted as Joint Bookrunner for the bond issues of AB InBev, FCA, Telecom Italia and Ferrari. In the area of liability management, it acted as Dealer Manager in the tender offer of Alstom and it strengthened its presence in the ABS segment, acting as Joint Bookrunner in the placement of the senior tranche of the Siena Lease 2016-2 security. In the Financial Institutions segment, it acted as Joint Bookrunner in the Intesa Sanpaolo subordinated issues (AT1 bond and Tier 2 bond) and in the mortgage covered bond issued by Deutsche Bank Spain.
M&A activities in the domestic market showed signs of growth both in terms of value and in the number of completed transactions. Banca IMI acted as Advisor in different sectors, supporting F2i (Italian Fund for Infrastructure) in the establishment of a joint venture in the photovoltaic sector with Enel Green Power, the company SEL AG in the project for the restructuring of Edipower and in the reorganization plan of investments in Hydros and Seledison, the NB Renaissance and Apax funds in buying a stake of Engineering, the German GEA group in acquiring Imaforni, the Charterhouse Fund in the sale of DOC Generici to CVC Capital Partners and Centrale del Latte di Torino in the merger with Centrale del Latte di Firenze, Pistoia e Livorno.
The Structured Finance business developed operations on the secondary market (social infrastructure private public partnership projects in France) and continued its activity on the Italian market with actions in the fields of renewable energies (ForVei) and shipping (Moby and D'Amico), as well as with major corporate transactions (Lavazza and Marcegaglia). The Bank also continued to support Banca dei Territori’s customers with Leveraged Finance measures (Necta Vending, Viscolube and Comdata) and to implement strong international transactions by participating in one of the top 10 global deals of the quarter (the acquisition of Keurig Green Mountain by a consortium of investors led by JAB Holding) and taking part in the financing of Cheniere Energy Partners and other interventions in the shipping (Unipec/HNA Logistics, Cido Product Tankers), media & entertainment, renewable energy and infrastructure sectors.

International Subsidiary Banks

(millions of euro)

Income statement	31.03.2016	31.03.2015	Changes amount	Changes %
Net interest income	368	369	-1	-0.3
Profits (losses) on investments carried at equity	8	19	-11	-57.9
Net fee and commission income	120	125	-5	-4.0
Profits (Losses) on trading	33	16	17	
Income from insurance business	-	-	-	-
Other operating income (expenses)	-19	-20	-1	-5.0
Operating income	**510**	**509**	**1**	**0.2**
Personnel expenses	-138	-137	1	0.7
Other administrative expenses	-84	-92	-8	-8.7
Adjustments to property, equipment and intangible assets	-23	-25	-2	-8.0
Operating costs	**-245**	**-254**	**-9**	**-3.5**
Operating margin	**265**	**255**	**10**	**3.9**
Net provisions for risks and charges	2	-2	4	
Net adjustments to loans	-42	-83	-41	-49.4
Net impairment losses on other assets	-2	-	2	-
Profits (Losses) on investments held to maturity and on other investments	4	-	4	-
Income (Loss) before tax from continuing operations	**227**	**170**	**57**	**33.5**
Taxes on income from continuing operations	-53	-46	7	15.2
Charges (net of tax) for integration and exit incentives	-3	-	3	-
Effect of purchase price allocation (net of tax)	-	-	-	-
Impairment (net of tax) of goodwill and other intangible assets	-	-	-	-
Income (Loss) after tax from discontinued operations	-	-	-	-
Minority interests	-	-	-	-
Net income (loss)	**171**	**124**	**47**	**37.9**

(millions of euro)

	31.03.2016	31.12.2015	Changes amount	Changes %
Loans to customers	25,709	25,827	-118	-0.5
Direct deposits from banking business	31,611	32,456	-845	-2.6
Risk-weighted assets	30,048	30,999	-951	-3.1
Absorbed capital	2,875	2,965	-90	-3.0

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

The **International Subsidiary Banks Division** is responsible for the Group’s activities in foreign markets through commercial banking subsidiaries and associates, mainly active in retail banking.

It bears noting that the income statement figures presented above and commented upon below do not include the results of the Ukrainian Pravex Bank, as well as the FUT business unit into which the bad assets of CIB Bank have been injected. Both these assets have been included in the Capital Light Bank's scope of responsibility.

In the first quarter of 2016, the Division’s operating income came to 510 million euro, essentially in line with the same period of the previous year (+0.2%). A detailed analysis shows that net interest income came to 368 million euro, compared to 369 million euro in the first quarter of 2015 (-0.3%), mainly due to the trends reported by Banca Intesa – Russia (-7 million euro) and by Banca Intesa Beograd (-3 million euro), which were almost entirely offset by Bank of Alexandria (+6 million euro) and PBZ (+3 million euro). Net fee and commission income, amounting to 120 million euro, was down compared to the first three months of 2015 (-4%). Profits on trading, amounting to 33 million euro, more than doubled, due to increased contributions from CIB Bank (+10 million euro), PBZ (+6 million euro) and VUB Banka (+4 million euro), only partly absorbed by the decline of Banca Intesa Beograd (-5 million euro) and Banca Intesa - Russia (-2 million euro).
Operating costs, amounting to 245 million euro, were down compared to the first quarter of 2015 (-3.5%). As a result of the above revenue and cost trends, the operating margin came to 265 million euro, up 3.9%. Income before tax from continuing operations,

amounting to 227 million euro, was up compared to 170 million euro in the same period of the previous year (+33.5%), benefiting from lower net adjustments. The Division closed the first quarter of 2016 with net income of 171 million euro (+37.9%).
On a quarterly basis, the first quarter of 2016 reported an operating margin which grew by 5.7% compared with the fourth quarter of 2015, due to lower operating costs (-9.1%) that more than offset the decline in operating income (-2%). Income before tax from continuing operations improved significantly over the previous quarter (+51.2%), which was affected by higher adjustments to loans mostly referring to Intesa Sanpaolo Bank Romania and Banca Intesa - Russia. Net income also showed a significant increase on the last quarter of 2015 (+46.3%).

The Division's intermediated volumes decreased on the end of December 2015 (-1.7%), mainly due to the trend in direct deposits from banking business (-2.6%), specifically the component due to customers, partially offset by greater placements of bonds. Loans to customers also recorded a slight decrease (-0.5%).

Business	It is responsible for the Group's operations on the international markets through commercial bank subsidiaries and associates
Mission	Guidance, coordination and support for international subsidiaries, which engage primarily in retail banking operations. The Division is responsible for setting the Group's strategic development guidelines in terms of its direct presence on international markets, involving systematic exploration and analysis of new growth opportunities on markets already served and new markets, the coordination of international subsidiary banks' operations and the management of the relationships between international subsidiary banks and the Parent Company's central units and the branches and other foreign offices of the Corporate and Investment Banking Division
Organisational structure	
South-Eastern Europe	Presence in Albania, Bosnia-Herzegovina, Croatia, Romania and Serbia
Central-Eastern Europe	Presence in Slovakia, Slovenia and Hungary
Commonwealth of Independent States & South Mediterranean	Presence in Egypt, and the Russian Federation
Other companies	ISP Card, which supports banks in the Division in the payment services segment
Distribution structure	1,074 branches in 11 countries

South-Eastern Europe

In the first quarter of 2016, the operating income of the Privredna Banka Zagreb Group amounted to 105 million euro (+8.1% compared to the same period of the previous year), mainly due to the good performance of profits on trading. Operating costs, amounting to 46 million euro, decreased by 3.8% due to savings in all cost captions. The operating margin came to 59 million euro, up 19.7% on the first quarter of last year. Income before tax from continuing operations stood at 53 million euro (+42.7%), benefiting from the release of allowances for risks and charges. Lastly, net income came to 41 million euro (+39.1%).
Banca Intesa Beograd, including Intesa Leasing Beograd, generated operating margin of 31 million euro, down 22.1% on the first three months of 2015. Operating income decreased by 14.5% mainly due to the trend in profits on trading and net interest income. Operating costs recorded a slight decline compared to the same period of the previous year (-0.9%). Income before tax from continuing operations amounted to 25 million euro, up compared to the first quarter of the previous year (+12.3%), following the lower adjustments to loans, while net income was 21 million euro (+14.4%).

Intesa Sanpaolo Banka Bosna i Hercegovina closed the first quarter of 2016 with an operating margin of 4.7 million euro, up 3.9% on the same period of last year. This performance may be attributed to the increase in operating income (+2.7%), most markedly net interest income and net fee and commission income, while operating costs increased slightly. Income before tax from continuing operations, amounting to 3.7 million euro, increased by 13.9%, while net income amounted to 3.2 million euro (+12.2%).

Intesa Sanpaolo Bank Albania reported an operating margin of 6.6 million euro, basically in line with the first quarter of 2015, due to a slight increase in revenues absorbed by a slight growth in operating costs. Income before tax from continuing operations came to 6.5 million euro, up on the same period of the previous year (+7.2%). Net income showed the same performance, amounting to 5.2 million euro (+2.3%).

Intesa Sanpaolo Bank Romania recorded an operating margin of 2.8 million euro, down (-30.6%) compared to the first quarter of 2015: the decline in operating income (-21.4%), primarily attributable to lower interest income and higher operating expenses, was only partly offset by the decline in operating costs (-15.9%). The company reported net income of 3.2 million euro, compared to 0.6 million of the same period in 2015, due to lower net adjustments to loans.

Central-Eastern Europe

Banka Koper generated operating income of 22 million euro, up 7.8% compared with the first three months of the previous period as a result of the positive performance of profits on trading. Operating costs, were down compared to the same period of 2015 (-4.6%). Net income, amounting to 5.7 million euro, almost tripled, due to lower net adjustments to loans.

The VUB Banka Group achieved an operating margin of 66 million euro, down 13.5% compared to the first quarter of the previous year, due to a decrease in operating income (-7.4%), attributable to net fee and commission income and other operating expenses. Income before tax from continuing operations, amounting to 45 million euro, decreased by 19%, while net income amounted to 35 million euro (-19.5%).

The **CIB Bank** Group (excluding the FUT business unit, which now houses the non-performing loans managed by the Capital Light Bank) recorded operating income of 45 million euro, up 37.6% compared to the first quarter of 2015, mainly due to the increase in net interest income and profits on trading. Operating costs were down (-14.4%) mostly due to lower administrative expenses. Net income showed a positive balance of 5.2 million euro, compared to a net loss of 10 million euro posted in the same period of the previous year.

Commonwealth of Independent States & South Mediterranean

Banca Intesa – Russia closed the first quarter of 2016 with a net loss of 0.8 million euro, compared to a net loss of 1.9 million euro in the first quarter of 2015. Operating income decreased (-36.3%) due to the decline in net interest income and profits on trading. Operating costs were down 16.9%. Net adjustments to loans amounted to 3.5 million euro, down considerably compared to the same period in 2015.

Bank of Alexandria reported an operating margin of 54 million euro, up 8.6% compared to the first quarter of 2015. Operating income of 96 million euro grew (+5.5%), predominantly as a result of higher net interest income. Operating costs increased, as a result of personnel expenses. Net income came to 40 million euro, up 68.6% on the same period of 2015.

Other companies

operating income reported by **ISP Card** amounted to 8.3 million euro, down 3.7% on the first three months of 2015. Operating costs increased by 2.6%, amounting to 7.7 million euro. The company closed the first quarter with net income of 0.5 million euro, compared to 0.8 in the first quarter of the previous year (-39.9%).

Private Banking

(millions of euro)

Income statement	31.03.2016	31.03.2015	Changes amount	%
Net interest income	46	48	-2	-4.2
Profits (losses) on investments carried at equity	3	4	-1	-25.0
Net fee and commission income	380	358	22	6.1
Profits (Losses) on trading	9	18	-9	-50.0
Income from insurance business	-	-	-	-
Other operating income (expenses)	1	-1	2	
Operating income	**439**	**427**	**12**	**2.8**
Personnel expenses	-70	-70	-	-
Other administrative expenses	-50	-54	-4	-7.4
Adjustments to property, equipment and intangible assets	-4	-4	-	-
Operating costs	**-124**	**-128**	**-4**	**-3.1**
Operating margin	**315**	**299**	**16**	**5.4**
Net provisions for risks and charges	-13	-13	-	-
Net adjustments to loans	8	-	8	-
Net impairment losses on other assets	-1	-1	-	-
Profits (Losses) on investments held to maturity and on other investments	-	-	-	-
Income (Loss) before tax from continuing operations	**309**	**285**	**24**	**8.4**
Taxes on income from continuing operations	-87	-85	2	2.4
Charges (net of tax) for integration and exit incentives	-7	-1	6	
Effect of purchase price allocation (net of tax)	-21	-21	-	-
Impairment (net of tax) of goodwill and other intangible assets	-	-	-	-
Income (Loss) after tax from discontinued operations	-	-	-	-
Minority interests	-	-	-	-
Net income (loss)	**194**	**178**	**16**	**9.0**

(millions of euro)

	31.03.2016	31.12.2015	Changes amount	%
Assets under management	129,209	132,006	-2,797	-2.1
Risk-weighted assets	8,656	8,624	32	0.4
Absorbed capital	857	851	6	0.7

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

The Private Banking Division serves the top customer segment (Private and High Net Worth Individuals), creating value by offering excellent products and services. The Division coordinates the operations of Fideuram, Fideuram Investimenti, Intesa Sanpaolo Private Banking, Sirefid, Fideuram Fiduciaria, Intesa Sanpaolo Private Bank (Suisse) and Fideuram Asset Management Ireland.

In the first quarter of 2016, in a scenario of high market volatility, the Division achieved income before tax from continuing operations of 309 million euro, up 24 million (+8.4%) on the same period of 2015, mainly as a result of higher operating income (+12 million), lower operating costs (-4 million) and profits on disposals of bonds in the loan portfolio (+8 million).
The performance of operating income can be attributed to growth in net fee and commission income which, despite the absence of performance commissions, rose by 22 million euro (+6.1%) as a result of both the rise in average assets under management and to the shift in the product mix towards unit-linked policies and assets under management. Among other revenue components, the interest margin and profits on trading declined overall by 11 million euro. Operating costs fell by 4 million as a result of the decrease in administrative expenses. Net income came to 194 million euro (+16 million, equal to +9% on the first three months of the previous year).
In quarterly terms, income increased compared to the fourth quarter of 2015 (+10.8%), largely attributable to the performance of net fee and commission income. Operating costs decreased by 20 million euro as a result of the containment of personnel expenses and administrative expenses. Provisions decreased by 3 million euro and the Division recorded 8 million euro of profits on disposal of bonds in the loan portfolio. Considering the abovementioned trends, net income of the first quarter of 2016 highlighted a 58 million increase (+42.6%) compared to the fourth quarter of 2015.

As at 31 March 2016, assets under administration, which also include the contribution of the trust mandates for Sirefid, amounted to 186.4 billion euro (-2.5 billion euro compared to the end of 2015). This trend is attributable to the unfavourable market performance (-4.4 billion), which was partially offset by the positive performance of net inflows (+1.9 billion). An analysis by aggregates shows that inflows to assets under management, negative for 322 million, was affected by the high volatility that characterized the financial markets in the first quarter of the year, down 4.8 billion on the same period of 2015. Assets under administration showed a sharp increase with a positive balance of 2.2 billion, compared to net outflows of 2.3 billion reported in the first three months of 2015. Customers interested in reducing, during the quarter, the risk level of investments pending a market recovery opted for this component.

Business	Generating new inflows of assets and managing them, using a network of financial advisors and in-house private bankers serving a customer base with high savings potential
Mission	Improve and broaden the product portfolio and increase the service levels by allowing the customers to choose the network which best satisfies their needs; assist customers in the informed management of their wealth, based on a detailed analysis of their real requirements and risk profile; and offering fully transparent financial and pensions advice in accordance with the regulations
Organisational structure	
Fideuram	Dedicated to the production, management and distribution of financial products and services to high profile customers, using a network of approximately 5,000 Fideuram and Sanpaolo Invest financial advisors
Intesa Sanpaolo Private Banking	Bank dedicated to private customers (with over 1 million euro in financial assets), providing financial services which are designed to preserve and increase wealth and provide continuity, using a network of over 800 in-house private bankers
SIREFID	Company specialised in the provision of fiduciary services
Distribution structure	Network of 225 branches in Italy, 3 branches abroad and 5,861 private bankers

Asset Management

(millions of euro)

Income statement	31.03.2016	31.03.2015	Changes amount	Changes %
Net interest income	-	-	-	-
Profits (losses) on investments carried at equity	17	14	3	21.4
Net fee and commission income	126	143	-17	-11.9
Profits (Losses) on trading	5	2	3	
Income from insurance business	-	-	-	-
Other operating income (expenses)	-	1	-1	
Operating income	**148**	**160**	**-12**	**-7.5**
Personnel expenses	-14	-15	-1	-6.7
Other administrative expenses	-17	-17	-	-
Adjustments to property, equipment and intangible assets	-	-	-	-
Operating costs	**-31**	**-32**	**-1**	**-3.1**
Operating margin	**117**	**128**	**-11**	**-8.6**
Net provisions for risks and charges	-	-	-	-
Net adjustments to loans	-	-	-	-
Net impairment losses on other assets	-	-	-	-
Profits (Losses) on investments held to maturity and on other investments	-	-	-	-
Income (Loss) before tax from continuing operations	**117**	**128**	**-11**	**-8.6**
Taxes on income from continuing operations	-25	-32	-7	-21.9
Charges (net of tax) for integration and exit incentives	-	-	-	-
Effect of purchase price allocation (net of tax)	-	-	-	-
Impairment (net of tax) of goodwill and other intangible assets	-	-	-	-
Income (Loss) after tax from discontinued operations	-	-	-	-
Minority interests	-2	-2	-	-
Net income (loss)	**90**	**94**	**-4**	**-4.3**

(millions of euro)

	31.03.2016	31.12.2015	Changes amount	Changes %
Assets under management	227,251	226,885	366	0.2
Risk-weighted assets	1,152	1,135	17	1.5
Absorbed capital	126	124	2	1.6

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

The **Asset Management Division** pursues the mission of developing the best asset management solutions aimed at the Group's customers and its presence on the open market segment through the subsidiary Eurizon Capital and its investees.

Overall, total assets managed by Eurizon Capital at the end of March 2016 came to 227.3 billion euro, substantially stable (+0.2% equal to +366 million) since the beginning of the year, as a result of net inflows against a negative financial market performance. During the quarter net inflows came to 1.6 billion, mainly due to the contribution from the institutional mandates (+3.4 billion), mostly focused on insurance contracts, which more than offset the outflows concerning the retail sale of mutual funds (-0.5 billion) and portfolio management schemes (-1.3 billion). As at 31 March 2016, Eurizon Capital's market share of assets under management was 14.4% (gross of duplications), unchanged compared to the end of December 2015. Excluding the closed-end funds segment, in which the company does not operate, the share of assets under management at the end of March 2016 rose to 14.8%.
Operating income in the first quarter of 2016, amounting to 148 million euro, decreased by 7.5% compared to the same period of the previous year, as a result of the negative performance of net fee and commission income (-11.9%), only partially offset by the contribution of investees carried at equity (Penghua and Allfunds Bank) and financial income. Net fee and commission income performance is due to the elimination of incentive commissions collected on the products managed (23 million in the same period of 2015), only partly offset by the increase in management fees related to the development of average assets under management, which considerably exceeded the level for the first quarter of 2015. Operating costs fell on the same period of the previous year (-3.1%) thanks to the streamlining of personnel expenses and despite the impact of the increase in assets under management on costs related to the products, and in particular on the Fund Administration services. As a result of the above revenue and cost trends, the operating margin came to 117 million euro, down 8.6%. The Division closed the first quarter of 2016 with net income of 90 million euro, down compared to the same period of the previous year (-4.3%).

On a quarterly basis, the first quarter of 2016 reported an operating margin down 29.2% compared to the fourth quarter of 2015, due to the elimination of incentive commissions collected on the products managed, which are typical of the last part of the year. This trend was reflected in net income, which recorded a decrease compared to the previous quarter (-30.1%).

Business	Asset management
Mission	To provide collective and individual asset management products to the Group's internal banking networks and develop its presence on the open market through specific distribution agreements with other networks and institutional investors
Organisational structure	
Eurizon Capital SGR	Specialised in asset management on behalf of both retail customers (mutual funds and portfolio management schemes) and institutional customers (including fund users), to which it offers a wide range of specific investment products and services.
Epsilon Associati SGR	Specialised in managing structured credit products and mutual funds using quantitative methods and 51% owned by Eurizon Capital and the remaining 49% by Banca IMI
Eurizon Capital SA (Luxembourg)	Specialised in managing Luxembourg mutual funds with low tracking error
Eurizon Capital (HK) Ltd (Hong Kong)	A 100% subsidiary of Eurizon Capital SA. Established on 10 June 2015 to develop consulting activities on financial and portfolio management instruments in the Asian market
VUB Asset Management (Slovakia)	A Slovak asset management company, 50.12% owned by Eurizon Capital SA, which heads up the Hungarian CIB IFM and the Croatian PBZ Invest (Eastern European asset management hub)
Penghua Fund Management Company Limited	Chinese fund manager 49% owned by Eurizon Capital SGR
Allfunds Bank S.A.	A multimanager distribution platform of asset management products intended for institutional investors, 50% owned by Eurizon Capital SGR and 50% by AFB SAM Holdings S.L. (Santander Group)

Insurance

(millions of euro)

Income statement	31.03.2016	31.03.2015	Changes amount	Changes %
Net interest income	-	-	-	-
Profits (losses) on investments carried at equity	-	-	-	-
Net fee and commission income	-	-	-	-
Profits (Losses) on trading	-	-	-	-
Income from insurance business	368	344	24	7.0
Other operating income (expenses)	-1	-	1	-
Operating income	**367**	**344**	**23**	**6.7**
Personnel expenses	-16	-16	-	-
Other administrative expenses	-20	-18	2	11.1
Adjustments to property, equipment and intangible assets	-1	-1	-	-
Operating costs	**-37**	**-35**	**2**	**5.7**
Operating margin	**330**	**309**	**21**	**6.8**
Net provisions for risks and charges	1	1	-	-
Net adjustments to loans	-	-	-	-
Net impairment losses on other assets	-1	-	1	-
Profits (Losses) on investments held to maturity and on other investments	-	-	-	-
Income (Loss) before tax from continuing operations	**330**	**310**	**20**	**6.5**
Taxes on income from continuing operations	-108	-98	10	10.2
Charges (net of tax) for integration and exit incentives	-1	-1	-	-
Effect of purchase price allocation (net of tax)	-5	-7	-2	-28.6
Impairment (net of tax) of goodwill and other intangible assets	-	-	-	-
Income (Loss) after tax from discontinued operations	-	-	-	-
Minority interests	-	-	-	-
Net income (loss)	**216**	**204**	**12**	**5.9**

(millions of euro)

	31.03.2016	31.12.2015	Changes amount	Changes %
Assets under management	136,057	132,948	3,109	2.3
Risk-weighted assets	-	-	-	-
Absorbed capital	4,538	4,618	-80	-1.7

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

The **Insurance Division** oversees management of the subsidiaries of the insurance group Intesa Sanpaolo Vita, and Fideuram Vita, with the mission of further developing the insurance product mix targeting Group customers.

In the first quarter of 2016, income before tax from continuing operations was 330 million euro, recording growth of 20 million euro (+6.5%) compared to the same period of the previous year as a result of higher operating income (+23 million euro), and a moderate growth of costs (+2 million euro). Income from insurance business was 368 million euro, recording growth of 24 million (+7%) thanks to the increase in the technical margin and the positive contribution of the net investment result, despite market volatility. The cost/income ratio (10.1%) was essentially in line with that of the same period of the previous year.
On a quarterly basis, the first quarter of 2016 showed an increase in operating margin compared to the fourth quarter of 2015, primarily attributable to the increase in insurance business, which more than doubled thanks to the contribution of the financial component. This performance was reflected in income before tax from continuing operations and in net income.

Direct deposits from insurance business, amounting to 136,057 million euro, increased by 2.3% compared to the end of December 2015, mainly as a result of the development of technical reserves and financial liabilities of the insurance segment designated at fair value.

Collected premiums for life policies in the quarter amounted to 6.3 billion euro, slightly lower than the one recorded in the same period of 2015, despite the negative financial market performance. The first months of 2016 were still characterized by the continuous shift in offerings, oriented towards class III products, in its multi-line hybrid form and thanks to a new unit-linked protected product distributed by the Banca dei Territori Division.

Deposits from the non-life business, amounting to over 90 million euro, were up 50% on the same period of the previous year, with growth in all product lines, particularly with regard to credit protection products.

Business	Life and Non-Life Insurance
Mission	Develop the offering of insurance products for the Group's customers
Organisational structure	
Intesa Sanpaolo Vita	Insurance parent company specialised in offering insurance, pension and personal and asset protection services within Banca dei Territori. The Company owns 100% of Intesa Sanpaolo Life, specialising in the area of unit-linked products, Intesa Sanpaolo Assicura, dedicated to the non-life business, and Intesa Sanpaolo Smart Care, a company specialising in the creation of innovative digital solutions to combine with insurance products
Fideuram Vita	Specialised in offering insurance, pension and personal and asset protection products within the Fideuram Group.

Corporate Centre

The Corporate Centre is responsible for direction, coordination and control of the whole Group, as well as for the Capital Light Bank business unit, Treasury and ALM.

The Corporate Centre Departments (essentially the Treasury Department and the Capital Light Bank) generated an operating loss of 305 million euro in the first quarter of 2016, compared to the operating loss of -39 million euro for the same period of the previous year. This performance was predominantly due to expenses associated with contributions to the resolution fund and to the worsening of the profits on trading, which during the first three months of last year had benefited from particularly favourable market conditions. The revenue performance was reflected in all of the main income statement items and the net loss, which came to 509 million euro, compared to -337 million euro reported in the same period of 2015.

Capital Light Bank

During the first quarter of 2016 the initiatives undertaken on the assets held by the CLB have allowed to considerably reduce assets by over 1.5 billion. With regard to the bad loan portfolio under management, the recovery activity continued, both internally and through external servicers, with revenues that confirm the ongoing improvement trend (approximately +20% on the same period of the previous year), also thanks to the benefits obtained from the latest reorganisations of the Loan Recovery Department. In parallel with the ordinary operations, analyses continued, aimed at evaluating the cost-effectiveness of any extraordinary transactions, also in view of the ongoing regulatory developments.
With regard to bad leasing loans managed by Provis, monitoring activities on repossessed assets, particularly movable assets, continued in order to identify their best market placement, while the integration projects of the definitive IT systems are currently underway, simultaneously with the contribution of assets to the company. Provis obtained authorisation to the registration in the Single Register of Financial Intermediaries pursuant to art. 106 of Legislative Decree no. 385/1993.
During the first quarter, Re.O.CO. carried out activities with the intention of managing real estate collateral in a more pro-active manner. This entails both direct involvement in auctions and "auction support" whereby external investors are encouraged to intervene. Cases for intervention were chosen carefully, so as to reconcile the objective of maximising the recovery of bad loans secured by real-estate assets with the goal of minimising the investment of additional capital; in the first quarter, following the involvement in auctions and auction support on about 80 lots, property was acquired for an approximate value of 2 million euro.
Concerning the international subsidiaries, the deleveraging activities involving the Ukrainian Pravex bank continued, in line with the Bank's business plan and given the country's dramatic political and economic situation. During the first three months of the year, the FUT division of the Hungarian subsidiary CIB Bank positively continued its derisking activity, particularly thanks to loans to customers that, following the conversion into local currency, feature a lower level of risk.
Also Accedo, the product company specialized in extra-captive consumer credit, recorded a decrease in assets, due to lower disbursements compared to maturing loans. The company obtained authorisation to the registration in the Single Register of Financial Intermediaries pursuant to art. 106 of Legislative Decree no. 385/1993.

Treasury services

The Treasury Department includes treasury services in euro and foreign currencies, and the integrated management of liquidity requirements/surpluses, financial risks and settlement risks.

In the first quarter of 2016 Intesa Sanpaolo, in line with the previous years, confirmed its role as system-wide bank for payment systems in euro, obtaining the certification as "critical participant" in Target 2 by the European Central Bank. With regard to the Bank's projects, it has also launched a collaboration at European level (EBA and SWIFT) whose objective is the creation of market infrastructures for the settlement of "Instant payments": these projects are part of a broader context for the development of settlement services promoted by the European Central Bank, with a view to adapt its platforms to the continuous technological evolution and the service standards required by customers.

The **money market** sentiment was influenced, during the first quarter of 2016, by a drop in oil prices and by the slowdown of Chinese economic growth; such high volatility led the ECB to take action on all official rates: in particular, the rate on main refinancing operations was reduced to 0%, the deposit rate (Deposit Facility) to -0.40% and the marginal refinancing rate to 0.25%; moreover, it increased the asset purchase programme to 80 billion euro.
Also during the first quarter, the ECB opened access to the seventh TLTRO1 auction, in which the Intesa Sanpaolo Group did not take part. Given the background environment, less favourable compared to the last quarter of 2015, the Fed reserves the right to consider, at least, an increase in short-term rates. With reference to the securities funding programme, Intesa Sanpaolo kept its funding in line with the levels recorded at the end of December.

In light of the macroeconomic context, the investment strategies concerning the **Government Bonds Portfolio** were aimed at increasing the interest margin, while keeping a certain degree of diversification of government risk. Moreover, at the end of the first quarter, the volumes and the credit sensitivity of the non-government portfolio were decreased, following compression of spreads. The repurchase agreements market witnessed a gradual expansion of spreads between repo rates on the government bonds of core countries and those on Italian and Spanish government bonds, which have increased at the end of the quarter after the latest measures announced by the ECB.

Medium/long-term funding recorded a slight increase in deposits compared to the previous quarter.
In the retail market, the total issues of Group securities placed in the first quarter of 2016 through its own and third-party networks amounted to 2.8 billion euro; the weight of structured and plain vanilla bonds amounted to 48.1% and 51.9% respectively. A breakdown by average maturity shows a concentration of 90% on 5-7 year maturities, whilst 7.5% is represented by 10-year bonds and the remaining 2.5% by 2-year bonds.
Approximately 3.6 billion euro in unsecured funding transactions were completed on the institutional market; these include an additional perpetual Tier 1 instrument of 1.25 billion that can be redeemed in advance by the issuer after 5 years from the issue date and on every coupon payment date thereafter, a T2 subordinated instrument of 1.4 billion euro, and a Formosa bond in USD for the Asian market for a value of 57.6 million. As part of the programme guaranteed by ISP CB Ipotecario, a new Covered Bond issue was placed on the institutional market for a value of 1.25 billion euro with a duration of 7 years.

As regards management of the collateral eligible for refinancing operations at central banks, Intesa Sanpaolo uses the A.Ba.Co. (Collateralised Bank Assets) procedure, which allows bank loans disbursed to non-financial companies to be used to secure loan transactions with the Bank of Italy. This procedure is implemented in compliance with the Bank of Italy regulations "Eurosystem Monetary Policy Instruments - Guide for Operators". At the end of the quarter, the outstanding amount of loans (gross applicable hair-cuts) lodged as pledge by the Group was about 8.1 billion euro.

Active Value Management (AVM)

With regard to Asset & Liability Management, operational management of the interest rate risks of the Group's banking book – in the segment over 18 months – is handled by the ALM structures under the supervision of the Financial and Market Risk Department. Interest rate risk is monitored and managed mainly by examining the sensitivity of the market value of the various positions in the banking book to parallel shifts in the interest rate curve at the various maturities; moreover specific scenario analysis techniques on rate developments are used, as well as performance scenarios for specific positions. The strategic choices on interest rate risk are made by the Group's Financial Risks Committee, within the limits established by the Management Body. The ALM structure actively supports the Committee's decision-making activity by formulating analyses and proposals. The structural liquidity risk is managed by identifying expected liquidity mismatches by maturity bands, on the basis of internal liquidity policies defined by the Group.

Risk management

BASIC PRINCIPLES

The Intesa Sanpaolo Group's risk acceptance policies are defined by the Board of Directors and the Management Control Committee, with management and control functions respectively. The Board of Directors carries out its activity through specific internal committees, among which mention should be made of the Risk Committee. The Corporate Bodies are assisted by the action of managerial committees, among which mention should be made of the Group Risk Governance Committee, as well as the support of the Chief Risk Officer, reporting directly to the Chief Executive Officer. The Chief Risk Officer is responsible for proposing the Risk Appetite Framework, setting the Group's risk management guidelines and policies in accordance with company strategies and objectives and coordinating and verifying the implementation of those guidelines and policies by the responsible units of the Group, including within the various corporate departments. The Chief Risk Officer ensures management of the Group's overall risk profile by establishing methods and monitoring exposure to the various types of risk and reporting the situation periodically to the corporate bodies.

The Parent Company is in charge of overall direction, management and control of risks. Group companies that generate credit and/or financial risks are assigned autonomy limits and each has its own control structure. A service agreement governs the risk control activities performed by the Parent Company's functions on behalf of the main subsidiaries. These functions report directly to the subsidiaries' Management Bodies.

The risk measurement and management tools contribute to defining a risk-monitoring framework at Group level, capable of assessing the risks assumed by the Group from a regulatory and economic point of view. The level of absorption of economic capital, defined as the maximum "unexpected" loss that could be borne by the Group over a period of one year, is a key measure for determining the Group's financial structure, risk appetite and for guiding operations, ensuring a balance between risks assumed and shareholder return. It is estimated on the basis of the current situation and also as a forecast, based on the Budget assumptions and projected economic scenario under ordinary and stress conditions. The assessment of capital is included in business reporting and is submitted quarterly to the Group Risk Governance Committee, the Risk Committee and the Board of Directors, as part of the Group's Risks Tableau de Bord. Risk hedging, given the nature, frequency and potential impact of the risk, is based on a constant balance between mitigation/hedging action, control procedures/processes and capital protection measures.

BASEL 3 REGULATIONS AND THE INTERNAL PROJECT

With effect from 1 January 2014, the reforms of the accords by the Basel Committee ("Basel 3") were implemented in the EU legal framework. Their aim is to improve the banking sector's ability to absorb shocks arising from financial and economic stress, whatever the source, improve risk management and governance, and strengthen banks' transparency and disclosures. In doing so, the Committee maintained the approach based on three Pillars, which was at the basis of the previous capital accord, known as "Basel 2", supplementing and strengthening it to increase the quantity and quality of intermediaries' available capital as well as introducing counter-cyclical regulatory instruments, provisions on liquidity risk management and financial leverage containment.

Therefore, the EU implemented "Basel 3" through two legislative acts:

- Regulation (EU) No. 575/2013 of 26 June 2013 (CRR), which governs the prudential supervision requirements of Pillar 1 and public disclosure requirements (Pillar 3);
- Directive 2013/36/EU of 26 June 2013 (CRD IV), which, among other things, deals with the access to the activity of credit institutions, freedom of establishment, freedom to provide services, supervisory review process, and additional equity reserves.

EU legislation is complemented by the provisions issued by the Bank of Italy and referring to Circular no. 285 of 17 December 2013, which contains the prudential supervision regulations applicable to banks and Italian banking groups. The provisions were reviewed and updated to adjust the internal regulations to include the new elements of the international regulatory framework, with special reference to the new regulatory and institutional structure of banking supervision of the European Union and to the needs detected while supervising banks and other intermediaries.

In order to comply with the new rules envisaged by Basel 3, the Group has undertaken adequate project initiatives, expanding the objectives of the Basel 2 Project in order to improve the measurement systems and the related risk management systems.

Additional information on own funds, which are now calculated according to the Basel 3 rules, and on capital ratios of the Group is provided in the section on balance sheet aggregates: Own funds and capital ratios, and in the document Basel 3 - Pillar 3.

With respect to credit risks, the Group received authorisation to use internal ratings-based approaches effective from the report as at 31 December 2008 on the Corporate portfolio for a scope extending to the Parent Company, network banks in the Banca dei Territori Division and the main Italian product companies.

Progressively, the scope of application has been gradually extended to include the SME Retail and Retail Mortgage portfolios, as well as other Italian and international Group companies, as shown in the following table.

Company	Corporate FIRB	Corporate AIRB LGD	SME Retail IRB LGD	Mortgage IRB LGD
Intesa Sanpaolo Banco di Napoli Cassa di Risparmio del Veneto Cassa di Risparmio in Bologna Cassa di Risparmio del Friuli Venezia Giulia Cassa dei Risparmi di Forlì e della Romagna Banca dell'Adriatico	Dec - 2008	Dec - 2010	Dec - 2012	Jun - 2010
Mediocredito Italiano	Dec - 2008	Dec - 2010	Dec - 2012	n.a.
Gruppo Cassa di Risparmio di Firenze	Dec - 2009	Dec - 2010	Dec - 2012	Jun - 2010
Cassa di Risparmio dell'Umbria	n.a.	Dec - 2010	Dec - 2012	Dec - 2011
Banca Prossima	n.a.	Dec - 2013	Dec - 2013	n.a.
Banca IMI	n.a.	Jun - 2012	n.a.	n.a.
Intesa Sanpaolo Bank Ireland	Mar - 2010	Dec - 2011	n.a.	n.a.
Vseobecna Uverova Banka	Dec - 2010	Jun - 2014	Jun - 2014	Jun - 2012

Dedicated rating approaches have been developed for the Banks and Public Entities Portfolio according to the type of counterparty to be assessed. This was the subject of a pre-validation inspection by the Supervisory Authority conducted in December 2013, followed by an additional validation visit in March 2015. In the same month an AIRB authorisation request was presented to the Supervisory Authority for this portfolio.
The Group is also proceeding with development of the IRB systems for the other segments and the extension of the scope of companies for their application in accordance with a plan presented to the Supervisory Authority.

For OTC derivatives, with reference to the Parent Company Intesa Sanpaolo and to Banca IMI, the Bank of Italy granted the authorisation to use the internal counterparty risk model for regulatory purposes, starting from the first quarter of 2014. For the Banks in the Banca dei Territori Division, an application for authorisation to use the internal model for regulatory purposes was submitted to the Supervisory Authority in 2015, while for management purposes, the advanced risk estimate measures were implemented in November 2014.
In 2015 an application for authorisation to use internal models for regulatory purposes was also submitted for Securities Financing Transactions (SFT - Repos and securities lending) products. For management purposes, the advanced risk measurement methods were implemented for SFT in May 2015.

With regard to Operational Risk, the Group obtained authorisation to use the Advanced Measurement Approach (AMA – internal model) to determine the associated capital requirement for regulatory purposes, with effect from the report as at 31 December 2009.

The adequacy of the internal control system for risks is also illustrated in the annual Internal Capital Adequacy Assessment Process Report, based on the extensive use of internal approaches for the measurement of risks and for the calculation of internal capital and total capital available. The document was approved and sent to the Supervisor in April 2016.

In 2016, the Intesa Sanpaolo Group is once again involved in an EU-wide stress test conducted by the European Central Bank and the European Banking Authority on the financial statements of the main European banks as at 31 December 2015. As opposed to the previous year, the test will not involve an asset quality review (AQR), but only a simulation of the impact of negative macroeconomic scenarios on capital soundness (Stress Test).

As mentioned, as part of its adoption of Basel 3, the Group publishes information concerning capital adequacy, exposure to risks and the general characteristics of the systems aimed at identifying, monitoring and managing them in a document entitled "Basel 3 - Pillar 3" or simply "Pillar 3".
The document is published on the website (group.intesasanpaolo.com) on a quarterly basis.

CREDIT RISK

The Group's strategies, powers and rules for the granting and managing of loans are aimed at:

– achieving the goal of sustainable growth consistent with the Group's risk appetite and value creation objectives, whilst guaranteeing and improving the quality of its lending operations;
– diversifying the portfolio, limiting the concentration of exposures to counterparties/groups, economic sectors or geographical areas;
– efficiently selecting economic groups and individual borrowers through a thorough analysis of their creditworthiness aimed at limiting the risk of insolvency and mitigating potentially associated losses;
– given the current economic climate, favouring lending business aimed at supporting the real economy and production system and at developing relationships with customers;
– constantly monitoring relationships and the related exposures, through the use of both IT procedures and systematic surveillance of positions that show irregularities with the aim of detecting any symptoms of deterioration in a timely manner.

The Intesa Sanpaolo Group has developed a set of techniques and tools for credit risk measurement and management which ensures analytical control over the quality of loans to customers and financial institutions, and loans subject to country risk.

In particular, with respect to loans to customers, risk is measured using internal rating models which change according to the counterparty's operating segment.

Credit quality

Constant monitoring of the quality of the loan portfolio is also pursued through specific operating checks for all the phases of loan management.

The overall watch-list and non-performing loan portfolio is subject to a specific management process which, inter alia, entails accurate monitoring through a control system and periodic managerial reporting. In particular, this activity is performed using measurement methods and performance controls that allow the production of synthetic risk indicators. Constant monitoring of the quality of the loan portfolio is pursued through specific operating checks for all the phases of loan management, through the use of both IT procedures and systematic supervision of positions with the aim of detecting any symptoms of difficulty and promote corrective measures to prevent possible deterioration of credit risk.

Positions are detected and automatically entered in the credit management processes by way of daily and monthly checks, using objective risk indicators.

They allow timely assessments when any anomalies arise or persist and interact with processes and procedures for loan management and for credit risk control.

Within the Group, in accordance with pre-set rules, positions which are attributed a persistent high-risk rating are intercepted (manually or automatically) and classified to the following categories based on their risk profile, in accordance with the regulatory provisions on credit quality:

– Bad loans: the set of "on-" and "off-balance sheet" exposures towards borrowers in default or similar situations;
– Unlikely to pay: "on-" and "off-balance sheet" exposures which the bank, based on its opinion, deems unlikely to be completely (as principal and/or interest) repaid by the borrowers without the implementation of actions such as enforcement of guarantees. This assessment is irrespective of the presence of any amounts (or instalments) due and unpaid.

The category of non-performing loans also includes past due positions that cannot be considered mere delays in reimbursements, as established by the Bank of Italy.

Lastly, non-performing exposures also include the individual forborne exposures which comply with the definition of "Non-performing exposures with forbearance measures" envisaged by the EBA ITS (European Banking Authority - Implementing Technical Standards). The latter do not represent a separate category of non-performing assets, rather, they are an attribute of the above categories of non-performing assets.

The management process for such exposures, in close accordance with regulatory provisions concerning classification times and methods, is assisted by automatic mechanisms that ensure pre-established, autonomous and independent management procedures.

(millions of euro)

	31.03.2016			31.12.2015			Changes
	Gross exposure	Total adjustments	Net exposure	Gross exposure	Total adjustments	Net exposure	Net exposure
Bad loans	38,924	-23,801	15,123	39,150	-24,177	14,973	150
Unlikely to pay	22,588	-5,510	17,078	22,725	-5,634	17,091	-13
Past due loans	1,069	-188	881	1,239	-217	1,022	-141
Non-performing loans	**62,581**	**-29,499**	**33,082**	**63,114**	**-30,028**	**33,086**	**-4**
of which forborne	***11,180***	***-3,196***	***7,984***	***10,856***	***-3,151***	***7,705***	***279***
Performing loans	315,986	-1,961	314,025	305,558	-2,018	303,540	10,485
of which forborne	*7,517*	*-218*	*7,299*	*7,917*	*-218*	*7,699*	*-400*
Performing loans represented by securities	14,174	-246	13,928	13,633	-249	13,384	544
of which forborne	*122*	*-2*	*120*	*137*	*-2*	*135*	*-15*
Loans to customers	**392,741**	**-31,706**	**361,035**	**382,305**	**-32,295**	**350,010**	**11,025**

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

As at 31 March 2016, the Group's non-performing loans, net of adjustments, came to 33.1 billion euro, at the same levels of the end of 2015. While non-performing loans declined to 9.2% of total loans to customers, the NPL cash coverage ratio was 47.1%, down compared to 31 December 2015, following the consistent settlements made in the period on the positions with a higher coverage.
In further detail, bad loans came to 15.1 billion euro, net of adjustments, in the first quarter of 2016, up 1% from the beginning of the year, and represented 4.2% of total loans (4.3% at the end of 2015). During the same period, the coverage ratio was 61.1% (61.8% in December 2015). Loans included in the unlikely to pay category amounted to 17.1 billion euro and remained stable, accounting for 4.8% of total loans to customers, with a coverage ratio of 24.4%. Past due loans totalled 881 million euro, down 13.8% compared to the beginning of the year, with a coverage ratio of 17.6%. Forborne exposures are generated by forbearance measures for borrowers experiencing difficulty in meeting their financial obligations, according to the definition introduced by the European Banking Authority with the aim of harmonising the classification of non-performing loans at the European level: within the non-performing loan category, they amounted to 8 billion euro, with an average coverage ratio of 28.6%, whereas those in the performing loan category were slightly lower (7.3 billion euro). The coverage ratio of performing loans was 0.6% (0.7% net of loans represented by repurchase agreements).

MARKET RISKS

TRADING BOOK

The quantification of trading risks is based on daily and periodic VaR of the trading portfolios of Intesa Sanpaolo and Banca IMI, which represent the main portion of the Group's market risks, to adverse market movements of the following risk factors:
- interest rates;
- equities and market indexes;
- investment funds;
- foreign exchange rates;
- implied volatilities;
- spreads in credit default swaps (CDSs);
- spreads in bond issues;
- correlation instruments;
- dividend derivatives;
- asset-backed securities (ABSs);
- commodities.

Other Group subsidiaries hold smaller trading portfolios with a marginal risk (approximately less than 4% of the Group's overall risk). In particular, the risk factors of the international subsidiaries' trading books are local government bonds, positions in interest rates, and foreign exchange rates relating to linear pay-offs.
For some of the risk factors indicated above, the Supervisory Authority has validated the internal models for the reporting of the capital absorptions of both Intesa Sanpaolo and Banca IMI.
Effective from the report as at 30 September 2012, both banks have received authorisation from the Supervisory Authority to extend the scope of the model to specific risk on debt securities. The model was extended on the basis of the current methodological framework (a historical simulation in full evaluation), and required the integration of the Incremental Risk Charge into the calculation of the capital requirement for market risks.

Effective from June 2014, market risks are to be reported according to the internal model for capital requirements for the Parent Company's hedge fund portfolios (the full look-through approach).
The risk profiles validated are: (i) generic/specific on debt securities and on equities for Intesa Sanpaolo and Banca IMI, (ii) position risk on quotas of UCI underlying CPPI (Constant Proportion Portfolio Insurance) products for Banca IMI, (iii) position risk on dividend derivatives and (iv) position risk on commodities for Banca IMI, the only legal entity in the Group authorised to hold open positions in commodities.

The requirement for stressed VaR is included when determining capital absorption effective from 31 December 2011. The requirement derives from the determination of the VaR associated with a market stress period. This period was identified considering the following guidelines, on the basis of the indications presented in the Basel document "Revision to the Basel 2 market risk framework":
- the period must represent a stress scenario for the portfolio;
- the period must have a significant impact on the main risk factors for the portfolios of Intesa Sanpaolo and Banca IMI;
- the period must allow real historical series to be used for all portfolio risk factors.

In keeping with the historical simulation approach employed to calculate VaR, the latter point is a discriminating condition in the selection of the holding period. In fact, in order to ensure that the scenario adopted is effectively consistent and to avoid the use of driver or comparable factors, the historical period must ensure the effective availability of market data.
As at the date of preparation of this document, the period relevant to the measurement of stressed VaR had been set as 1 January to 31 December 2011 for Intesa Sanpaolo and as1 July 2011 to 30 June 2012 for Banca IMI.

The analysis of market risk profiles relative to the trading book uses various quantitative indicators and VaR is the most important. Since VaR is a synthetic indicator which does not fully identify all types of potential loss, risk management has been enriched with other measures, in particular simulation measures for the quantification of risks from illiquid parameters (dividends, correlation, ABS, hedge funds).
VaR estimates are calculated daily based on simulations of historical time-series, with a 99% confidence level and 1-day holding period.
The following paragraphs provide the estimates and evolution of VaR, defined as the sum of VaR and of the simulation on illiquid parameters, for the trading book of Intesa Sanpaolo and Banca IMI.

During the first quarter of 2016, the market risks generated by Intesa Sanpaolo and Banca IMI increased compared to the average values of the fourth quarter of 2015. The average VaR for the period totalled 105 million euro compared to 77 million euro of March 2015.

Daily VaR of the trading book for Intesa Sanpaolo and Banca IMI[(a)]

(millions of euro)

	2016 average 1st quarter	2016 minimum 1st quarter	2016 maximum 1st quarter	2015 average 4th quarter	2015 average 3rd quarter	2015 average 2nd quarter	2015 average 1st quarter
Intesa Sanpaolo	14.9	12.3	17.5	13.2	11.6	13.8	12.1
Banca IMI	90.0	64.8	115.0	85.0	104.7	71.1	64.6
Total	**104.9**	**78.4**	**132.4**	**98.3**	**116.3**	**84.9**	**76.7**

(a) Each line in the table sets out past estimates of daily VaR calculated on the quartely historical time-series of Intesa Sanpaolo and Banca IMI, respectively; minimum and maximum values for the two companies are recalculated using aggregate historical time-series and therefore do not correspond to the sum of the individual values in the column.

(millions of euro)

	2016 average 1st quarter	2016 minimum 1st quarter	2016 maximum 1st quarter	2015 average 1st quarter	2015 minimum 1st quarter	2015 maximum 1st quarter
Intesa Sanpaolo	14.9	12.3	17.5	12.1	6.0	18.5
Banca IMI	90.0	64.8	115.0	64.6	54.0	84.8
Total	**104.9**	**78.4**	**132.4**	**76.7**	**64.6**	**96.6**

(a) Each line in the table sets out past estimates of daily VaR calculated on the historical time-series of the first three months of the year of Intesa Sanpaolo and Banca IMI, respectively; minimum and maximum values for the two companies are recalculated using aggregate historical time-series and therefore do not correspond to the sum of the individual values in the column.

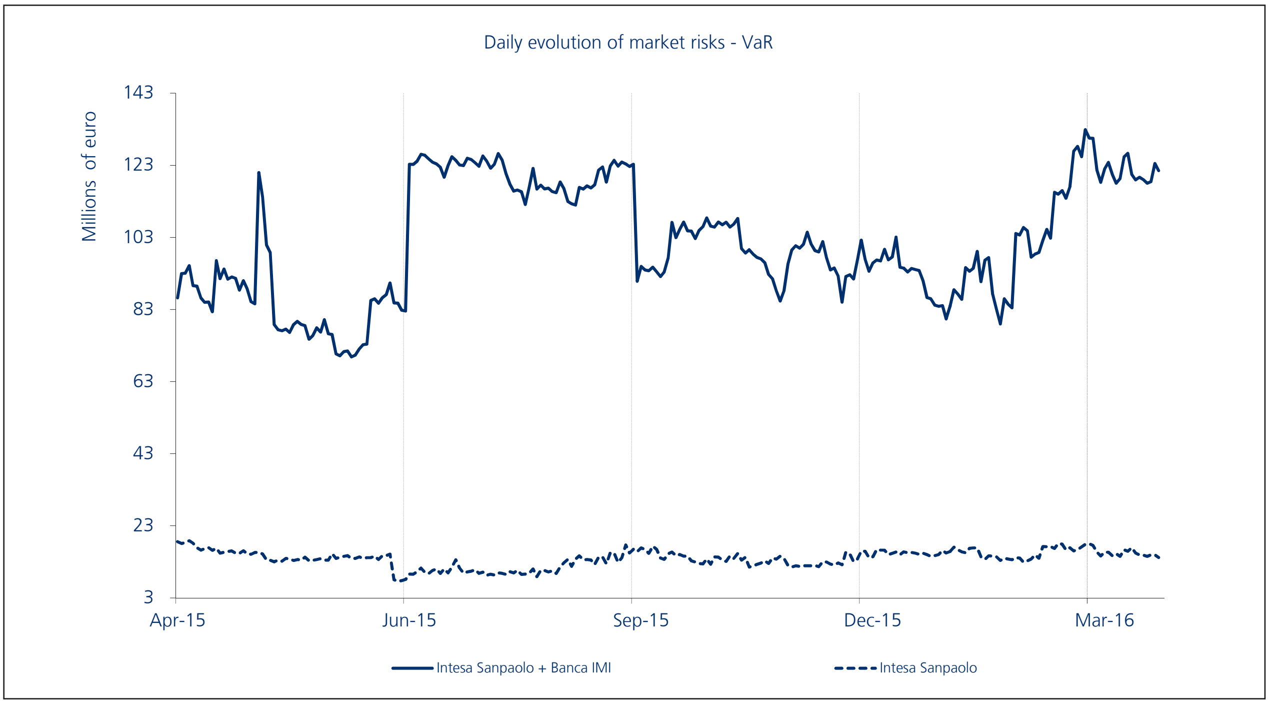
For Intesa Sanpaolo the breakdown of risk profile in the first quarter of 2016, with regard to the various factors, shows the prevalence of the risk generated by foreign exchange, which accounted for 29% of total VaR (primarily linked to hedge positions of banking book entries, excluding which, the component relating to equity risk is the main one); for Banca IMI, credit spread risk was the most significant, representing 74% of total VaR.

Contribution of risk factors to total VaR[(a)]

1st quarter 2016	Shares	Hedge funds	Interest rates	Credit spreads	Foreign exchange rates	Other parameters	Commodities
Intesa Sanpaolo	22%	14%	12%	20%	29%	3%	0%
Banca IMI	7%	0%	15%	74%	1%	2%	1%
Total	**9%**	**2%**	**14%**	**67%**	**5%**	**2%**	**1%**

(a) Each line in the table sets out the contribution of risk factors considering the overall VaR 100%, calculated as the average of daily estimates in the first quarter of 2016, broken down between Intesa Sanpaolo and Banca IMI and indicating the distribution of overall VaR.

During the first quarter of 2016, as shown in the chart below, the risks are up and the dynamic of the trend is mainly explained by Banca IMI.
In particular, at the beginning of February, scenarios of financial market volatility were recorded, which increased the VaR absorptions; an expansion of the portfolio was subsequently recorded (relating to the credit spread and equity risk factors assumed within the limits approved for 2016).



Risk control with regard to the trading activity of Intesa Sanpaolo and Banca IMI also uses scenario analyses and stress tests. The impact on the income statement of selected scenarios relating to the evolution of stock prices, interest rates, credit spreads and foreign exchange rates as at the end of March is summarised in the following table:

(millions of euro)

	EQUITY		INTEREST RATES		CREDIT SPREADS		FOREIGN EXCHANGE RATES		COMMODITIES	
	volatility +10% and prices -5%	volatility -10% and prices +5%	+40bp	lower rate	-25bp	+25bp	-10%	+10%	-50%	+50%
Total	-11	5	-137	81	338	-319	29	-18	36	-21

In particular:

- on stock market positions, a 5% decrease in stock prices with a resulting 10% increase in volatility would have led to a loss of approximately 11 million euro;
- on interest rate exposures, a rise of the curves of 40 basis points would have had a negative impact of 137 million euro, whereas a scenario with near zero rates would have led to potential gains;
- on exposures sensitive to credit spread fluctuations, a 25 basis point widening in spreads would have led to a 319 million euro loss;
- on foreign exchange exposures, were the Euro to appreciate against the US dollar by 10%, a loss of approximately 18 million euro would be recorded;
- lastly, on commodity exposures, gains would be recorded in case of a 50% decrease in prices; conversely, in case of an increase, the potential losses would be equal to 21 million euro.

Backtesting

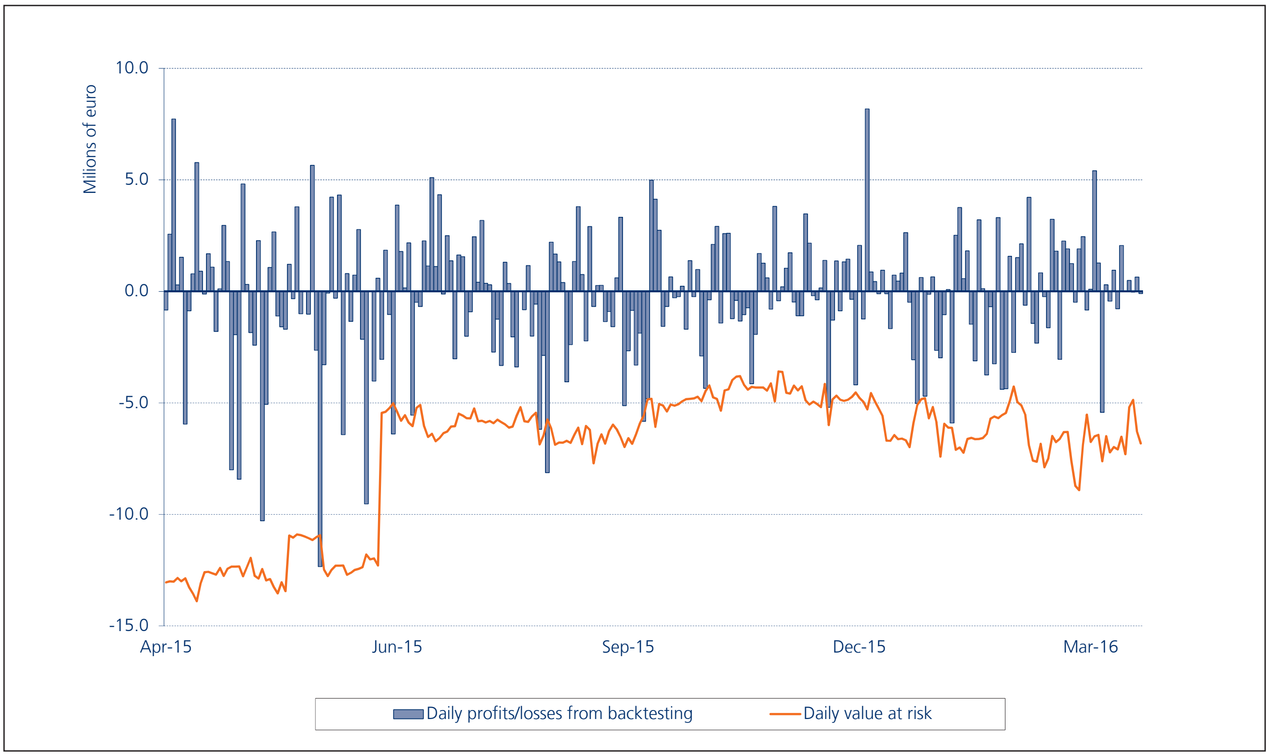
The effectiveness of the VaR calculation methods must be monitored daily via backtesting which, as concerns regulatory backtesting, compares:

- the daily estimates of value at risk;
- the daily profits/losses based on backtesting which are determined using actual daily profits and losses achieved by individual desks, net of components which are not considered in backtesting such as commissions and intraday activities.

Backtesting allows verification of the model's capability of correctly seizing, from a statistical viewpoint, the variability in the daily valuation of trading positions, covering an observation period of one year (approximately 250 estimates). Any critical situations relative to the adequacy of the Internal Model are represented by situations in which daily profits/losses based on backtesting highlight more than three occasions, in the year of observation, in which the daily loss is higher than the value at risk estimate. Current regulations require that backtesting is performed by taking into consideration both the actual P&L series recorded and the theoretical series. The latter is based on valuation of the portfolio value through the use of pricing models adopted for the VaR measurement calculation. The number of significant backtesting exceptions is determined as the maximum between those for actual P&L and theoretical P&L.

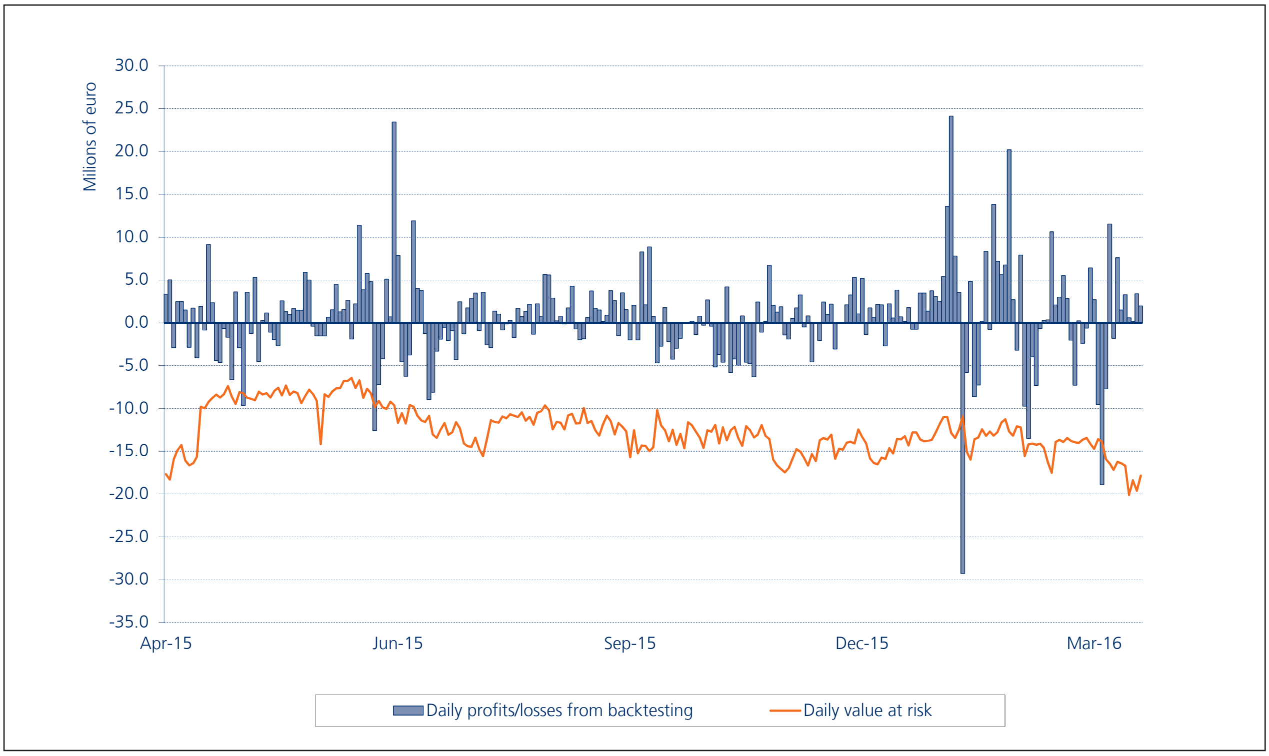
Backtesting in Intesa Sanpaolo

There were four backtesting exceptions during the last year linked to the effects of the Greek debt crisis, and to equity market volatility at the end of August 2015.



Backtesting in Banca IMI

The four backtesting exceptions of Banca IMI refer to the actual P&L data. The losses derive from the increased volatility as a result of the worsening of the Greek debt crisis and the volatility of the financial spreads recorded during the first quarter of 2016.



BANKING BOOK

Market risk originated by the banking book arises primarily in the Parent Company and in the other main Group companies involved in retail and corporate banking. The banking book also includes exposure to market risks deriving from the equity investments in listed companies not fully consolidated, mostly held by the Parent Company and by Equiter and IMI Investimenti.
The following methods are used to measure financial risks of the Group's banking book:
- Value at Risk (VaR);
- Sensitivity Analysis.

Value at Risk is calculated as the maximum potential loss in the portfolio's market value that could be recorded over a 10-day holding period with a 99% confidence level (parametric VaR).
The Shift sensitivity analysis quantifies the change in value of a financial portfolio resulting from adverse movements in the main risk factors (interest rate, foreign exchange, equity). For interest rate risk, an adverse movement is defined as a parallel and uniform shift of +100 basis points of the interest rate curve. The measurements include an estimate of the prepayment effect and of the risk originated by customer demand loans and deposits. Furthermore, interest margin sensitivity is measured by quantifying the impact on net interest income of a parallel and instantaneous shock in the interest rate curve of ±100 basis points, over a period of 12 months. This measure highlights the effect of variations in interest rates on the portfolio that is being measured, excluding assumptions on future changes in the mix of assets and liabilities and, therefore, it cannot be considered a forecast indicator of the future levels of the interest margin.

Hedging of interest rate risk is aimed at (i) protecting the banking book from variations in the fair value of loans and deposits due to movements in the interest rate curve or (ii) reducing the volatility of future cash flows related to a particular asset/liability. The main types of derivative contracts used are interest rate swaps (IRS), overnight index swaps (OIS), cross-currency swaps (CCS) and options on interest rates stipulated with third parties or with other Group companies. The latter, in turn, cover risk in the market so that the hedging transactions meet the criteria to qualify as IAS-compliant for consolidated financial statements.
Hedging activities performed by the Intesa Sanpaolo Group are recorded using various hedge accounting methods. A first method refers to the fair value hedge of specifically identified assets or liabilities (micro hedging), mainly consisting of bonds issued or acquired by Group companies and loans to customers. On the basis of the carved-out version of IAS 39, fair-value hedging is also applied for the macro hedging of the stable portion of on demand deposits (core deposits) and on the already fixed portion of floating-rate loans.
Moreover, since the end of 2015 the Group has extended the use of macro hedging to a portion of fixed-rate loans, adopting an open-portfolio macro hedging model for a portion of fixed-rate loans according to a bottom-layer approach that, in accordance with the interest rate risk measurement method involving modelling of the prepayment phenomenon, is more closely correlated with risk management activity and asset dynamics.

Another hedging method used is the cash flow hedge, which has the purpose of stabilising interest flow on both variable rate funding, to the extent that the latter finances fixed-rate investments, and on variable rate investments to cover fixed-rate funding (macro cash flow hedges).
The Financial and Market Risks Department is in charge of measuring the effectiveness of interest rate risk hedges for the purpose of hedge accounting.
In the first three months of 2016, interest rate risk generated by the Intesa Sanpaolo Group's banking book, measured through shift sensitivity analysis, registered an average value of 643 million euro, settling at 634 million euro at the end of March 2016, almost entirely concentrated on the euro currency; this figure compares with 547 million euro at the end of 2015.
Interest margin sensitivity – assuming a 100 basis point change in interest rates – amounted to 670 million euro at the end of March 2016 (535 million euro at the end of 2015).
Interest rate risk, measured in terms of VaR, recorded an average of 61 million euro in the first three months of 2016 (139 million euro at the end of 2015), with a maximum value of 74 million euro and a minimum value of 55 million euro; the latter figure coincides with the value at the end of March 2016. Price risk generated by minority stakes in listed companies, mostly held in the AFS (available for sale) category and measured in terms of VaR, recorded an average level of 27 million euro in the first three months of 2016 (the latter coinciding with the value at the end of 2015 with a minimum value of 24 million euro and a maximum value of 30 million euro; these figures compare with a value of 27 million euro at the end of March 2016.
Lastly, an analysis of banking book sensitivity to price risk, measuring the impact on Shareholders' Equity of a price shock on the above quoted assets recorded in the AFS category shows sensitivity to a 10% negative shock equal to 4.2 million euro at the end of March 2016.

LIQUIDITY RISK

Liquidity risk is defined as the risk that the Bank may not be able to meet its payment obligations due to the inability to obtain funds on the market (funding liquidity risk) or liquidate its assets (market liquidity risk).
The arrangement of a suitable control and management system for that specific risk has a fundamental role in maintaining stability, not only at the level of each individual bank, but also of the market as a whole, given that imbalances within a single financial institution may have systemic repercussions. Such a system must be integrated into the overall risk management system and provide for incisive controls consistent with developments in the context of reference.
During 2016 the corporate bodies of Intesa Sanpaolo approved the update of the "Guidelines for Group Liquidity Risk Management", implementing the latest regulatory provisions. These Guidelines illustrate the tasks of the various company functions, the rules and the set of control and management processes aimed at ensuring prudent monitoring of liquidity risk, thereby preventing the emergence of crisis situations. The key principles underpinning the Liquidity Policy of the Intesa Sanpaolo Group are:

- the existence of liquidity management guidelines approved by senior management and clearly disseminated throughout the Bank;
- the existence of an operating structure that works within set limits and of a control structure that is independent from the operating structure;
- the constant availability of adequate liquidity reserves in relation to the pre-determined liquidity risk tolerance threshold;
- the assessment of the impact of various scenarios, including stress testing scenarios, on the cash inflows and outflows over time and the quantitative and qualitative adequacy of liquidity reserves;
- the adoption of an internal fund transfer pricing system that accurately incorporates the cost/benefit of liquidity, on the basis of the Intesa Sanpaolo Group's funding conditions.

From an organisational standpoint, a detailed definition is prepared of the tasks assigned to the strategic and management supervision bodies and reports are presented to the senior management concerning certain important formalities such as the approval of measurement methods, the definition of the main assumptions underlying stress scenarios and the composition of early warning indicators used to activate emergency plans.
The departments of the Parent Company that are in charge of ensuring the correct application of the Guidelines are, in particular, the Treasury Department, the Planning and Active Value Management Head Office Department, responsible for liquidity management, and the Financial and Market Risks Department, directly responsible for measuring liquidity risk on a consolidated basis.
With regard to liquidity risk measurement metrics and mitigation tools, in addition to defining the methodological system for measuring short-term and structural liquidity indicators, the Group also formalises the maximum tolerance threshold (risk appetite) for liquidity risk, the criteria for defining liquidity reserves and the rules and parameters for conducting stress tests.
The short-term Liquidity Policy is aimed at ensuring an adequate, balanced level of cash inflows and outflows the timing of which is certain or estimated to fall within a period of 12 months, in order to respond to periods of tension, including extended periods, on the various funding sourcing markets, also by establishing adequate liquidity reserves in the form of liquid securities on private markets and securities eligible for refinancing with Central Banks. To that end, and in keeping with the liquidity risk appetite, the system of limits consists of two short-term indicators for holding periods of one week (cumulative projected imbalance in wholesale operations) and of one month (Liquidity Coverage Ratio) respectively.
The cumulative projected wholesale imbalances indicator measures the Bank's independence from unsecured wholesale funding in the event of a freeze of the money market and aims to ensure financial autonomy, assuming the use on the market of only the highest quality liquidity reserves. The Liquidity Coverage Ratio (LCR) is aimed at strengthening the short-term liquidity risk profile, ensuring a detention of sufficient unencumbered high quality liquid assets (HQLA) that can be easily and immediately converted into cash in the private markets to satisfy the short-term liquidity requirements (30 days) in a liquidity stress scenario. To this end, the Liquidity Coverage Ratio measures the ratio between: (i) the stock of HQLA and (ii) the total net cash outflows calculated according to the scenario parameters defined by the regulations. Delegated Regulation (EU) 2015/61 implies a gradual introduction of the regulatory framework of LCR according to the following schedule: from 1 October 2015 to 31 December 2015 = 60%; from 1 January to 31 December 2016 = 70%; from 1 January to 31 December 2017 = 80%; from 1 January 2018 = 100%.
The aim of the Intesa Sanpaolo Group's structural Liquidity Policy is to adopt the structural requirement provided for by the regulatory provisions of Basel 3: Net Stable Funding Ratio (NSFR). This indicator is aimed at promoting the increased use of stable funding, to prevent medium/long-term operations from giving rise to excessive imbalances to be financed in the short term. To this end, it sets a minimum "acceptable" amount of funding exceeding one year in relation to the needs originating from the characteristics of liquidity and residual duration of assets and off-balance sheet exposures. The NSFR's regulatory requirement is still subject to a period of observation: the European Commission is required to present a legislative proposal that will come into force from 2018.
The Guidelines for Group Liquidity Risk Management also envisage the time extension of the stress scenario for the LCR indicator, provided by the new regulatory framework, measuring, for up to 3 months, the effect of specific acute liquidity tensions (at bank level) combined with a widespread and general market crisis. The internal management guidelines also envisage a minimum limit on the LCR indicator up to 3 months, with the purpose of establishing an overall level of reserves covering greater cash outflows during a period of time that is adequate to implement the required operating measures to restore the Group to balanced conditions.
The Guidelines also establish methods for management of a potential liquidity crisis, defined as a situation of difficulty or inability of the Bank to meet its cash obligations falling due, without implementing procedures and/or employing instruments that, due to their intensity or manner of use, do not qualify as ordinary administration. By setting itself the objectives of safeguarding the Group's asset value and also guaranteeing the continuity of operations under conditions of extreme liquidity emergency, the Contingency Liquidity Plan ensures the identification of the early warning signals and their ongoing monitoring, the definition of procedures to be implemented in situations of liquidity stress, the immediate lines of action, and the intervention measures for the resolution of emergencies. The early warning indexes, aimed at spotting the signs of a potential liquidity strain, both systematic and specific, are monitored with daily frequency of the Financial and Market Risks Department.
In the first three months of 2016, the Group's liquidity position remained within the risk limits provided for in the Group's Liquidity Policy: both the LCR and NSFR indicators were largely respected, as they reached a level well above the phased-in

requirements. As at 31 March 2016, the eligible liquidity reserves for the Central Banks, considering cash components, came to 119 billion euro (117 billion euro at the end of December 2015), of which 76.6 billion euro, net of haircut, was unencumbered (78 billion euro at the end of December 2015).
Also the stress tests, when considering the high availability of liquidity reserves (liquid or eligible), yielded results in excess of the target threshold for the Group, with a liquidity surplus capable of meeting extraordinary cash outflows for a period of more than 3 months.
Adequate and timely information regarding the development of market conditions and the position of the Bank and/or Group was provided to the corporate bodies and internal committees in order to ensure full awareness and manageability of the main risk factors.

INFORMATION ON FINANCIAL PRODUCTS

In line with the requests for utmost transparency made by supranational and national Supervisory Authorities, the following information is provided on the fair value measurement methods adopted, structured credit products, activities performed through Special Purpose Entities (SPE), leveraged finance transactions, hedge fund investments and transactions in derivatives with customers.

FAIR VALUE MEASUREMENT OF FINANCIAL ASSETS AND LIABILITIES

General principles

This chapter summarises the criteria used by the Group to measure the fair value of financial instruments. These criteria are substantially unchanged with respect to those illustrated in detail in the Annual Report 2015, to which reference is made for more information.

The Intesa Sanpaolo Group governs and defines the fair value measurement of financial instruments through the Group's Fair Value Policy, prepared by the Financial and Market Risks Head Office Department and also applied to the Parent Company and to all consolidated subsidiaries.

The fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants (i.e. not as part of the compulsory liquidation or a below-cost sale) as at the measurement date. Fair value is a market measurement criterion, not specifically referring to a single bank. This definition of fair value assumes that the bank is carrying out normal operations, without any intention of liquidating its assets, significantly reducing the level of operations or carrying out transactions at unfavourable conditions.
A bank has to measure the fair value of an asset or liability by adopting the assumptions that would be used by market participants when pricing an asset or liability, presuming that they act with a view to satisfying their own economic interest in the best way possible. Fair value measurement assumes that the sale of an asset or the transfer of a liability takes place in the principal active market for the asset or liability or, in the absence of a principal active market, in the most advantageous market for the asset or liability.

The Intesa Sanpaolo Group identifies the principal market for a financial asset or liability as the market in which it generally operates.
The Group considers a market as active if quoted prices, representing actual and regularly occurring market transactions considering a normal reference period, are readily and regularly available from an exchange, dealer, broker, industry companies, Info Providers or authorised entities.
In the event of a significant reduction in the volume or level of operations compared to normal operations for the asset or liability (or for similar assets or liabilities) highlighted by a number of indicators (number of transactions, limited significance of market prices, significant increase in implicit liquidity risk, widening or increase of the bid-ask spread, reduction or total lack of market for new issuances, limited publicly-available information), analyses of the transactions or of the quoted prices are carried out.

Fair value hierarchy

The fair value of financial instruments is determined according to a hierarchy of criteria based on the origin, type and quality of inputs. In detail, this hierarchy assigns top priority to (unadjusted) quoted prices in active markets and less importance to unobservable inputs. As a consequence, three different hierarchical levels of fair value are identified:
– level 1: input represented by (unadjusted) quoted prices in active markets for identical assets or liabilities accessible by the bank as at the measurement date;
– level 2: input other than quoted prices included in level 1, directly or indirectly observable for the assets or liabilities to be measured;
– level 3: unobservable input for the asset or liability.

The document "Fair Value Hierarchy Rules" defines, with regard to the respective financial instrument valuation models/inputs, the basic rules that market inputs must comply with in order to be classified as Level 2, and the significance thresholds which, when overrun, result in the assignment of Level 3.

For level 1 financial instruments, the current bid price is used for financial assets and the current ask price for financial liabilities, struck on the principal active market at the end of the reference period.
For financial instruments with a scarcely significant bid-ask spread or for financial assets and liabilities with offsetting market risks, mid-market prices are used (again referred to the last day of the reference period) instead of the bid or ask price.

When there exist no quotations on an active market or the market is not functioning regularly, that is when the market does not have a sufficient and continuous number of trades and bid-ask spreads and volatility are not sufficiently contained, the fair value of the financial instruments is mainly determined through the use of valuation techniques whose objective is the establishment of the price at which, in an orderly transaction, the asset is sold or the liability transferred between market participants, as at the measurement date, under current market conditions.
Such techniques include:
- the use of market values that are indirectly linked to the instrument to be measured, deriving from products with the same risk profile (level 2 inputs);
- valuations performed using – in whole or in part but primarily – inputs not identified from parameters observed on the market, for which estimates and assumptions made by the valuator are used (level 3 inputs).

In the case of level 2 inputs, the valuation is based on prices or credit spreads derived from the official listing of instruments which are similar in terms of risk factors, using a given calculation methodology (valuation model). The use of this approach requires the identification of transactions on active markets in relation to instruments that, in terms of risk factors, are comparable with the instrument to be measured.

In the case of instruments classified as level 3, the calculation of the fair value of certain types of financial instruments is based on valuation models based on specific hypotheses regarding the development of future cash-flows, which consider input parameters not directly observable on the market, therefore implying estimates and assumptions on the part of the valuator.

Valuation of financial instruments and Model Risk Management

The valuation process of financial instruments entails the following phases:
- Identification of the sources for valuation: for each asset class, the Fair Value Policy and Market Data Reference Guide establish the processes that are necessary to identify market parameters and the manner according to which such data must be extracted and used.
- Validation and processing of market data for periodic valuation: this stage consists of the accurate verification, at each accounting measurement date, of the market parameters used (verifying the integrity of data contained on the proprietary platform with respect to the source of contribution), reliability tests (consistency of each single figure with similar or comparable figures) and verification of concrete application means.
- Validation of pricing models and Model Risk Assessment: this phase is aimed at verifying the consistency and the adherence of the various measurement techniques used with current market practice, at highlighting any critical aspects in the valuation models used and at determining any adjustments necessary for measurement.
- Periodic monitoring of the consistency of the pricing models over time: the monitoring consists in checking the adherence to the market of the measurement model in order to promptly discover any gaps and start the necessary verifications and interventions.

In general, Model Risk is represented by the possibility that the price of a financial instrument is materially influenced by the valuation approach chosen. In the case of complex financial instruments, for which there is no standard valuation method in the market, or during periods when new valuation methods are being established in the market, it is possible that different methods may consistently value the elementary instruments of reference, but provide differing valuations for exotic instruments. The model risk is monitored through a series of analyses and checks carried out at different stages, aimed at certifying the various valuation methods used by the Parent Company ("Model Validation"), at regularly monitoring the performance of the models in operation to promptly identify any deviation from the market ("Model Risk Monitoring") and at identifying any adjustments to be made to the valuations ("Model Risk Adjustment", see the section below "Adjustments adopted to reflect model risk and other uncertainties related to the valuation").

Adjustments adopted to reflect model risk and other uncertainties related to the valuation

If problems are found by the Model Validation process or the Model Risk Monitoring process in the calculation of the fair value of particular financial instruments, the appropriate Mark-to-Market Adjustments to be applied to the valuations are identified. These adjustments are regularly reviewed, also considering market trends, or the introduction of new liquid instruments, different calculation methodologies and, in general, methodological advances which may also lead to significant changes in selected models and their implementation.

In addition to the adjustments related to the above mentioned factors, also other types of adjustments ("Mark-to-Market Adjustment") relating to other factors that may influence the valuation are included. These factors essentially involve:
- high and/or complex risk profile;
- illiquidity of the posistions determined by temporary or structural market conditions or in relation to the amount of assets held (in case of excessive concentration);
- valuation difficulties due to the lack of liquid and observable market parameters.

The management process of the Mark-to-Market Adjustment is formalised with appropriate calculation methodologies on the basis of the different configurations of the points set out above. Calculation of the adjustments depends on the dynamic of the factors above mentioned and is disciplined by the Financial and Market Risks Head Office Department. For new products, the decision to apply Mark-to-Market Adjustment processes is taken during the new product approval process, upon the proposal of the Financial and Market Risks Head Office Department.

Following the crisis of 2007, the market progressively introduced a series of adjustments linked to the credit and liquidity risk, with impacts on both the income statement and the capital, collectively shown as XVA. In line with market practices, in the past the Intesa Sanpaolo Group introduced the Credit/Debt Value Adjustment (bCVA), and, starting from 31 March 2016, it implemented the Funding Value Adjustment (FVA) for the valuation of OTC derivatives. The latter assessment component takes into consideration the liquidity risk premium, connected to the costs of funding the cash flows generated by an OTC derivative portfolio (coupons, dividends, collateral, etc.). Like the bCVA, the FVA depends on the probability of default of the counterparties and considers any netting and collateralisation agreements (CSA).

Fair value hierarchy

The table below shows financial assets and liabilities designated at fair value through profit and loss broken down by fair value hierarchy levels.
Compared to the information provided in the 2015 financial statements, the Group did not amend the guidelines based on which level changes are carried out within the fair value hierarchy.

(millions of euro)

Financial assets / liabilities at fair value	31.03.2016			31.12.2015		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Financial assets held for trading	18,139	35,714	933	17,994	32,546	1,057
2. Financial assets designated at fair value through profit or loss	52,723	1,109	648	51,847	1,200	616
3. Financial assets available for sale	133,217	7,351	2,316	120,876	8,208	2,318
4. Hedging derivatives	-	7,642	27	-	7,039	20
5. Property and equipment	-	-	-	-	-	-
6. Intangible assets	-	-	-	-	-	-
Total	**204,079**	**51,816**	**3,924**	**190,717**	**48,993**	**4,011**
1. Financial liabilities held for trading	14,406	34,243	287	11,217	31,972	333
2. Financial liabilities designated at fair value through profit or loss	-	48,031	-	-	47,022	-
3. Hedging derivatives	-	10,257	6	-	8,225	9
Total	**14,406**	**92,531**	**293**	**11,217**	**87,219**	**342**

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

As shown in the table, level 3 instruments, which allow for more discretion in fair value measurement, still account for a limited portion of the financial instruments portfolio, accounting for 1.5% for financial assets and 0.3% for financial liabilities, in line with the percentages of December 2015.
Approximately 78% of financial assets measured at fair value are determined based on market prices, and therefore without any discretion by the valuator.

The sensitivity analysis performed on level 3 structured credit products highlights a negative change in fair value, referring to complex credit derivatives, of 31,868 euro [3] when the following parameters change:

– risk-neutral probability of default derived from market spreads (10%);
– recovery rate (from 5% to 25%, based on the type of risk of the underlying product);
– correlation between the value of collateral present in the structure (from 25% to 80%, based on the type of risk of the underlying product);
– expected residual life of the contract (one-year increase over the expected term).

[3] The amount is shown net of the adjustments to valuations relating to the main input parameters which were already considered to determine the fair value of financial instruments (see paragraph "Fair value measurement of financial assets and liabilities" above).

STRUCTURED CREDIT PRODUCTS

The risk exposure to structured credit products reached 2,504 million euro as at 31 March 2016 with respect to funded and unfunded ABS/CDOs, compared to 2,429 million euro as at 31 December 2015, in addition to an exposure of 4 million euro with respect to structured packages, which compares with the 2 million euro as at 31 December 2015.
The strategy regarding the portfolio in question in 2016 focused on slightly increasing the trading book to exploit market opportunities, on the one hand, and on disposing of the portfolio hard hit by the financial crisis, which is now managed by Capital Light Bank, on the other.
Specifically, the rise in exposure in funded and unfunded ABS/CDOs designated at fair value (from 1,988 million euro in December 2015 to 2,060 million euro in March 2016) is attributable to higher investments in ABS by the subsidiary Banca IMI, part of which was classified to the available-for-sale portfolio, as well as to European ABS/CDOs acquired by the Parent Company and classified in the trading portfolio.
Banca IMI's investments mainly consist of securities with underlying residential mortgages and CLOs with mainly AA ratings. The Parent Company confirmed its transactions in European RMBS with mainly Aaa ratings, aimed at seizing market opportunities, with sales that are only partially offset by new investments.
With regard to the exposure represented by securities classified under the loan portfolio, on the other hand, a slight increase was recorded (from 441 million euro in December 2015 to 444 million euro in March 2016), attributable to the higher investments of Banca IMI, which are only partially offset by the sales that concerned the portfolio of the Parent Company.

From an income statement perspective, a result of -4 million euro was recorded in the first three months of 2016, compared to -1 million euro for 2015.
As at 31 March 2016, the "Profits (losses) on trading – caption 80" of the exposure in funded and unfunded ABS/CDOs reached -3 million euro, generated as the offsetting of:
- the negative effect of 1 million euro of funded European and US ABS/CDOs;
- the negative effect of 1 million euro of positions in Multisector CDOs;
- the negative effect of 1 million euro of US subprime exposures.

As regards the exposure to funded and unfunded ABS/CDOs, it should be noted that the securities classified by the subsidiary Banca IMI in the available-for-sale portfolio recorded a net decrease in fair value of around -3 million euro, accounted for in the specific Shareholders' Equity Reserve, and an impact on the income statement for sales made in the period of +2 million euro.

The securities reclassified to the loan portfolio had an impact of -3 million euro on the income statement as at 31 March 2016.
This result is attributable to the Parent Company, which posted negative adjustments due to the impairment of several securities in the portfolio.
The "Monoline risk" and "Non-monoline packages" made a nil contribution to "Profits (Losses) on trading – caption 80" as at 31 March 2016, compared with the nil contribution as at 31 December 2015.

INFORMATION ON ACTIVITIES PERFORMED THROUGH SPECIAL PURPOSE ENTITIES (SPES)

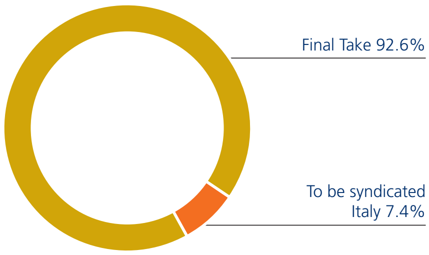
For the purpose of this analysis, legal entities established to pursue a specific, clearly defined and limited objective are considered Special Purpose Entities (raising funds on the market, acquiring/selling/managing assets both for asset securitisations, acquisition of funding through self-securitisations and the issue of covered bonds (CB), developing and/or financing specific business initiatives, undertaking leveraged buy-out transactions, or managing credit risk inherent in an entity's portfolio).
The sponsor of the transaction is normally an entity which requests the structuring of a transaction that involves the SPE for the purpose of achieving certain objectives. In some cases the Bank is the sponsor and establishes a SPE to achieve one of the objectives cited above.
For the SPE categories identified as not consolidated structured entities, no amendments are recorded, compared to the information already provided in the 2015 financial statements, to the criteria based on which the Intesa Sanpaolo Group decides on whether to include the companies in the scope of consolidation.
In the first quarter of 2016 the Parent Company Intesa Sanpaolo issued some new Covered Bonds (CB) mainly backed by residential mortgages sold by Intesa Sanpaolo to the vehicle ISP CB Ipotecario. The issue is at a fixed rate of 0.625% and is addressed to professional investors and financial intermediaries. The bond is listed on the Luxembourg Stock Exchange, as well as traded over-the-counter, as is customary.
There were no significant changes to the other categories of SPEs subject to disclosure. Accordingly, reference should be made to the 2015 financial statements.

LEVERAGED FINANCE TRANSACTIONS

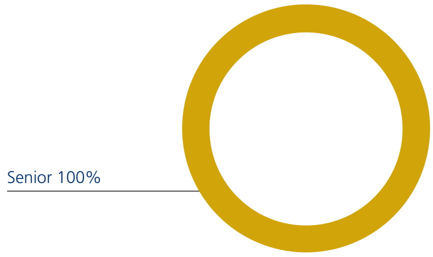
Since there is no univocal and universally agreed-upon definition of leveraged finance transactions, Intesa Sanpaolo decided to include in this category the exposures (loans granted and disbursed in relation to structured financing operations, normally medium/long term) to legal entities, in which the majority of share capital is held by private equity funds.
These are mainly positions in support of Leveraged Buy Out projects (therefore with high financial leverage), i.e. linked to the full or partial acquisition of companies through recourse to SPEs created for this purpose. After acquisition of the target company's shares/quotas package, these SPEs are normally merged into the target. The target companies generally have good economic prospects, stable cash flows in the medium term and low original leverage levels. Intesa Sanpaolo has financed entities of this type, as normal borrowers, without acting as sponsor.
None of these SPEs is consolidated, since the guarantees to support the transaction are solely instrumental for the granting of the financing and are never directed to the acquisition of direct or indirect control over the vehicle.

As at 31 March 2016, 112 transactions for a total amount granted of 3,275 million euro met the above definition.
These exposures are classified under the loans portfolio. They also include the portions of syndicated loans underwritten or under syndication. In line with disclosure requirements, breakdown of exposures by geographical area, economic sector and by level of subordination is set out below.

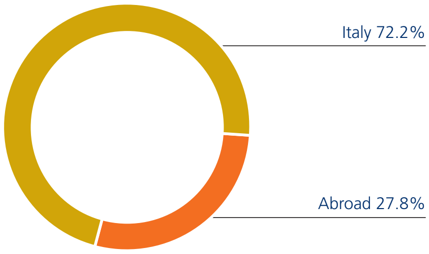
Breakdown by type of risk



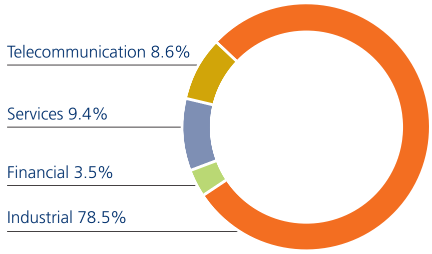
Breakdown by subordination level



Breakdown by geographical area



Breakdown by economic sector



INFORMATION ON INVESTMENTS IN HEDGE FUNDS

The hedge fund portfolio as at 31 March 2016 totalled 651 million euro, compared to 758 million euro recorded in December 2015. The analysis of changes in the portfolio showed some distributions and redemptions, as well as a decrease in the value of the units underwritten and the repricing of the euro on the dollar, which affected the value of the positions denominated in that currency.
As at the same date, the economic result of the investments in this segment was negative for 48 million euro, compared to the positive 39 million euro of “Profits (Losses) on trading – caption 80” in the first quarter of 2015. The net losses of 48 million euro, recognised as at 31 March 2016, are almost entirely attributable to a deterioration in the listed NAV of some funds (47 million) and, to a minimum extent (1 million), to foreign exchange losses related to a breakeven position in foreign currency.
More specifically, the greatest losses were recorded on the Paulsen fund (14 million), which is heavily exposed to the healthcare sector, which was affected by idiosyncratic events and is at the centre of the US electoral campaign on the price of drugs, and on the Eurizon Penghua fund (6 million), focusing on the Asian equity market, and the Chinese one in particular; several losses also concerned the funds focused on Financials, where the indexes shrunk considerably.
There were no changes in the portfolio’s overall strategy, which still remains prevalently geared towards benefiting from the implementation of specific corporate events, typically independent from the general market trend. Risk reduction is expected in any case, through a generalised downsizing of the allocations to the individual funds as a result of market uncertainty. The exposure to the Avenue fund was reduced already during the first quarter of 2016 through the distribution of 4.4 million dollars. Some funds that expressed an exposure to Asia and the American pharmaceutical sector were liquidated.

INFORMATION ON TRADING TRANSACTIONS IN DERIVATIVES WITH CUSTOMERS

Considering relations with customers only, as at 31 March 2016, the Intesa Sanpaolo Group, in relation to derivatives trading with retail customers, non-financial companies and public entities (therefore excluding banks, financial and insurance companies), presented a positive fair value, not having applied netting agreements, of 8,902 million euro (7,670 million euro as at 31 December 2015). The notional value of these derivatives totalled 48,673 million euro (45,855 million euro as at 31 December 2015).
The positive fair value of the structured contracts in existence with the 10 customers with the highest exposures was 5,999 million euro.
Conversely, negative fair value determined with the same criteria, for the same types of contracts and with the same counterparties, totalled 1,807 million euro as at 31 March 2016 (1,929 million euro as at 31 December 2015).
The notional value of these derivatives totalled 19,034 million euro (20,304 million euro as at 31 December 2015).

The fair value of derivative financial instruments entered into with customers was determined considering, as for all other OTC derivatives, the creditworthiness of the single counterparty ("Bilateral Credit Value Adjustment"). With regard to contracts outstanding as at 31 March 2016, this led to a negative effect of 18 million euro being recorded under “Profits (Losses) on trading” in the income statement.
With regard to the various methodologies used when determining the fair value of financial instruments, reference is made to the paragraphs specifically dedicated to this subject in this chapter.

OPERATIONAL RISK

Operational risk is defined as the risk of suffering losses due to inadequacy or failures of processes, human resources and internal systems, or as a result of external events. Operational risk includes legal risk, that is, the risk of losses deriving from breach of laws or regulations, contractual or out-of-contract liability or other disputes; ICT (Information and Communication Technology) risk and model risk. Strategic and reputational risks are not included.

The Intesa Sanpaolo Group has for some time defined the overall operational risk management framework by setting up a Group policy and organisational processes for measuring, managing and controlling operational risk.

With regard to operational risk, on 31 December 2009, the Group adopted the Advanced Measurement Approach (AMA - internal model), in partial use with the standardised (TSA) and basic approaches (BIA) to determine the associated capital requirement for regulatory purposes. The AMA approach was adopted by the leading banks and companies in the Banca dei Territori, Corporate and Investment Banking, Private Banking and Asset Management Divisions, by the Intesa Sanpaolo Group Services consortium, by VUB Banka (including Consumer Financial Holding and VUB Leasing) and PBZ Banka.

The control of the Group's operational risk was attributed to the body with management function, which identifies risk management policies, and to the body with strategic supervision function, which is in charge of their approval and verification, as well as of the guarantee of the functionality, efficiency and effectiveness of the risk management and control system.
Moreover, the tasks of the Intesa Sanpaolo Group Internal Control Coordination and Operational Risk Committee include periodically reviewing the overall operational risk profile, authorising any corrective measures, coordinating and monitoring the effectiveness of the main mitigation activities and approving operational risk transfer strategies.

The Group has a centralised function within the Enterprise Risk Management Department for management of the Group's operational risk. This function is responsible for the definition, implementation, and monitoring of the methodological and organisational framework, as well as for the measurement of the risk profile, the verification of mitigation effectiveness and reporting to Top Management.
In compliance with current requirements, the individual organisational units are responsible for identifying, assessing, managing and mitigating risks. Specific officers and departments have been identified within these business units to be responsible for Operational Risk Management (structured collection of information relative to operational events, scenario analyses and evaluation of the business environment and internal control factors).

The Integrated Self-diagnosis process, conducted on an annual basis, allows to:
- identify, measure, monitor and mitigate operational risk through identification of the main operational problem issues and definition of the most appropriate mitigation actions;
- analyse exposure to ICT risk;
- create significant synergies with the other functions with control duties of the Personnel and Organisation Department that supervise the planning of operational processes and business continuity issues, with the Administrative and Financial Governance and with control functions (Compliance and Internal Auditing) that supervise specific regulations and issues (Legislative Decree 231/01, Law 262/05) or conduct tests of the effectiveness of controls of company processes.

The Self-diagnosis process identified a good overall level of control of operational risks and contributed to enhancing the diffusion of a business culture focused on the ongoing control of these risks.

The process of collecting data on operational events (in particular operational losses, obtained from both internal and external sources) provides significant information on the exposure. It also contributes to building knowledge and understanding of the exposure to operational risk, on the one hand, and assessing the effectiveness or potential weaknesses of the internal control system, on the other hand.
The internal model for calculating capital absorption is conceived in such a way as to combine all the main sources of quantitative (operational losses) and qualitative (Self-diagnosis) information.
The quantitative component is based on an analysis of historical data concerning internal events (recorded by organisational units, appropriately verified by the Head Office Department and managed by a dedicated IT system) and external events (by the Operational Riskdata eXchange Association).
The qualitative component (scenario analysis) focuses on the forward-looking assessment of the risk exposure of each unit and is based on the structured, organised collection of subjective estimates expressed directly by management (subsidiaries, Parent Company's business areas, the Corporate Centre) with the objective of assessing the potential economic impact of particularly severe operational events.
Capital-at-risk is therefore identified as the minimum amount at Group level required to bear the maximum potential loss (worst case); Capital-at-risk is estimated using a Loss Distribution Approach model (actuarial statistical model to calculate the Value-at-risk of operational losses), applied on quantitative data and the results of the scenario analysis assuming a one-year estimation period, with a confidence level of 99.90%; the methodology also applies a corrective factor, which derives from the qualitative analyses of the risk level of the business environment (Business Environment Assessment), to take into account the effectiveness of internal controls in the various organisational units.

Operational risks are monitored by an integrated reporting system, which provides management with support information for managing and/or mitigating the operational risk.
In order to support the operational risk management process on a continuous basis, a structured training programme was implemented for employees actively involved in this process.
In addition, the Group activated a traditional operational risk transfer policy (to protect against offences such as employee disloyalty, theft and damage, cash and valuables in transit losses, computer fraud, forgery, cyber crimes, earthquake and fire, and third-party liability), which contributes to mitigating exposure to operational risk. At the end of June 2013, in order to allow optimum use of the available operational risk transfer tools and to take advantage of the capital benefits, pursuant to applicable regulations the Group subscribed an insurance coverage policy named Operational Risk Insurance Programme, which offers

additional coverage to traditional policies, significantly increasing the limit of liability, transferring the risk of significant operational losses to the insurance market.
The internal model's insurance mitigation component was approved by the Bank of Italy in June 2013 with immediate effect of its benefits on operations and on the capital requirements.

To determine its capital requirements, the Group employs a combination of the methods allowed under applicable regulations. The capital absorption resulting from this process amounts to 1,652 million euro as at 31 March 2016, unchanged compared to 31 December 2015.

In addition, with respect to risks relating to real property and infrastructure, with the aim of containing the impacts of phenomena such as catastrophic environmental events, situations of international crisis, and social protest events, the Group may activate its business continuity solutions.

Legal risks

Legal risks are thoroughly analysed by the Parent Company and Group companies. Provisions are made to the allowances for risks and charges in the event of disputes for which it is probable that funds will be disbursed and where the amount of the disbursement may be reliably estimated. During the quarter there were some developments regarding the litigations towards the Viaggi del Ventaglio Group, which concluded with a judgement favourable to the Bank, the Elifani Group, whose judgement, which was also favourable to the Bank, was appealed, and Acotel Noverca, for which the Court rejected the preliminary counterparty motions. However, these developments did not lead to changes in the risk status of the abovementioned litigations. No particularly significant new litigations were started during the quarter.
Therefore, reference should be made to the Notes to the 2015 financial statements for a thorough description of the individual legal proceedings in place and pending lawsuits.

Tax litigation

With regard to pending tax litigation and the related risks and provisions, detailed information is provided in the Notes to the 2015 Financial Statements (Part E), to which reference is made. Described below are thus only the most important changes occurred in the first quarter of 2016.
On 22 March, by implementing the resolution of the Management Board of 23 February, Intesa Sanpaolo finalised a framework agreement with the Italian Revenue Agency to settle three important disputes regarding funding transactions through US vehicles and loans disbursed by Luxembourg companies of the Group, deriving from two reports on findings by the Guardia di Finanza, served in September 2013 and February 2015. Based on the agreement, the abovementioned litigations were settled with the payment of about 110 million plus interest (against a tax risk of 467 million).
During the quarter, the implementation of the framework agreements reached with the Italian Revenue Agency in 2015 for complete settlement of the charges concerning tax period 2005 was also completed. The agreement resulted in a reduction of the revenue authority's claim from the original 376 million euro (including tax, penalties and interest) to approximately 6 million euro (so-called "Castello Finance dispute"). On 5 February 2016 the settlement led the repayment of 107 million euro, previously disbursed on a preliminary basis by the bank and no longer due.
With respect to the dispute concerning the recovery of registration tax on contribution of company assets and the subsequent sale of equity investments, characterised by the tax authorities as transfer of a business unit, some favourable decisions for our Group were made by courts in the first and second instances during the quarter. In addition, at the end of the quarter the Bank was served another 3 assessment notices due to higher value of the business lines contributed, for a total of 2 million euro (plus interest).
On 29 March 2016, following the report on findings of 27 July 2015, the Italian Revenue Agency, Emilia Romagna Regional Department, notified the Bank an assessment notice for IRES 2011 of the merged company Neos Finance (value of the dispute about 1.8 million euro, including tax, penalties and interest). Analyses are underway to assess the need to define the context in advance, since this is a tax claim with effects of a primarily temporary nature.
On the tax dispute relating to the charge of illegal use of an offshore tax structure brought by the Italian tax authorities against the Luxembourg subsidiary Eurizon Capital S.A., no changes are recorded compared to the situation as at 31 December 2015.
Also considering the absence of significant changes compared to 31 December 2015, the Group's tax litigation risks are covered by adequate provisions to allowances for risks and charges.

INSURANCE RISKS

Life business
The typical risks of a life insurance portfolio may be divided into three main categories: premium risks, actuarial and demographic risks and reserve risks.
Premium risks are managed initially during definition of the technical features and product pricing, and over the life of the instrument by means of periodic checks on sustainability and profitability (both at product level and at portfolio level, including liabilities).
Actuarial and demographic risks are monitored by means of systematic statistical analysis of the evolution of liabilities in its own contract portfolio, divided by risk type, and through simulations of expected profitability of the assets hedging technical reserves.
Reserve risk is monitored through the exact calculation of mathematical reserves, with a series of detailed checks as well as overall verifications, by comparing results with the estimates produced on a monthly basis.
The mathematical reserves are calculated on almost the entire portfolio, on a contract-by-contract basis, and the methodology used to determine the reserves takes account of all the future commitments of the company.

Non-life business
The risks of the non-life insurance portfolio are essentially premium risk and reserve risk.
Premium risks are managed initially during definition of the technical features and product pricing and over the life of the instrument by means of periodic checks on sustainability and profitability (both at product level and at portfolio level, including liabilities).
Reserve risk is monitored through the exact calculation of technical reserves.

Financial risks
In line with the growing focus in the insurance sector on the issues of value, risk and capital in recent years, a series of initiatives has been launched with the objective of both strengthening risk governance and managing and controlling financial risks.
With reference to investment portfolios, set up both as coverage of obligations with the insured and in relation to free capital, the Investment Framework Resolution is the main control and monitoring instrument for market and credit risks.
The Resolution defines the goals and the operating limits that are needed to distinguish the investments in terms of eligible assets and asset allocation, breakdown by rating classes and credit risk, concentration risk by issuer and sector, and market risks, in turn measured in terms of sensitivity to variations in risk factors and Value at Risk (VaR).

Investment portfolios
The investments of the insurance companies of the Intesa Sanpaolo Group (Intesa Sanpaolo Vita, Intesa Sanpaolo Assicura, Intesa Sanpaolo Life and Fideuram Vita) are made with their free capital and to cover contractual obligations with customers. These refer to traditional revaluable life insurance policies, Index- and Unit-linked policies, pension funds and non-life policies.
As at 31 March 2016, the investment portfolios of Group companies, recorded at book value, amounted to 137,783 million euro. Of these, a part amounting to 84,386 million euro relates to traditional revaluable life policies - the financial risk of which is shared with the policyholders by virtue of the mechanism whereby the returns on assets subject to segregated management are determined - non-life policies and free capital. The other component, whose risk is borne solely by the policyholders, consists of investments related to Index-linked policies, Unit-linked policies and pension funds and amounted to 53,397 million euro.

Considering the various types of risks, the analysis of investment portfolios, described below, concentrates on the assets held to cover traditional revaluable life policies, non-life policies and free capital.
In terms of breakdown by asset class, net of derivative financial instruments, 87.3% of assets, i.e. approximately 73,697 million euro, were bonds, whereas assets subject to equity risk represented 2.0% of the total and amounted to 1,723 million euro. The remainder (9,047 million euro) consisted of investments relating to UCI, Private Equity and Hedge Funds (10.7%).
The carrying value of derivatives came to approximately -82 million euro, entirely relating to effective management derivatives.[4]. Hedging derivatives are currently not present in the portfolio.

At the end of the three nine months of 2016, investments made with the free capital of Intesa Sanpaolo Vita and Fideuram Vita amounted to approximately 2,217 million euro at market value, and presented a risk in terms of VaR (99% confidence level, 10-day holding period) of approximately 68 million euro.
The modified duration of the bond portfolio, or the synthetic financial term of assets, is approximately 6.24 years. The reserves relating to the revaluable contracts under Separate Management have an average modified duration of approximately 6.42 years. The related portfolios of assets have a modified duration of around 5.85 years.
The breakdown of the bond portfolio in terms of fair value sensitivity to interest rate changes showed that a +100 basis points parallel shift in the curve leads to a decrease of approximately 4,318 million euro.
The distribution of the portfolio by rating class is as follows. AAA/AA bonds represented approximately 5.1% of total investments and A bonds approximately 4.8%. Low investment grade securities (BBB) were approximately 87.4% of the total and the portion of speculative grade or unrated was minimal (approximately 2.7%).
A considerable portion of the BBB area is made up of securities issued by the Italian Republic.
The analysis of the exposure in terms of the issuers/counterparties produced the following results: securities issued by Governments and Central Banks approximately made up 77.8% of the total investments, while financial companies (mostly banks) contributed almost 13.2% of exposure and industrial securities made up approximately 9.0%.

[4] ISVAP Regulation 36 of 31 January 2011 on investments defines "effective management derivatives" as all derivatives aimed at achieving pre-established investment objectives in a faster, easier, more economical or more flexible manner than would have been possible acting on the underlying assets.

At the end of the first quarter of 2016, the fair value sensitivity of bonds to a change in issuer credit rating, intended as a market credit spread shock of +100 basis points, was 4,425 million euro, with 3,540 million euro due to government issuers and 885 million euro to corporate issuers (financial institutions and industrial companies).

Accounting policies

Criteria for the preparation of the Interim statement

General preparation principles

As already specified in the introduction to this report, Italian Legislative Decree 25 of 15 February 2016, which transposed the new Transparency Directive (2013/50/EU) into the Italian legal system, eliminated the obligation to publish the interim statement, previously required under paragraph 5 of Article 154-ter of the Consolidated Law on Finance. The recent decree also attributed to Consob the power to impose disclosure obligations in addition to the annual report and half-yearly report, only after running an impact analysis that also takes into account the guidelines of the other member states of the European Union.
Pending the comprehensive definition of the regulatory framework, Intesa Sanpaolo prepared this Statement in continuity with the previous years.
The "Interim Statement as at 31 March 2016" has been prepared, in consolidated form, in compliance with the accounting principles issued by the International Accounting Standards Board (IASB) and the relative interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and endorsed by the European Commission as provided for by Community Regulation 1606 of 19 July 2002.
The accounting principles adopted in preparation of the Consolidated interim report on operations, with regard to the classification, recognition, measurement and derecognition of asset and liability captions, and the recognition methods for revenues and costs, have remained unchanged with respect to those adopted for the Intesa Sanpaolo Group Annual Report 2015 – to which reference should be made for further details – with the exception of the entry into force, starting from 2016, of some amendments to some international accounting standards, none of which are significant for the Intesa Sanpaolo Group.
The Interim Statement as at 31 March 2016, drawn up in euro as the functional currency, contain the Balance sheet, the Income statement, the Statement of comprehensive income for the period, the Changes in shareholders' equity, and the Explanatory notes. They are also complemented by information on significant events which occurred in the period, and on the main risks and uncertainties to be faced in the remaining months of the year.
The amounts indicated in the financial statements and Explanatory notes are expressed in millions of euro, unless otherwise specified.
In addition to amounts for the reporting period, the financial statements also indicate the corresponding comparison figures as at 31 March 2015 for the Income statement and as at 31 December 2015 for the Balance sheet.
As at 31 March 2016 some properties of Risanamento S.p.A., a company controlled by Intesa Sanpaolo pursuant to IFRS 10, were reclassified among discontinued operations according to IFRS 5. However, for the Intesa Sanpaolo Group the properties in question do not represent a ceased operating asset, which IFRS 5 defines as "a major line of business or geographical area". As a consequence, based on the indications of the standard in question, the reclassification only concerned the balance sheet totals, and not also the related economic effects, and did not lead to the restatement of the comparison balances of the previous year. Furthermore, the related liabilities associated to the discontinued operations were also subject to reclassification under the specific item of the liabilities in the Balance sheet.
The Interim Statement as at 31 March 2016 is complemented by the certification of the Manager responsible for preparing the Company's financial reports pursuant to Article 154-bis of the Consolidated Law on Finance, and the Consolidated financial statements are subject to a limited review.

Scope of consolidation and consolidation methods

Scope of consolidation

The Consolidated Interim Statement includes Intesa Sanpaolo and the companies that it directly and indirectly controls, jointly controlled or subject to significant influence, also including – as specified by IAS/IFRS – companies operating in sectors different from that of the Parent Company and private equity investments. Similarly, special purpose entities/vehicles (SPE/SPV) are included when the requisite of effective control recurs, even if there is no stake in the company.
Compared with the situation as at 31 December 2015, no significant changes in the scope of consolidation have occurred.
Intesa Sanpaolo does not perform management and coordination activity over Risanamento S.p.A. and its subsidiaries pursuant to Article 2497 et seq. of the Italian Civil Code.
Intragroup company transactions include, during the first quarter of 2016, the contribution of a business line (Amsterdam branch) from Intesa Sanpaolo to Intesa Sanpaolo Bank Luxembourg and the partial demerger of Setefi (business line regarding the acquisition of payment instruments towards captive customers) into Intesa Sanpaolo.
Companies for which the shares have been received as pledges with voting rights exceeding 20% are not consolidated, in consideration of the substance underlying the pledge, which has the purpose of guaranteeing loans and not of exercising control and direction over financial and economic policies in order to benefit from the economic return on the shares.

Consolidation methods

The methods used for line-by-line consolidation of subsidiaries and consolidation by the equity method of associates and companies subject to joint control have remained unchanged with respect to those adopted for the 2015 Intesa Sanpaolo Group Annual Report to which reference should therefore be made.
The financial statements of the Parent Company and of other companies used to prepare the Interim Statement as at 31 March 2016 refer to the same date. In certain limited cases, for subsidiaries which are not material, the latest official figures are used. Where necessary – and only in wholly marginal cases – the financial statements of consolidated companies which are drawn up using different accounting criteria are restated to be compliant with the standards used by the Group.

The financial statements of non-Eurozone companies are translated into euro by applying the spot exchange rate at period-end to assets and liabilities in the Balance sheet, and the average exchange rate for the period to Income statement captions.

The Board of Directors

Milan, 6 May 2016

Declaration of the Manager responsible for preparing the Company's financial reports

Pursuant to art. 154-bis, subsection 2 of the Italian Consolidated Law on Finance, the Manager responsible for preparing the Company's financial reports, Fabrizio Dabbene, hereby declares that the accounting information contained in this Interim Statement as at 31 March 2016 corresponds to corporate records, books and accounts.

Milan, 6 May 2016

Fabrizio Dabbene
Manager responsible for preparing
the Company's financial reports

Attachments

Reconciliation between published consolidated financial statements and adjusted consolidated financial statements

Reconciliation between published consolidated balance sheet as at 31 December 2015 and adjusted consolidated balance sheet as at 31 December 2015

Reconciliation between the consolidated income statement as at 31 March 2015 and the adjusted consolidated income statement as at 31 March 2015

Reconciliation between adjusted/published consolidated financial statements and restated consolidated financial statements

Reconciliation between published consolidated balance sheet as at 31 December 2015 and restated consolidated balance sheet as at 31 December 2015

Reconciliation between adjusted consolidated income statement as at 31 March 2015 and the restated consolidated income statement as at 31 March 2015

Restated consolidated financial statements

Restated consolidated balance sheet

Restated consolidated income statement

Reconciliation between restated consolidated financial statements and reclassified consolidated financial statements

Reconciliation between consolidated balance sheet and reclassified consolidated balance sheet

Reconciliation between restated consolidated income statement and reclassified consolidated income statement

Reconciliation between published consolidated financial statements and adjusted consolidated financial statements

Reconciliation between published consolidated balance sheet as at 31 December 2015 and adjusted consolidated balance sheet as at 31 December 2015

The published consolidated balance sheet as at 31 December 2015 did not require any adjustments.

Reconciliation between the consolidated income statement as at 31 March 2015 and the adjusted consolidated income statement as at 31 March 2015

(millions of euro)

	31.03.2015	Effects of IFRS 5 application (a)	Effects of the reclassification of bank resolution funds (b)	31.03.2015 Adjusted
10. Interest and similar income	3,449	3	-	3,452
20. Interest and similar expense	-1,364	-3	-	-1,367
30. Interest margin	**2,085**	**-**	**-**	**2,085**
40. Fee and commission income	2,140	2	-	2,142
50. Fee and commission expense	-405	-	-	-405
60. Net fee and commission income	**1,735**	**2**	**-**	**1,737**
70. Dividend and similar income	27	-	-	27
80. Profits (Losses) on trading	256	-6	-	250
90. Fair value adjustments in hedge accounting	-79	-	-	-79
100. Profits (Losses) on disposal or repurchase of	999	-	-	999
a) loans	*12*	-	-	*12*
b) financial assets available for sale	*1,014*	-	-	*1,014*
c) investments held to maturity	-	-	-	-
d) financial liabilities	*-27*	-	-	*-27*
110. Profits (Losses) on financial assets and liabilities designated at fair value	575	-	-	575
120. Net interest and other banking income	**5,598**	**-4**	**-**	**5,594**
130. Net losses / recoveries on impairment	-623	-9	-	-632
a) loans	*-664*	*-9*	-	*-673*
b) financial assets available for sale	*-7*	-	-	*-7*
c) investments held to maturity	*-1*	-	-	*-1*
d) other financial activities	*49*	-	-	*49*
140. Net income from banking activities	**4,975**	**-13**	**-**	**4,962**
150. Net insurance premiums	3,175	-	-	3,175
160. Other net insurance income (expense)	-4,168	-	-	-4,168
170. Net income from banking and insurance activities	**3,982**	**-13**	**-**	**3,969**
180. Administrative expenses	-2,124	-5	-72	-2,201
a) personnel expenses	*-1,309*	*-3*	-	*-1,312*
b) other administrative expenses	*-815*	*-2*	*-72*	*-889*
190. Net provisions for risks and charges	-126	-	72	-54
200. Net adjustments to / recoveries on property and equipment	-80	-1	-	-81
210. Net adjustments to / recoveries on intangible assets	-131	-	-	-131
220. Other operating expenses (income)	161	-	-	161
230. Operating expenses	**-2,300**	**-6**	**-**	**-2,306**
240. Profits (Losses) on investments in associates and companies subject to joint control	55	-	-	55
250. Valuation differences on property, equipment and intangible assets measured at fair value	-	-	-	-
260. Goodwill impairment	-	-	-	-
270. Profits (Losses) on disposal of investments	-	-	-	-
280. Income (Loss) before tax from continuing operations	**1,737**	**-19**	**-**	**1,718**
290. Taxes on income from continuing operations	-631	-	-	-631
300. Income (Loss) after tax from continuing operations	**1,106**	**-19**	**-**	**1,087**
310. Income (Loss) after tax from discontinued operations	-19	19	-	-
320. Net income (loss)	**1,087**	**-**	**-**	**1,087**
330. Minority interests	-23	-	-	-23
340. Parent Company's net income (loss)	**1,064**	**-**	**-**	**1,064**

[a] Income statement figures as at 31 March 2015 of the Ukrainian subsidiary Pravex Bank, the sale agreement of which was terminated in the first half of 2015.

[b] Reclassification of contributions to the bank resolution funds as required by the Communication of the Bank of Italy dated 19 January 2016

Reconciliation between adjusted/published consolidated financial statements and restated consolidated financial statements

Reconciliation between published consolidated balance sheet as at 31 December 2015 and restated consolidated balance sheet as at 31 December 2015

The published consolidated balance sheet as at 31 December 2015 did not require any restatement.

Reconciliation between adjusted consolidated income statement as at 31 March 2015 and the restated consolidated income statement as at 31 March 2015

(millions of euro)

	31.03.2015 Adjusted	**Changes in the scope of consolidation** Risanamento Group consolidation (a)	**31.03.2015** Restated
10. Interest and similar income	3,452	-	3,452
20. Interest and similar expense	-1,367	-5	-1,372
30. Interest margin	**2,085**	**-5**	**2,080**
40. Fee and commission income	2,142	-	2,142
50. Fee and commission expense	-405	-1	-406
60. Net fee and commission income	**1,737**	**-1**	**1,736**
70. Dividend and similar income	27	-	27
80. Profits (Losses) on trading	250	-	250
90. Fair value adjustments in hedge accounting	-79	-	-79
100. Profits (Losses) on disposal or repurchase of	999	-	999
a) loans	*12*	-	*12*
b) financial assets available for sale	*1,014*	-	*1,014*
c) investments held to maturity	-	-	-
d) financial liabilities	*-27*	-	*-27*
110. Profits (Losses) on financial assets and liabilities designated at fair value	575	-	575
120. Net interest and other banking income	**5,594**	**-6**	**5,588**
130. Net losses / recoveries on impairment	-632	-	-632
a) loans	*-673*	-	*-673*
b) financial assets available for sale	*-7*	-	*-7*
c) investments held to maturity	*-1*	-	*-1*
d) other financial activities	*49*	-	*49*
140. Net income from banking activities	**4,962**	**-6**	**4,956**
150. Net insurance premiums	3,175	-	3,175
160. Other net insurance income (expense)	-4,168	-	-4,168
170. Net income from banking and insurance activities	**3,969**	**-6**	**3,963**
180. Administrative expenses	-2,201	-5	-2,206
a) personnel expenses	*-1,312*	*-2*	*-1,314*
b) other administrative expenses	*-889*	*-3*	*-892*
190. Net provisions for risks and charges	-54	-	-54
200. Net adjustments to / recoveries on property and equipment	-81	-1	-82
210. Net adjustments to / recoveries on intangible assets	-131	-	-131
220. Other operating expenses (income)	161	4	165
230. Operating expenses	**-2,306**	**-2**	**-2,308**
240. Profits (Losses) on investments in associates and companies subject to joint control	55	11	66
250. Valuation differences on property, equipment and intangible assets measured at fair value	-	-	-
260. Goodwill impairment	-	-	-
270. Profits (Losses) on disposal of investments	-	-	-
280. Income (Loss) before tax from continuing operations	**1,718**	**3**	**1,721**
290. Taxes on income from continuing operations	-631	-1	-632
300. Income (Loss) after tax from continuing operations	**1,087**	**2**	**1,089**
310. Income (Loss) after tax from discontinued operations	-	-	-
320. Net income (loss)	**1,087**	**2**	**1,089**
330. Minority interests	-23	-2	-25
340. Parent Company's net income (loss)	**1,064**	**-**	**1,064**

[a] Income statement figures as at 31 March 2015 of the line-by-lne consolidation of the Risanamento Group instead of the previous consolidation at equity

Restated consolidated financial statements

Restated consolidated balance sheet

The consolidated balance sheet was not restated.

Restated consolidated income statement

(millions of euro)

	31.03.2016	31.03.2015 Restated	Changes amount	Changes %
10. Interest and similar income	3,293	3,452	-159	-4.6
20. Interest and similar expense	-1,105	-1,372	-267	-19.5
30. Interest margin	**2,188**	**2,080**	**108**	**5.2**
40. Fee and commission income	1,934	2,142	-208	-9.7
50. Fee and commission expense	-350	-406	-56	-13.8
60. Net fee and commission income	**1,584**	**1,736**	**-152**	**-8.8**
70. Dividend and similar income	47	27	20	74.1
80. Profits (Losses) on trading	60	250	-190	-76.0
90. Fair value adjustments in hedge accounting	-39	-79	-40	-50.6
100. Profits (Losses) on disposal or repurchase of	445	999	-554	-55.5
a) loans	*6*	*12*	*-6*	*-50.0*
b) financial assets available for sale	*425*	*1,014*	*-589*	*-58.1*
c) investments held to maturity	-	-	-	
d) financial liabilities	*14*	*-27*	*41*	
110. Profits (Losses) on financial assets and liabilities designated at fair value	161	575	-414	-72.0
120. Net interest and other banking income	**4,446**	**5,588**	**-1,142**	**-20.4**
130. Net losses / recoveries on impairment	-555	-632	-77	-12.2
a) loans	*-556*	*-673*	*-117*	*-17.4*
b) financial assets available for sale	*-31*	*-7*	*24*	
c) investments held to maturity	-	*-1*	*-1*	
d) other financial activities	*32*	*49*	*-17*	*-34.7*
140. Net income from banking activities	**3,891**	**4,956**	**-1,065**	**-21.5**
150. Net insurance premiums	3,098	3,175	-77	-2.4
160. Other net insurance income (expense)	-3,526	-4,168	-642	-15.4
170. Net income from banking and insurance activities	**3,463**	**3,963**	**-500**	**-12.6**
180. Administrative expenses	-2,238	-2,206	32	1.5
a) personnel expenses	*-1,306*	*-1,314*	*-8*	*-0.6*
b) other administrative expenses	*-932*	*-892*	*40*	*4.5*
190. Net provisions for risks and charges	-16	-54	-38	-70.4
200. Net adjustments to / recoveries on property and equipment	-86	-82	4	4.9
210. Net adjustments to / recoveries on intangible assets	-136	-131	5	3.8
220. Other operating expenses (income)	172	165	7	4.2
230. Operating expenses	**-2,304**	**-2,308**	**-4**	**-0.2**
240. Profits (Losses) on investments in associates and companies subject to joint control	61	66	-5	-7.6
250. Valuation differences on property, equipment and intangible assets measured at fair value	-	-	-	
260. Goodwill impairment	-	-	-	
270. Profits (Losses) on disposal of investments	6	-	6	
280. Income (Loss) before tax from continuing operations	**1,226**	**1,721**	**-495**	**-28.8**
290. Taxes on income from continuing operations	-379	-632	-253	**-40.0**
300. Income (Loss) after tax from continuing operations	**847**	**1,089**	**-242**	**-22.2**
310. Income (Loss) after tax from discontinued operations	-1	-	1	
320. Net income (loss)	**846**	**1,089**	**-243**	**-22.3**
330. Minority interests	-40	-25	15	60.0
340. Parent Company's net income (loss)	**806**	**1,064**	**-258**	**-24.2**

Reconciliation between restated consolidated financial statements and reclassified consolidated financial statements

Reconciliation between consolidated balance sheet and reclassified consolidated balance sheet

(millions of euro)

Captions of the reclassified consolidated balance sheet - Assets	Captions of the consolidated balance sheet - Assets	31.03.2016	31.12.2015
Financial assets held for trading		54,786	51,597
	Caption 20 - Financial assets held for trading	*54,786*	*51,597*
Financial assets designated at fair value through profit and loss		54,480	53,663
	Caption 30 - Financial assets designated at fair value through profit and loss	*54,480*	*53,663*
Financial assets available for sale		142,884	131,402
	Caption 40 - Financial assets available for sale	*142,884*	*131,402*
Investments held to maturity		1,317	1,386
	Caption 50 - Investments held to maturity	*1,317*	*1,386*
Due from banks		33,540	34,445
	Caption 60 - Due from banks	*33,540*	*34,445*
Loans to customers		361,035	350,010
	Caption 70 - Loans to customers	*361,035*	*350,010*
Investments in associates and companies subject to joint control		1,754	1,727
	Caption 100 - Investments in associates and companies subject to joint control	*1,754*	*1,727*
Property, equipment and intangible assets		12,139	12,562
	Caption 120 - Property and equipment	*5,010*	*5,367*
	+ Caption 130 - Intangible assets	*7,129*	*7,195*
Tax assets		14,597	15,021
	Caption 140 - Tax assets	*14,597*	*15,021*
Non-current assets held for sale and discontinued operations		304	27
	Caption 150 - Non-current assets held for sale and discontinued operations	*304*	*27*
Other assets		23,390	24,656
	Caption 10 - Cash and cash equivalents	*6,259*	*9,344*
	+ Caption 160 - Other assets	*8,811*	*8,121*
	+ Caption 110 - Technical insurance reserves reassured with third parties	*22*	*22*
	+ Caption 80 - Hedging derivatives	*7,669*	*7,059*
	+ Caption 90 - Fair value change of financial assets in hedged portfolios	*629*	*110*
Total Assets	**Total Assets**	**700,226**	**676,496**

Captions of the reclassified consolidated balance sheet Liabilities and Shareholders' Equity	Captions of the consolidated balance sheet - Liabilities and Shareholders' Equity	31.03.2016	31.12.2015
Due to banks		60,343	59,327
	Caption 10 - Due to banks	*60,343*	*59,327*
Due to customers and securities issued		373,170	365,402
	Caption 20 - Due to customers	*261,605*	*255,258*
	+ Caption 30 - Securities issued	*111,565*	*110,144*
Financial liabilities held for trading		48,936	43,522
	Caption 40 - Financial liabilities held for trading	*48,936*	*43,522*
Financial liabilities designated at fair value through profit and loss		48,031	47,022
	Caption 50 - Financial liabilities designated at fair value through profit and loss	*48,031*	*47,022*
Tax liabilities		2,580	2,367
	Caption 80 - Tax liabilities	*2,580*	*2,367*
Liabilities associated with non-current assets held for sale and discontinued operations		283	-
	Caption 90 - Liabilities associated with non-current assets held for sale and discontinued operations	*283*	*-*
Other liabilities		25,145	20,814
	Caption 100 - Other liabilities	*13,841*	*11,566*
	+ Caption 60 - Hedging derivatives	*10,263*	*8,234*
	+ Caption 70 - Fair value change of financial liabilities in hedged portfolios	*1,041*	*1,014*
Technical reserves		86,664	84,616
	Caption 130 - Technical reserves	*86,664*	*84,616*
Allowances for specific purpose		4,796	4,833
	Caption 110 - Employee termination indemnities	*1,423*	*1,353*
	Caption 120 - Allowances for risks and charges	*3,373*	*3,480*
Share capital		8,732	8,732
	Caption 190 - Share capital	*8,732*	*8,732*
Reserves (net of treasury shares)		39,184	36,446
	Caption 170 - Reserves	*11,906*	*9,167*
	Caption 180 - Share premium reserve	*27,349*	*27,349*
	– Caption 200 - Treasury shares	*-71*	*-70*
Valuation reserves		-1,387	-1,018
	Caption 140 - Valuation reserves	*-1,387*	*-1,018*
Equity instruments		2,118	877
	Caption 160 - Equity instruments	*2,118*	*877*
Minority interests		825	817
	Caption 210 - Minority interests	*825*	*817*
Net income (loss)		806	2,739
	Caption 220 - Net income (loss)	*806*	*2,739*
Total Liabilities and Shareholders' Equity	**Total Liabilities and Shareholders' Equity**	**700,226**	**676,496**

Reconciliation between restated consolidated income statement and reclassified consolidated income statement

(millions of euro)

Captions of the reclassified consolidated income statement	Captions of the consolidated income statement	31.03.2016	31.03.2015 Restated
Net interest income		**1,881**	**1,971**
	Caption 30 - Interest margin	*2,188*	*2,080*
	- Caption 30 (partial) - Contribution of insurance business	*-471*	*-485*
	- Caption 30 (partial) - Interest margin (Effect of purchase price allocation)	*3*	*1*
	+ Caption 80 (partial) - Components of the profits (losses) on trading relating to net interest	*-1*	*231*
	+ Caption 100 a) (partial) - Components of the profits (losses) on disposal of loans relating to net interest income	*-*	*-*
	+ Caption 130 a) (partial) - Net losses/recoveries on impairment of loans (Time value loans)	*176*	*155*
	+ Caption 180 a) (partial) - Personnel expenses (Time value employee termination indemnities and other)	*-14*	*-11*
	+ Caption 190 (partial) - Net provisions for risks and charges (Time value allowances for risks and charges)	*-*	*-*
Profits (losses) on investments in associates and companies subject to joint control (carried at equity)		**74**	**39**
	Caption 70 - Dividend and similar income	*47*	*27*
	- Caption 70 (partial) - Contribution of insurance business	*-42*	*-22*
	- Caption 70 (partial) - Dividend and similar income on shares available for sale and held for trading	*-5*	*-5*
	+ Caption 240 (partial) - Profits (Losses) on investments in associates and companies subject to joint control (carried at equity)	*74*	*39*
Net fee and commission income		**1,713**	**1,813**
	Caption 60 - Net fee and commission income	*1,584*	*1,736*
	- Caption 60 (partial) - Contribution of insurance business	*135*	*81*
	+ Caption 180 b) (partial) - Other administrative expenses (Recovery of other expenses)	*-6*	*-4*
	+ Caption 80 (partial) - Components of the profits (losses) on trading relating to net fee and commission interest	*-*	*-*
Profits (Losses) on trading		**228**	**596**
	Caption 80 - Profits (Losses) on trading	*60*	*250*
	+ Caption 90 - Fair value adjustments in hedge accounting	*-39*	*-79*
	+ Caption 100 b) - Profits (Losses) on disposal or repurchase of financial assets available for sale	*425*	*1,014*
	+ Caption 100 d) - Profits (Losses) on disposal or repurchase of financial liabilities	*14*	*-27*
	+ Caption 110 - Profits (Losses) on financial assets and liabilities designated at fair value	*161*	*575*
	+ Caption 70 (partial) - Dividend and similar income on shares available for sale and held for trading	*5*	*5*
	- Caption 80 (partial) - Components of the profits (losses) on trading relating to net interest	*1*	*-231*
	- Caption 80 (partial) - Components of the profits (losses) on trading relating to net fee and commission interest	*-*	*-*
	- Caption 80 (partial) - Contribution of insurance business	*-399*	*-911*
Income from insurance business		**332**	**343**
	Caption 150 - Net insurance premiums	*3,098*	*3,175*
	+ Caption 160 - Other net insurance income (expense)	*-3,526*	*-4,168*
	+ Caption 30 (partial) - Contribution of insurance business	*471*	*485*
	+ Caption 60 (partial) - Contribution of insurance business	*-135*	*-81*
	+ Caption 70 (partial) - Contribution of insurance business	*42*	*22*
	+ Caption 80 (partial) - Contribution of insurance business	*399*	*911*
	- Caption 160 (partial) - Other net insurance income (expense) - changes in technical reserves due to impairment of securities AFS	*-17*	*-1*
Other operating income (expenses)		**-138**	**-73**
	Caption 220 - Other operating income (expenses)	*172*	*165*
	+ Caption 180 (partial) - Other administrative expenses (Resolution fund and deposit guarantee scheme)	*-143*	*-72*
	- Caption 220 (partial) - Other operating income (expenses) (Recovery of expenses)	*-2*	*-1*
	- Caption 220 (partial) - Other operating income (expenses) (Recovery of indirect taxes)	*-169*	*-166*
	- Caption 220 (partial) - Other operating income (expenses) (Impairment losses on repurchased property and equipment)	*6*	*2*
	- Caption 220 (partial) - Other operating income (expenses) (Profits (losses) on disposal of repurchased property and equipment)	*-2*	*-1*
Operating income		**4,090**	**4,689**
Personnel expenses		**-1,283**	**-1,302**
	Caption 180 a) - Personnel expenses	*-1,306*	*-1,314*
	- Caption 180 a) (partial) - Personnel expenses (Charges for integration and exit incentives)	*9*	*1*
	- Caption 180 a) (partial) - Personnel expenses (Time value employee termination indemnities and other)	*14*	*11*
Administrative expenses		**-605**	**-641**
	Caption 180 b) - Other administrative expenses	*-932*	*-892*
	- Caption 180 b) (partial) - Other administrative expenses (Charges for integration)	*7*	*8*
	- Caption 180 b) (partial) - Other administrative expenses (Resolution fund and deposit guarantee scheme)	*143*	*72*
	+ Caption 180 b) (partial) - Other administrative expenses (Recovery of other expenses)	*6*	*4*
	+ Caption 220 (partial) - Other operating income (expenses) (Recovery of indirect taxes)	*169*	*166*
	+ Caption 220 (partial) - Other operating income (expenses) (Recovery of expenses)	*2*	*1*
Adjustments to property, equipment and intangible assets		**-179**	**-175**
	Caption 200 - Net adjustments to/recoveries on property and equipment	*-86*	*-82*
	+ Caption 210 - Net adjustments to/recoveries on intangible assets	*-136*	*-131*
	- Caption 210 (partial) - Net adjustments to/recoveries on intangible assets (Charges for integration)	*3*	*-*
	- Caption 200 (partial) - Net adjustments to/recoveries on property and equipment (Impairment)	*4*	*-*
	- Caption 210 (partial) - Net adjustments to/recoveries on intangible assets (Impairment)	*-1*	*-*
	- Caption 210 (partial) - Net adjustments to/recoveries on intangible assets (Impairment - Intangible assets)	*-*	*-*
	- Caption 200 (partial) - Net adjustments to/recoveries on property and equipment (Effect of purchase price allocation)	*-2*	*-5*
	- Caption 210 (partial) - Net adjustments to/recoveries on intangible assets (Effect of purchase price allocation)	*39*	*43*
Operating costs		**-2,067**	**-2,118**
Operating margin		**2,023**	**2,571**

(millions of euro)

Captions of the reclassified consolidated income statement	Captions of the consolidated income statement	31.03.2016	31.03.2015 Restated
Operating margin		**2,023**	**2,571**
Net provisions for risks and charges		**-16**	**-54**
	Caption 190 - Net provisions for risks and charges	*-16*	*-54*
	- Caption 190 (partial) - Net provisions for risks and charges (Time value allowances for risks and charges)	-	-
	- Caption 190 (partial) - Net provisions for risks and charges (tax charges)	-	-
Net adjustments to loans		**-694**	**-767**
	Caption 100 a) - Profits (Losses) on disposal or repurchase of loans	*6*	*12*
	+ Caption 130 a) - Net losses/recoveries on impairment of loans	*-556*	*-673*
	- Caption 130 a) (partial) - Net losses/recoveries on impairment of loans (Time value loans)	*-176*	*-155*
	+ Caption 130 d) - Net losses/recoveries on impairment of other financial activities	*32*	*49*
	- Caption 100 a) (partial) - Components of the profits (losses) on disposal of loans relating to net interest income	-	-
	- Caption 100 a) (partial) - Profits (Losses) on disposal or repurchase of loans (Effect of purchase price allocation)	-	-
Net impairment losses on other assets		**-20**	**-9**
	+ Caption 130 b) - Net losses/recoveries on impairment of financial assets available for sale	*-31*	*-7*
	+ Caption 130 c) - Net losses/recoveries on impairment of investments held to maturity	-	*-1*
	+ Caption 160 (partial) - Other net insurance income (expense) - changes in technical reserves due to impairment of securities AFS	*17*	*1*
	+ Caption 200 (partial) - Net adjustments to/recoveries on property and equipment (Impairment)	*-4*	-
	- Caption 200 (partial) - Net adjustments to/recoveries on property and equipment (Impairment - Effect of purchase price allocation)	*3*	-
	+ Caption 210 (partial) - Net adjustments to/recoveries on intangible assets (Impairment)	*1*	-
	+ Caption 220 (partial) - Other operating income (expenses) (Impairment losses on repurchased property and equipment)	*-6*	*-2*
Profits (Losses) on investments held to maturity and on other investments		**-5**	**28**
	Caption 100 c) - Profits (Losses) on disposal or repurchase of investments held to maturity	-	-
	+ Caption 220 (partial) Other operating income (expenses) (Profits (losses) on disposal of repurchased property and equipment)	*2*	*1*
	+ Caption 240 - Profits (Losses) on investments in associates and companies subject to joint control	*61*	*66*
	- Caption 240 (partial) - Profits (Losses) on investments in associates and companies subject to joint control (carried at equity)	*-74*	*-39*
	+ Caption 270 - Profits (Losses) on disposal of investments	*6*	-
	- Caption 270 (partial) - Profits (Losses) on disposal of investments (Effect of purchase price allocation)	-	-
Income (Loss) before tax from continuing operations		**1,288**	**1,769**
Taxes on income from continuing operations		**-399**	**-648**
	Caption 290 - Taxes on income from continuing operations	*-379*	*-632*
	+ Caption 190 (partial) - Net provisions for risks and charges (tax charges)	-	-
	- Caption 290 (partial) - Taxes on income from continuing operations (Goodwill impairment)	-	-
	- Caption 290 (partial) - Taxes on income from continuing operations (Charges for integration)	*-6*	*-3*
	- Caption 290 (partial) - Taxes on income from continuing operations (Effect of purchase price allocation)	*-14*	*-13*
Charges (net of tax) for integration and exit incentives		**-13**	**-6**
	+ Caption 180 a) (partial) - Personnel expenses (Charges for integration and exit incentives)	*-9*	*-1*
	+ Caption 180 b) (partial) - Other administrative expenses (Charges for integration)	*-7*	*-8*
	+ Caption 210 (partial) - Net adjustments to/recoveries on intangible assets (Charges for integration)	*-3*	-
	+ Caption 290 (partial) - Taxes on income from continuing operations (Charges for integration)	*6*	*3*
Effect of purchase price allocation (net of tax)		**-29**	**-26**
	+ Caption 30 (partial) - Interest margin (Effect of purchase price allocation)	*-3*	*-1*
	+ Caption 200 (partial) - Net adjustments to/recoveries on property and equipment (Effect of purchase price allocation)	*2*	*5*
	- Caption 200 (partial) - Net adjustments to/recoveries on property and equipment (Impairment - Effect of purchase price allocation)	*-3*	-
	+ Caption 210 (partial) - Net adjustments to/recoveries on intangible assets (Effect of purchase price allocation)	*-39*	*-43*
	+ Caption 100 a) (partial) - Profits (Losses) on disposal or repurchase of loans (Effect of purchase price allocation)	-	-
	+ Caption 270 (partial) - Profits (Losses) on disposal of investments (Effect of purchase price allocation)	-	-
	+ Caption 290 (partial) - Taxes on income from continuing operations (Effect of purchase price allocation)	*14*	*13*
Impairment (net of tax) of goodwill and other intangible assets		**-**	**-**
	Caption 260 - Goodwill impairment	-	-
	+ Caption 210 (partial) - Net adjustments to/recoveries on intangible assets (Impairment - Intangible assets)	-	-
	+ Caption 290 (partial) - Taxes on income from continuing operations (Goodwill impairment)	-	-
Income (Loss) after tax from discontinued operations		**-1**	**-**
	Caption 310 - Income (Loss) after tax from discontinued operations	*-1*	-
Minority interests		**-40**	**-25**
	Caption 330 - Minority interests	*-40*	*-25*
Net income (loss)	**Caption 340 - Parent Company's net income (loss)**	**806**	**1,064**

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Financial calendar

Approval of the half-yearly report as at 30 June 2016:	2 August 2016
Approval of the Interim Statement as at 30 September 2016:	4 November 2016

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The Intesa Sanpaolo skyscraper.
Innovation and reinvention in the Bank and the city.

Designed to bring together the central offices and the main management departments of the Bank in a single location, the Intesa Sanpaolo skyscraper is a new meeting point in the city of Turin. Built in a strategic position, at the edge of the city centre in a high traffic area, the building is an original example of "relational architecture". Designed by Renzo Piano Building Workshop and constructed by the most qualified Italian companies at the global level, the skyscraper embodies the values of growth, architectural innovation, social and environmental sustainability and integration between workspaces and areas open to the public. The base and the top of the building have areas that can be accessed by the public, such as the Auditorium and the bioclimatic greenhouse with a restaurant, an exhibition room and a panoramic café. These spaces make the skyscraper a public attraction, contribute to integrating the building in the social fabric of the city, and consolidate the historic bond between the Bank and the territory, which has been innovating and reinventing itself since 1563.

166.26 *m high*

7,000 *m² basement surface area*

38 *floors above ground (27 devoted to offices)*

1,600 *m² photovoltaic panels*

15,000 *m³ greenhouse*

175 *new trees to redevelop the "Grosa" public garden*

364 *seats in the multi-purpose Auditorium*

49 *children cared for in the company crèche*

500 *workers and technicians employed to construct the tower*

30 *specialist studios involved in the planning phases*

35 *young graduates involved at the worksite*

LEED PLATINUM

ENVIRONMENTAL CERTIFICATION

Thanks also to the "double skin" facade, the use of geothermal energy and the LED lighting system, the skyscraper manages, controls and optimises its overall energy consumption. For this reason it was the first tall building in Europe to be awarded LEED (Leadership in Energy & Environmental Design) Platinum, the highest level of certification awarded by the Green Building Council, the most authoritative international body for the environmental assessment of buildings.

Cover: ***Intesa Sanpaolo skyscraper Turin*** *- Bioclimatic greenhouse - detail*
Photos: ***Enrico Cano, Andrea Cappello, Fabio Polosa***