INTESA SANPAOLO

PRESS RELEASE

INTESA SANPAOLO: CONSOLIDATED RESULTS AS AT 31 MARCH 2017

NET INCOME FOR Q1 2017 WAS €901 MILLION, ABOVE THE QUARTERLY QUOTA OF THE €3.4 BILLION CASH DIVIDEND COMMITMENT FOR 2017. EXCLUDING CONTRIBUTIONS AND OTHER CHARGES CONCERNING THE BANKING INDUSTRY, NET INCOME WAS €1,183 MILLION.

AROUND €800 MILLION NET CAPITAL GAIN FROM THE SALE OF ALLFUNDS, WHICH WAS SIGNED IN Q1, IS TO BE BOOKED IN H2 2017.

Q1 2017 RESULTS REFLECT THE STRENGTHS OF INTESA SANPAOLO'S UNIQUE BUSINESS MODEL: REVENUE GENERATION ENHANCED BY FEE GROWTH, AND BEST-IN-CLASS EFFICIENCY.

OPERATING PERFORMANCE IMPROVED: UP 18.4% ON Q4 2016 AND UP 1.5% ON Q1 2016. ASSETS UNDER MANAGEMENT REBOUNDED STRONGLY (UP €6 BILLION IN THE QUARTER).

THE CAPITAL BASE WAS STRONG AND WELL ABOVE REGULATORY REQUIREMENTS, EVEN UNDER THE ADVERSE SCENARIO OF THE STRESS TEST. PRO-FORMA FULLY LOADED COMMON EQUITY RATIO WAS 12.9%, NET OF DIVIDENDS ACCRUED IN THE QUARTER.

THE CREDIT QUALITY TREND IMPROVED: THE PAST 18 MONTHS RECORDED A €7.5 BILLION GROSS NPL STOCK REDUCTION, WHICH WAS ACHIEVED AT NO EXTRAORDINARY COST TO SHAREHOLDERS, AND IN Q1 2017 GROSS NPL INFLOW FROM PERFORMING LOANS WAS AT ITS LOWEST SINCE THE CREATION OF INTESA SANPAOLO.

INTESA SANPAOLO CONTINUES TO OPERATE AS AN ACCELERATOR FOR GROWTH IN THE REAL ECONOMY IN ITALY. IN Q1 2017, MEDIUM/LONG-TERM NEW LENDING GRANTED BY THE GROUP TO ITALIAN HOUSEHOLDS AND BUSINESSES AMOUNTED TO AROUND €12.5 BILLION (UP 22% ON Q1 2016). IN Q1 2017, THE BANK FACILITATED THE RETURN TO PERFORMING STATUS OF ABOUT 5,000 COMPANIES – BRINGING THE TOTAL TO OVER 57,000 SINCE 2014.

- **NET INCOME ACCELERATING:**
  - **€901M IN Q1 2017 VS €776M IN Q4 2016 AND €806M IN Q1 2016**
  - **€1,183M IN Q1 2017 VS €1,153M IN Q4 2016 AND €908M IN Q1 2016, EXCLUDING LEVIES AND OTHER CHARGES CONCERNING THE BANKING INDUSTRY (*)**

- **GROWING OPERATING MARGIN:**
  - **UP 18.4% ON Q4 2016**
  - **UP 1.5% ON Q1 2016**

- **INCREASING OPERATING INCOME:**
  - **UP 0.6% ON Q4 2016**
  - **UP 0.8% ON Q1 2016**

- **ASSETS UNDER MANAGEMENT REBOUNDING STRONGLY IN THE QUARTER:**
  - **STOCK UP €6BN**
  - **NET INFLOW OF €5.3BN**

- **GROSS INCOME MAKING PROGRESS, WITH LOAN ADJUSTMENTS BENEFITING FROM THE IMPROVING CREDIT QUALITY TREND:**
  - **GROSS INCOME OF €1,652M IN Q1 2017 VS €1,560M IN Q4 2016 AND €1,408M IN Q1 2016**
  - **LOAN ADJUSTMENTS OF €695M IN Q1 2017 VS €1,174M IN Q4 2016 AND €694M IN Q1 2016**

- **IMPROVING CREDIT QUALITY TREND:**
  - **DECREASING QUARTERLY NPL INFLOW FROM PERFORMING LOANS**
    - **GROSS INFLOW OF €1.2BN (AT ITS LOWEST SINCE THE CREATION OF INTESA SANPAOLO), DOWN 20% ON Q4 2016, AND NET INFLOW OF €0.7BN, DOWN 25% ON Q4 2016**
  - **DECREASING NLP STOCK**
    - **A €7.5BN GROSS REDUCTION IN THE PAST 18 MONTHS, ACHIEVED AT NO EXTRAORDINARY COST TO SHAREHOLDERS**
    - **DOWN 2% GROSS ON Q4 2016**
    - **DOWN 1.8% NET ON Q4 2016**

- **STRONG CAPITAL BASE, WELL ABOVE REGULATORY REQUIREMENTS EVEN UNDER THE ADVERSE SCENARIO OF THE STRESS TEST:**
  - **COMMON EQUITY RATIO AS AT 31 MARCH 2017, AFTER THE DEDUCTION OF AROUND €860M OF DIVIDENDS ACCRUED IN Q1 2017, OF**
    - **12.9% PRO-FORMA FULLY LOADED (1) (2)**
    - **12.5% ON A TRANSITIONAL BASIS FOR 2017 (2)**
  - **COMMON EQUITY RATIO UNDER STRESS TEST**
    - **10.2% UNDER THE ADVERSE SCENARIO FOR 2018**

(*) Contributions to the resolution fund and charges in relation to impairment losses regarding the *Atlante* fund and the National Interbank Deposit Guarantee Fund voluntary scheme.

(1) Estimated by applying the fully loaded parameters to the financial statements as at 31 March 2017, considering the total absorption of deferred tax assets (DTAs) related to goodwill realignment and loan adjustments, the expected absorption of DTAs on losses carried forward, the expected distribution of Q1 net income of insurance companies, and the effect of the Danish compromise (under which insurance investments are risk weighted instead of being deducted from capital, with a benefit of 18 basis points).

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

HIGHLIGHTS:

OPERATING INCOME:	+0.6%	€4,209M FROM €4,184M IN Q4 2016
	+0.8%	FROM €4,177M IN Q1 2016
OPERATING COSTS:	-13.1%	€2,055M FROM €2,364M IN Q4 2016
	0.0%	FROM €2,054M IN Q1 2016
OPERATING MARGIN:	+18.4%	€2,154M FROM €1,820M IN Q4 2016
	+1.5%	FROM €2,123M IN Q1 2016
GROSS INCOME:	€1,652M	FROM €1,560M IN Q4 2016;
		FROM €1,408M IN Q1 2016;
NET INCOME:	€901M	FROM €776M IN Q4 2016; FROM €806M IN Q1 2016,
	€1,183M	FROM €1,153M IN Q4 2016; FROM €908M IN Q1 2016, EXCLUDING LEVIES AND OTHER CHARGES CONCERNING THE BANKING INDUSTRY (*)
CAPITAL RATIOS:	COMMON EQUITY RATIO AFTER ACCRUED DIVIDENDS: 12.9% PRO-FORMA FULLY LOADED (3) (4); 12.5% ON A TRANSITIONAL BASIS FOR 2017 (4)	

(*) Contributions to the resolution fund and charges in relation to impairment losses regarding the *Atlante* fund and the National Interbank Deposit Guarantee Fund voluntary scheme.

(3) Estimated by applying the fully loaded parameters to the financial statements as at 31 March 2017, considering the total absorption of deferred tax assets (DTAs) related to goodwill realignment and loan adjustments, the expected absorption of DTAs on losses carried forward, the expected distribution of Q1 net income of insurance companies, and the effect of the Danish compromise (under which insurance investments are risk weighted instead of being deducted from capital, with a benefit of 18 basis points).

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

Turin - Milan, 5 May 2017 – At its meeting today, the Board of Directors of Intesa Sanpaolo approved the consolidated interim statement as at 31 March 2017 [(°)] [(5)].

The results for the first quarter of 2017 reflect **the strengths of Intesa Sanpaolo's unique business model**, which combines **revenue generation enhanced by fee growth** and **high efficiency**, with a best-in-class cost/income. In the quarter, **net income accelerated**, **operating margin increased** and **the stock of NPLs decreased further**:

- **<u>net income</u> to €901m in Q1 2017, above the quarterly quota of the €3.4bn cash dividend commitment for 2017**, versus €776m in Q4 2016 and €806m in Q1 2016. **Excluding levies and other charges concerning the banking industry**, **net income for Q1 2017 was €1,183m** versus €1,153m in Q4 2016 and €908m in Q1 2016. Levies and other charges consisted of contributions to the resolution fund and charges in relation to the impairment losses regarding both the *Atlante* fund and the National Interbank Deposit Guarantee Fund voluntary scheme. **The net capital gain of around €800m deriving from the Allfunds sale, signed in Q1 2017, is to be booked in H2 2017.**

- **<u>operating margin</u> to €2,154m** in Q1 2017, **up 18.4% on Q4 2016 and up 1.5% on Q1 2016**;

- **<u>operating income</u> to €4,209m** in Q1 2017, **up 0.6% on Q4 2016 and up 0.8% on Q1 2016**;

- **<u>net interest income</u> to €1,805m** in Q1 2017, **up 3.3% on Q4 2016 and, excluding the impact from the devaluation of the Egyptian currency, up 0.6% on Q1 2016**;

- **<u>net fee and commission income</u> to €1,855m** in Q1 2017, **up 10% on Q1 2016 as a result of the strong rebound in assets under management, which recorded a stock increase of around €6bn and a net inflow of around €5.3bn in the quarter**;

(°) In accordance with Article 65-bis and Article 82-ter of the Issuers' Regulation, effective as of 2 January 2017, Intesa Sanpaolo opted for periodical disclosure, on a voluntary basis, of financial information as at 31 March and 30 September of each financial year, in addition to the annual report and the half-yearly report. This information consists of interim statements approved by the Board of Directors, basically providing continuity with the interim statements published in the past.

(5) Methodological note on the scope of consolidation on page 22.

- **high efficiency**, highlighted by a **cost/income ratio of 48.8%** in Q1 2017 – **a figure that places Intesa Sanpaolo in the top tier of its European peers**;

- **continuous cost management**, with operating costs of €2,055m in Q1 2017, down 13.1% on Q4 2016 and in line with Q1 2016;

- **gross income making progress** to €1,652m in Q1 2017 versus €1,560m in Q4 2016 and €1,408m in Q1 2016. This figure reflects the improving credit quality trend, with loan adjustments of €695m in Q1 2017, down versus the €1,174m of Q4 2016 and in line with the €694m in Q1 2016.

- **improving credit quality trend**, due to an **effective proactive credit management approach** in an improving economic environment:
  - **inflow of new NPLs from performing loans diminished** and showed, in Q1 2017, **gross quarterly inflow at its lowest since the creation of Intesa Sanpaolo and the second lowest net inflow** after its all-time low in Q3 2016. Gross inflow was €1.2bn, down 20% from €1.5bn in Q4 2016, and net inflow was €0.7bn, down 25% from €0.9bn in Q4 2016.
  - **NPL stock decreased** marking a **€7.5bn gross reduction in the past 18 months**, **achieved at no extraordinary cost to shareholders**, and was down 2% gross and 1.8% net on December 2016;
  - specifically, **bad loan stock was down** 2.7% gross and 2.2% net on December 2016;
  - the **stock of unlikely to pay loans was down** 0.7% gross and 1.5% net on December 2016.

- **sizeable NPL coverage**:
  - **NPL cash coverage ratio of 48.7%** at the end of March 2017 versus 48.8% at year-end 2016 (average for Italian peers 46% in Q4 2016), **with a cash coverage ratio of 60.4%** at the end of March 2017 **for the bad loan component** (60.6% at year-end 2016);
  - **robust reserve buffer on performing loans** amounting to 0.5% at the end of March 2017 (the same as at year-end 2016);

- **support to the real economy**, with around **€20bn of medium/long-term new lending** in Q1 2017. **Loans** amounting to around **€12.5bn** were granted **in Italy, up 22% on Q1 2016, of which** around **€11bn was granted to households and SMEs, an increase of 20%** on Q1 2016. **In Q1 2017, the Bank facilitated the return** from non-performing **to performing status of** around **5,000 Italian companies**, bringing the total to over **57,000 since 2014**.

- **very solid capital base**, with capital ratios well above regulatory requirements, even under the adverse scenario of the stress test. As at 31 March 2017, the **pro-forma fully loaded Common Equity ratio** was **12.9%** (6)(7) – **one of the highest levels amongst major European banks** – and the phased-in Common Equity ratio was 12.5% (7), after the deduction of around €860m of dividends accrued in the quarter (assumed equal to the net income for the quarter minus the coupons accrued on the Additional Tier 1 issues). The Common Equity ratio resulting from the stress test under the adverse scenario for 2018 was 10.2%.

- **strong liquidity position and funding capability**, with **liquid assets of €156bn** and **available unencumbered liquid assets of €82bn at the end of March 2017. The Basel 3 Liquidity Coverage Ratio and Net Stable Funding Ratio requirements have already been complied with**, well ahead of the implementation timeline (2018). The Group's refinancing operations with the ECB to optimise the cost of funding and to support businesses in their investment amounted to an average of €44.8bn in Q1 2017 (an average of €33.3 in 2016). These refinancing operations consisted entirely of the TLTRO with a four-year maturity. At the end of March 2017, the Group borrowed 12bn euro under the fourth and final TLTRO II bringing its total funding to around 57bn euro, the maximum borrowing allowance under the TLTROs II, after borrowing around €36bn (end of June 2016) under the first TLTRO II – repaying in full the take-up of €27.6bn under the TLTRO I programme – around €5bn (end of September 2016) under the second TLTRO II and around €3.5bn (mid-December 2016) under the third TLTRO II.

- **several Business Plan initiatives are already under way and on track**, with the **strong involvement of the Group's people**, as illustrated below:
  - **New Growth Bank**
    - **Banca 5®**
      - the **Banca 5® "specialised" business model has been introduced in around 70% of the branches**, with 3,600 dedicated relationship managers. Revenues per client have increased from €70 to €122
      - the "**Intesa Sanpaolo Casa**" real estate project, focused on real estate sale and brokerage, is being implemented with **32 real estate agencies already opened** in the most important cities
      - **Banca ITB has been acquired** to create **the first "proximity bank" in Italy**, focused on **instant banking** through a **lean network of around 22,000 points of sale representing around 25 million potential customers**, of which around 12 million are already Banca ITB customers

(6) Estimated by applying the fully loaded parameters to the financial statements as at 31 March 2017, considering the total absorption of deferred tax assets (DTAs) related to goodwill realignment and loan adjustments, the expected absorption of DTAs on losses carried forward, the expected distribution of Q1 net income of insurance companies, and the effect of the Danish compromise (under which insurance investments are risk weighted instead of being deducted from capital, with a benefit of 18 basis points).

(7) After the deduction of accrued dividends, assumed equal to the net income for the first quarter of the year minus the coupons accrued on the Additional Tier 1 issues.

- **Multichannel Bank**
  - **new multichannel processes have been successfully launched:**
    - **around 1.7 million additional multichannel clients since the beginning of 2014, raising the total to around 6.5 million clients**
    - 4.4 million mobile Apps for smartphone/tablet have been downloaded by customers
    - Intesa Sanpaolo ranks number one in Italy in multichannel banking with around 80% of products available via multichannel platforms
    - **digitisation involves all branches, with around 100% paperless transactions for all priority products** (around 4.3 million transactions completed in Q1 2017 and more than 12.5 million since the start of the initiative)
    - **the "Online Branch" is fully operational for the "Service To Sale"**, with around 10,000 products sold in Q1 2017
    - **new digital marketing capabilities** have been built to fully exploit search engines and social media presence
    - the **new Intesa Sanpaolo digital experience** has been launched, with new internet banking site, new website and new Apps
    - **new digital channels** are being developed in **Croatia, Hungary and Egypt**
- **Private Banking**
  - **Fideuram - Intesa Sanpaolo Private Banking has been successfully operational since 1 July 2015**
  - **the Private Banking branch in London is fully up and running** and **Intesa Sanpaolo Private Bank (Suisse) is being strengthened**
  - a **first wave of new products has been launched for the entire Division** (e.g., Fideuram Private Mix, *Piano Investimento Italia* (*PIR*))
  - **a targeted service model for High Net Worth Individual clientele** has been implemented:
    - **five dedicated HNWI boutiques** have been opened
    - **new advisory services** have been launched for clients with sophisticated financial needs
  - **the advisory tool "View" has been launched in the Intesa Sanpaolo Private Banking network** with more than €4 billion of assets under advisory
  - **the new digital office for private bankers is fully up and running**
  - **advisory services are being broadened** across different client segments
- **Asset Management**
  - the digital platform has been enriched (e.g., "model portfolio" and "scenario analysis" have been added)
  - a **new product range** has been introduced into the **Banca dei Territori Division** (e.g., Eurizon Evolution Target), the **Private Banking Division** (e.g., Eurizon High Income) and the **Insurance Division**, for clients of the **Corporate and Investment Banking Division** (e.g., EF Sustainable Global Equity) and a new offer has been dedicated to **international clients** (e.g., "Best expertise") and to **SMEs** (e.g., *GP Unica Imprese*)
  - the product range has been enhanced with **moderate risk profile solutions aimed at responding to current market volatility** (e.g., Epsilon *Difesa Attiva*)
  - products have been launched allowing investors to **sustain the real economy** while capturing the evolution of the **European structured credit market** (Eurizon Easy Fund – Securitised Bond Fund)

- ▫ **PIR compliant investment solutions** (i.e. individual saving plans) have been launched aimed at sustaining Italian enterprises' long-term growth (e.g., Eurizon *Progetto Italia*)
  - ▫ the Asset Management Division is **growing in Europe** (e.g., partnership in London, new branch in Paris) **and Asia** (e.g., set up of Yicai, a Wealth Management company, in China)
  - ▫ **the Group's Asset Management activities in Eastern Europe are being integrated within Eurizon Capital**
- **Insurance**
  - ▫ **the steering** of product mix **towards capital-efficient products is making good progress** (e.g., Unit Linked products account for 72% of the new production, compared with 66% at year-end 2016)
  - ▫ a **new Unit Linked Product with capital protection** has been launched ("Exclusive Insurance")
  - ▫ **life-business products have been expanded** with the launch of *Base Sicura Tutelati*, designed for underage clients and those with disabilities, and *Vicino a Te* for minors who lost their parents in the earthquake
  - ▫ **products available to the Private Banking Division** (Fideuram Private Mix and Synthesis) have been consolidated **and a new composite product with capital protection and a new Unit Linked** ("*Selezione* Private") **providing access to 50 "best in class" external funds have been launched**
  - ▫ **the product "Giusto Mix" has been restyled** with the introduction of a **volatility reduction tool**
  - ▫ **offer diversification in P&C business** continues, with products in the healthcare sector (a new product dedicated to surgery, prevention and illnesses with "Dread Disease") and in the corporate sector (a new product dedicated to agriculture)
  - ▫ **activities for the development of a pension fund offer dedicated to company employees have been consolidated**
  - ▫ **pension fund business has been fully integrated**
  - ▫ an agreement has been signed with **Insurance broker AON** to offer specific insurance plans to corporate clients
  - ▫ the offer for **auto insurance** continues through a system which targets new customers based on the **registration of their license plates**, automatically generating commercial proposals, and through the **deployment of remote offerings for vehicle insurance products**
- **Banca 360° for corporate clients**
  - ▫ a **new Transaction Banking Group unit has been set up** and **new commercial initiatives** are ongoing
  - ▫ **a new commercial model and a product offering for SMEs have been developed**
  - ▫ the **SME Finance hub** is fully operational (new Mediocredito Italiano)
  - ▫ the **international presence of the Corporate and Investment Banking Division has been strengthened** (e.g., opening of the Washington Office, strengthening of Intesa Sanpaolo Bank Luxembourg)

- **Core Growth Bank**
  - **capturing untapped revenue potential**
    - the "**cash desk service evolution**" project is in progress with **around 2,000 branches already having cash desks closing at 1pm** and **extended hours only available for advisory**, and around **250 branches fully dedicated to advisory services**
    - the new **e-commerce portal** will continue seizing **business potential after EXPO 2015**
    - the offer aimed at **growth in lending to the private sector** has been enhanced (e.g., new innovative **"*Mutuo Up*"**)
    - a **new service model** has been introduced at **the Banca dei Territori Division**, with three specialised commercial value chains, the creation of approximately 1,200 management roles and the innovation of the SME service model
    - **new advanced analytics / machine learning models** have been adopted to identify high potential clients
    - the ***Programma Filiere*** has been launched with important initiatives in relevant economic sectors (Agriculture)
    - **consumer finance has been integrated into the branch network of the Banca dei Territori Division**
    - the **Asset Light model of the Corporate and Investment Banking Division is fully operational**, with benefits in terms of cross selling; distribution capabilities have been enhanced
    - a **front-line excellence programme** is being implemented at the Corporate and Investment Banking Division
    - a new **organisation** is in place within the Corporate and Investment Banking Division to reinforce the "industry driven" client service model and the international growth; a new **international strategy for the Corporate and Investment Banking Division** has been launched, with focus on further growth in core selected products, clients and geographies
    - **branches have been opened in Doha and Abu Dhabi**
    - a **new segmentation** and a **new service model** have been launched **for affluent clients of the International Subsidiary Banks Division**
    - the **extension of the CRM system to Slovakia** is in progress and a **new advisory model** for investment products **is being implemented** in Slovakia, Croatia, Hungary and Slovenia
    - **the integration of the subsidiary bank in Bosnia** into the Croatian subsidiary bank is underway
    - a **joint venture** in **merchant banking** with a specialised investor (Neuberger) has been finalised, with deconsolidation of activities
  - **continuous cost management**
    - the **geographical footprint simplification** continues, with **28 branch closures in Q1 2017 and 755 closures since 2014**
    - the **simplification of legal entities is ongoing**: the rationalisation of **seven product factories**, performing leasing, factoring, specialised finance and advisory activities, **into one** (new Mediocredito Italiano) **has been finalised**, and **nine local banks have been merged** into the Parent Company

- **dynamic credit and risk management**
  - the **proactive credit management value chain** has been empowered across **all Divisions**
  - **integrated management of substandard loans** is in place
  - **the Chief Lending Officer Governance area has been reorganised** and structured by business units
  - **separate Risk Management and Compliance functions are in place**, with a Chief Risk Officer and a Chief Compliance Officer **reporting directly to the CEO**

- **Capital Light Bank**
  - Capital Light Bank is **fully operational** with around **740** dedicated **people** and around **€22 billion of deleveraging of non-core assets** already achieved
  - a **new performance management system** is fully operational on each asset class
  - **Re.O.Co.** (Real Estate Owned Company) is **fully up and running**, and has generated an estimated **positive impact** for the Group of around **€55 million** since 2014
  - **the partnership with KKR-Pillarstone is fully up and running**

- **people and investments as key enablers**:
  - **around 4,500 people have already been reallocated** to high priority initiatives
  - the **Investment Plan for Group employees** has been finalised, **registering the highest number of participants** in the Group's history
  - the "**Big Financial Data**" programme is fully in line with targets (around 500 employees involved)
  - the **Chief Innovation Officer** is established in role, and the "**Innovation Centre**", created to train staff and develop new products, processes and "ideal branches", is located in the **new ISP Tower** in Turin
  - a **large-scale digitisation programme** has been launched with the aim of improving efficiency and service level in top priority operating processes; the **Digital Factory is fully operational**, with digitisation of 14 key processes launched, 11 already up and running
  - an **Advance Analytics programme** has been launched on commercial/operating initiatives in several units
  - investment to **renew the layout of 1,000 branches** has already been activated (around 90 branches have been converted up to now)
  - around **200 agreements with labour unions** have been signed
  - around 7**,000 employees** have already adopted "**smart working**" practices and a "**smart learning**" plan has been launched
  - the "**Integrated Welfare Programme**" is fully underway and has been further improved
  - the "**Lavoro Misto**" pilot programme has been launched, with two parallel contracts in place for the same person (one part-time contract as a bank employee and one as a financial advisor)

The income statement for the first quarter of 2017

The consolidated income statement for Q1 2017 [8] recorded **operating income** of €4,209m, up 0.6% from €4,184m in Q4 2016 and up 0.8% from €4,177m in Q1 2016.

As part of it, in Q1 2017 **net interest income** amounted to €1,805m, up 3.3% from €1,748m in Q4 2016 and down 2.7% from €1,855m in Q1 2016; there would be a 0.6% increase on Q1 2016 excluding the impact from the devaluation of the Egyptian currency.

Net fee and commission income amounted to €1,855m, down 8.6% from €2,030m in Q4 2016. Specifically, commissions on commercial banking activities were down 5.7% and commissions on management, dealing and consultancy activities were down 1.1%. The latter, which include portfolio management, distribution of insurance products, dealing and placement of securities, etc., recorded a 1.3% decrease in portfolio management (performance fees contributed €3m in Q1 2017 and €36m in Q4 2016), and increases of 3% in distribution of insurance products and 23.1% in dealing and placement of securities. Net fee and commission income for Q1 2017 was up 10% from €1,687m in Q1 2016. Specifically, commissions on commercial banking activities were down 1%, while those on management, dealing and consultancy activities were up 18.3% with increases of 9.3% in portfolio management (performance fees in Q1 2016 contributed €2m), 14.1% in distribution of insurance products, and 93.4% in dealing and placement of securities.

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(8) During the preparation of the interim statement at 30 September 2008, in the wake of the global financial crisis, certain amendments to international accounting standards were introduced and adopted by the European Commission. In short, in accordance with these amendments it is possible to reclassify - in specific circumstances considered to be rare - unquoted financial instruments, or no longer quoted, in an active market and no longer held for trading or available for sale: in particular, out of the category "fair value through profit and loss" into the categories "available-for-sale" or the "held-to-maturity" or "loans and receivables", and out of the category "available-for-sale" into the category "loans and receivables". The Group, largely basing on the prices at 1 July 2008, in previous years reclassified financial assets held for trading of €333m into loans and receivables; the Group also reclassified financial assets available for sale of €5,048m into loans and receivables. If these reclassifications had not been made, there would have been no impact on profits/losses on trading for Q1 2017 (while there would have been a negative impact of €9m in 2016, a positive impact of €2m in 2015, €60m in 2014, €94m in 2013 and €135m in 2012, a negative impact of €11m in 2011, a positive impact of €92m in 2010 and €73m in 2009, and a negative impact of €460m in 2008) and the shareholders' equity as at 31 March 2017 would have included a negative pre-tax direct impact of €960m (with a negative impact of €66m in Q1 2017).

Income from insurance business amounted to €283m from €166m in Q4 2016 and €332m in Q1 2016.

Profits on trading amounted to €226m from €247m in Q4 2016. Profits from customers increased from €117m to €129m. Activities in capital markets and AFS financial assets decreased from €39m to €17m. Trading and treasury activities decreased from €83m to €72m. Structured credit products were unchanged at €8m. Profits of €226m for Q1 2017 compare with profits of €228m in Q1 2016, which recorded profits from customers of €106m, profits from capital markets and AFS financial assets of €74m, profits from trading and treasury activities of €48m and losses of €1m from structured credit products.

Operating costs amounted to €2,055m, down 13.1% from the €2,364m of Q4 2016 which was impacted by the seasonal year-end effect. The reduction was attributable to decreases of 7.7% in personnel expenses, 23.8% in administrative expenses and 9.7% in adjustments. Operating costs for Q1 2017 were in line with €2,054m in Q1 2016, due to a reduction of 2.3% in administrative expenses and increases of 0.5% in personnel expenses and 4.5% in adjustments.

As a result, **operating margin** amounted to €2,154m, up 18.4% from €1,820m in Q4 2016 and up 1.5% from €2,123m in Q1 2016. The cost/income ratio was 48.8% in Q1 2017 versus 56.5% in Q4 2016 and 49.2% in Q1 2016.

Net adjustments to loans amounted to €695m from €1,174m in Q4 2016 and €694m in Q1 2016.

Net provisions and net impairment losses on other assets amounted to €3m from €105m in Q4 2016 and €46m in Q1 2016.

Other income amounted to €196m from €138m in Q4 2016 and €5m in Q1 2016. The figure for Q1 2017 included a positive impact of around €190m deriving from the fair value of the stake in Bank of Qingdao following reclassification of the equity investment, which is no longer included among companies subject to significant influence. The figure for Q4 2016 included a positive impact of €314m deriving from a transaction to realise the value of a portfolio of real-estate assets, and a negative impact of €225m deriving from a civil penalty imposed on the Bank by the New York State Department of Financial Services.

Income (loss) from discontinued operations was null, compared with the €881m of Q4 2016 (which consisted of the capital gain deriving from the sale of Setefi and Intesa Sanpaolo Card) and €20m in Q1 2016.

Gross income amounted to €1,652m from €1,560m in Q4 2016 and €1,408m in Q1 2016.

Consolidated net income for the quarter amounted to €901m from €776m in Q4 2016 and €806m in Q1 2016, after accounting:
- taxes on income of €445m;
- charges (net of tax) for integration and exit incentives of €12m;
- effect of purchase price allocation (net of tax) of €6m;
- levies and other charges concerning the banking industry (net of tax) of €282m. This derived from pre-tax charges of €150m in relation to the ordinary contribution to the resolution fund estimated for full-year 2017, €4m in relation to contributions to the deposit guarantee scheme concerning the international network and €261m in relation to impairment losses regarding the *Atlante* fund. In Q4 2016, levies and other charges amounted to €377m and derived from pre-tax charges of €316m in relation to the extraordinary contributions to the resolution fund, and €227m in relation to impairment losses regarding the *Atlante* fund and €15m in relation to those regarding the National Interbank Deposit Guarantee Fund voluntary scheme. In Q1 2016, levies and other charges amounted to €102m, deriving from pre-tax charges of €136m in relation to the contributions to the resolution fund and €7m in relation to the contributions to the deposit guarantee scheme concerning the international network.
- minority interests of €6m.

Excluding levies and other charges concerning the banking industry, net income was €1,183m in Q1 2017 from €1,153m in Q4 2016 and €908m in Q1 2016.

Balance sheet as at 31 March 2017

As regards the consolidated balance sheet figures, as at 31 March 2017 **loans to customers** amounted to €367bn, up 0.5% on year-end 2016 and up 2.3% on 31 March 2016 (up 1.8% on Q4 2016 and up 4.8% on Q1 2016 when taking into account average volumes instead of those at the end of the period). Total **non-performing loans** (bad, unlikely to pay, and past due) - net of adjustments - amounted to €29,222m, down 1.8% from €29,767m at year-end 2016. In detail, bad loans amounted to €14,568m from €14,895m at year-end 2016, with a ratio of bad loans to total loans of 4% (4.1% as at year-end 2016) and a cash coverage ratio of 60.4% (60.6% as at year-end 2016). Loans under the unlikely to pay category decreased to €14,215m from €14,435m as at year-end 2016. Past due loans amounted to €439m from €437m at year-end 2016.

Customer financial assets amounted to €865bn (net of duplications between direct deposits and indirect customer deposits), up 0.1% on year-end 2016 and up 3.9% on 31 March 2016. Under customer financial assets, **direct deposits from banking business** amounted to €384bn, down 2.5% on year-end 2016 and up 1% on 31 March 2016; **direct deposits from insurance business and technical reserves** amounted to €146bn, up 1.5% on year-end 2016 and up 7.5% on 31 March 2016. Indirect customer deposits amounted to €480bn, up 2.3% on year-end 2016 and up 6.3% on 31 March 2016. **Assets under management** reached €320bn, up 1.9% on year-end 2016 and up 7.4% on 31 March 2016. As for bancassurance, in Q1 2017 the new business for life policies amounted to €5.8bn (4.2% lower than in Q1 2016). Assets held under administration and in custody amounted to €160bn, up 3.1% on year-end 2016 and up 4.1% on 31 March 2016.

Capital ratios as at 31 March 2017, calculated by applying the transitional arrangements for 2017 and after the deduction of around €860m of dividends accrued in the first quarter, were as follows:
- Common Equity ratio (9) at 12.5% (12.7% at year-end 2016),
- Tier 1 ratio (9) at 14.1% (13.9% at year-end 2016),
- total capital ratio (9) at 17.3% (17% at year-end 2016).

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(9) After the deduction of accrued dividends, assumed equal to the net income for the first quarter of the year minus the coupons accrued on the Additional Tier 1 issues.

The estimated pro-forma common equity ratio for the Group on a **fully loaded basis** was 12.9% (the same as at year-end 2016). It was calculated by applying the fully loaded parameters to the financial statements as at 31 March 2017, considering the total absorption of deferred tax assets (DTAs) related to goodwill realignment and loan adjustments, the expected absorption of DTAs on losses carried forward, the expected distribution of Q1 net income of insurance companies, and the effect of the Danish compromise (under which insurance investments are risk weighted instead of being deducted from capital, with a benefit of 18 basis points).

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

In particular, as regards the components of the Group's **liquidity**:
- high level of available unencumbered liquid assets (including eligible assets with Central Banks received as collateral and excluding eligible assets currently used as collateral) amounted to €156bn at the end of March 2017;
- high level of liquid assets (comprising available unencumbered liquid assets, excluding eligible assets received as collateral, and eligible assets currently used as collateral) amounted to €82bn at the end of March 2017;
- refinancing operations with the ECB to optimise the cost of funding and to support businesses in their investment amounted to an average of €44.8bn in Q1 2017 (an average of €33.3bn in 2016). These refinancing operations consisted entirely of the TLTRO with a four-year maturity. At the end of March 2017, the Group borrowed 12bn euro under the fourth and final TLTRO II bringing its total funding to around 57bn euro, the maximum borrowing allowance under the TLTROs II, after borrowing around €36bn (end of June 2016) under the first TLTRO II – repaying in full the take-up of €27.6bn under the TLTRO I programme – around €5bn (end of September 2016) under the second TLTRO II and around €3.5bn (mid-December 2016) under the third TLTRO II.
- the sources of funding were stable and well diversified, with retail funding representing 72% of direct deposits from banking business (including securities issued);
- medium/long-term funding was around €6bn in the first four months of 2017, attributable almost entirely to wholesale funding;
- medium/long-term wholesale issues in the first four months of 2017 included benchmark transactions of €1.25bn Additional Tier 1 and €2.5bn senior (around 83% placed with foreign investors).

The Group's **leverage ratio** as at 31 March 2017 was 6.4% applying the transitional arrangements for 2017 and 6.1% fully loaded, both best in class among major European banking groups.

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As at 31 March 2017, the Intesa Sanpaolo Group's **operating structure** had a total network of 5,075 branches, of which 3,937 were in Italy and 1,138 abroad, with 89,135 employees.

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Breakdown of results by business area

The **Banca dei Territori** Division comprises:

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

The division includes Banca Prossima operating at the service of non-profit entities through the Group's branches with regional centres and a team of specialists, and Mediocredito Italiano which is the SME Finance Hub.

In the first quarter of 2017, the Banca dei Territori Division recorded:

- operating income of €2,179m, contributing approximately 52% of the consolidated operating income (51% in Q1 2016), +0.5% versus €2,169m in Q4 2016 and +2.6% versus €2,123m in Q1 2016;
- operating costs of €1,185m, -7.8% versus €1,286m in Q4 2016, -1.3% versus €1,200m in Q1 2016;
- operating margin of €994m, +12.6% versus €883m in Q4 2016, +7.7% versus €923m in Q1 2016;
- a cost/income ratio of 54.4% versus 59.3% in Q4 2016 and 56.5% in Q1 2016;
- net provisions and adjustments of €413m, versus €557m in Q4 2016 and €456m in Q1 2016;
- gross income of €581m, -49.4% versus €1,148m in Q4 2016 (+79%, excluding the Setefi capital gain from Q4 2016), +19.3% versus €487m in Q1 2016;
- net income of €351m, -63.9% versus €972m in Q4 2016 (+116%, excluding the Setefi capital gain from Q4 2016), +25.8% versus €279m in Q1 2016.

The **Corporate and Investment Banking** Division includes:

- Global Corporate, which manages the relationship with corporate clients with a turnover higher than €350m and grouped, in accordance with a sector-based model, in the following 11 industries: Automotive & Mechanics, Basic Materials & Healthcare; Food & Beverage and Distribution; Retail & Luxury; Infrastructure & Real Estate Partners; Public Finance; Global EPC & Integrated Logistics; Energy & Utilities; Oil & Gas; Telecom, Media & Technology; Business Solutions
- International, which is responsible for foreign branches, representative offices and foreign subsidiaries carrying out corporate banking (Intesa Sanpaolo Bank Luxembourg, Intesa Sanpaolo Bank Ireland and Intesa Sanpaolo Brasil), and provides specialist assistance in supporting the internationalisation of Italian corporates and export development
- Financial Institutions, which is responsible for relationships with financial institutions
- Global Transaction Banking, which is responsible for management of transaction banking services
- Banca IMI, which operates in investment banking (M&A and advisory), structured finance, capital markets and primary markets (equity and debt capital market).

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

In the first quarter of 2017, the Corporate and Investment Banking Division recorded:

- operating income of €804m, contributing approximately 19% of the consolidated operating income (19% in Q1 2016 as well) -19.2% versus €995m in Q4 2016 and +3.1% versus €780m in Q1 2016;
- operating costs of €226m, -17.6% versus €274m in Q4 2016, +1.8% versus €222m in Q1 2016;
- operating margin of €578m, -19.8% versus €721m in Q4 2016, +3.6% versus €558m in Q1 2016;
- a cost/income ratio of 28.1% versus 27.5% in Q4 2016 and 28.5% in Q1 2016;
- net provisions and adjustments of €88m, versus €146m in Q4 2016 and €38m in Q1 2016;
- gross income of €490m, -16.8% versus €589m in Q4 2016, -5.8% versus €520m in Q1 2016;
- net income of €351m, -10.7% versus €393m in Q4 2016, -2.2% versus €359m in Q1 2016.

The **International Subsidiary Banks** [11] Division is responsible for operations on international markets through commercial banking subsidiaries and associates, and provides guidelines, coordination and support for the Group's subsidiaries. It is responsible for defining the Group's development strategy related to its direct presence abroad, including exploring and analysing new growth opportunities in markets where the Group already has a presence, as well as in new ones. This division also coordinates operations of international subsidiary banks and their relations with the Parent Company's head office departments and the Corporate and Investment Banking Division's branches and offices abroad. The division is in charge of the Group's operations in the following geographical areas: i) South-Eastern Europe, through Privredna Banka Zagreb in Croatia, Banca Intesa Beograd in Serbia, Intesa Sanpaolo Banka Bosna i Hercegovina in Bosnia and Herzegovina, Intesa Sanpaolo Bank Albania and Intesa Sanpaolo Bank Romania; ii) Central-Eastern Europe, through Intesa Sanpaolo Bank in Slovenia, VUB Banka in Slovakia and CIB Bank in Hungary; iii) CIS & South Mediterranean, through Banca Intesa in the Russian Federation and Bank of Alexandria in Egypt.

In the first quarter of 2017, the International Subsidiary Banks Division recorded:

- operating income of €472m, contributing approximately 11% of the consolidated operating income (12% in Q1 2016), +0.9% versus €468m in Q4 2016 and -6.2% versus €503m in Q1 2016 (+8%, excluding the impact from the Egyptian currency devaluation);
- operating costs of €224m, -8.6% versus €245m in Q4 2016, -6.3% versus €239m in Q1 2016;
- operating margin of €248m, +11.4% versus €223m in Q4 2016, -6.1% versus €264m in Q1 2016 (+12%, excluding the impact from the Egyptian currency devaluation);
- a cost/income ratio of 47.5% versus 52.4% in Q4 2016 and 47.5% in Q1 2016;
- net provisions and adjustments of €33m, versus €97m in Q4 2016 and €42m in Q1 2016;
- gross income €409m, +156.8% versus €159m in Q4 2016 (+37%, excluding the impact from the Bank of Qingdao reclassification), +80.2% versus €227m in Q1 2016 (+13%, excluding the impact from the Egyptian currency devaluation and the Bank of Qingdao reclassification);
- net income of €351m, +182.9% versus €124m in Q4 2016 (+32%, excluding the impact from the Bank of Qingdao reclassification), +105.3% versus €171m in Q1 2016 (+12%, excluding the impact from the Egyptian currency devaluation and the Bank of Qingdao reclassification).

(11) The International Subsidiary Banks Division does not include Pravex-Bank in Ukraine and the bad bank of CIB Bank in Hungary. Both are placed in a reporting line to the Capital Light Bank business unit.

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

In the first quarter of 2017, the Private Banking Division recorded:

- operating income of €464m, contributing approximately 11% of the consolidated operating income (11% in Q1 2016 as well), +3.2% versus €450m in Q4 2016 and +5.7% versus €439m in Q1 2016;
- operating costs of €129m, -9.5% versus €143m in Q4 2016, +4% versus €124m in Q1 2016;
- operating margin of €335m, +9.1% versus €307m in Q4 2016, +6.3% versus €315m in Q1 2016;
- a cost/income ratio of 27.8% versus 31.7% in Q4 2016 and 28.2% in Q1 2016;
- net provisions and adjustments of €9m, versus €3m in Q4 2016 and €6m in Q1 2016;
- gross income of €326m, +7.1% versus €304m in Q4 2016, +5.5% versus €309m in Q1 2016;
- net income of €227m, +25.3% versus €181m in Q4 2016, +17% versus €194m in Q1 2016.

The **Asset Management** Division develops asset management solutions targeted at the Group's customers, commercial networks outside the Group and the institutional clientele through Eurizon Capital. Eurizon Capital controls Eurizon Capital SA (Luxembourg), a company specialising in managing Luxembourg mutual funds with low tracking error, and VUB Asset Management (Slovakia), which heads up the Hungarian CIB IFM and the Croatian PBZ Invest (the asset management hub in Eastern Europe). Eurizon Capital also controls Epsilon Associati SGR - a company specialising in active management and, specifically, in quantitative and multi-strategy management with total-return investment aims - which is 51% owned by Eurizon Capital and 49% by Banca IMI. Eurizon Capital owns 49% of the Chinese asset management company Penghua Fund Management. Moreover, Eurizon Capital owns 20% of the Chinese wealth management company Yicai, which is 25% owned by Fideuram and 55% by the Parent Company Intesa Sanpaolo.

In the first quarter of 2017, the Asset Management Division recorded:

- operating income of €178m, contributing approximately 4% of the consolidated operating income (4% in Q1 2016 as well), -0.7% versus €179m in Q4 2016 and +20.3% versus €148m in Q1 2016,
- operating costs of €34m, -22.5% versus €44m in Q4 2016, +9.7% versus €31m in Q1 2016;
- operating margin of €144m, +6.3% versus €135m in Q4 2016, +23.1% versus €117m in Q1 2016;
- a cost/income ratio of 19.1% versus 24.5% in Q4 2016 and 20.9% in Q1 2016;
- gross income of €144m, +6% versus €136m in Q4 2016, +23.1% versus €117m in Q1 2016;
- net income of €115m, +54.4% versus €74m in Q4 2016, +27.8% versus €90m in Q1 2016.

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

In the first quarter of 2017, the Insurance Division recorded:

- operating income of €319m, contributing approximately 8% of the consolidated operating income (9% in Q1 2016), +57.6% versus €202m in Q4 2016 and -13.1% versus €367m in Q1 2016;
- operating costs of €40m, -31.4% versus €58m in Q4 2016, +8.1% versus €37m in Q1 2016;
- operating margin of €279m, +93.6% versus €144m in Q4 2016, -15.5% versus €330m in Q1 2016;
- a cost/income ratio of 12.5% versus 28.8% in Q4 2016 and 10.1% in Q1 2016;
- no net provisions and adjustments, versus net provisions and adjustments of €2m in Q4 2016 and no net provisions and adjustments in Q1 2016;
- gross income €279m, +70.6% versus €164m in Q4 2016, -15.5% versus €330m in Q1 2016;
- net income of €195m, +78% versus €110m in Q4 2016, -9.7% versus €216m in Q1 2016.

The outlook for 2017

In 2017, the Intesa Sanpaolo Group is expected to register an increase in operating margin, driven by revenue growth and continuous cost management, and in gross income with a reduction in the cost of risk. The commitment to distribute €10 billion of cumulative cash dividends in four years (2014-2017), as indicated in the Business Plan, is confirmed.

* * *

The figures of the income statement for the first three quarters of 2016 were restated and included under the captions of the new format of the reclassified income statement as shown below. This format was introduced as of Q4 2016 with the aim of improving operating performance visibility:

1. "Other operating income (expenses)" no longer includes:
   - contributions to the resolution fund and the deposit guarantee scheme, which are now included in a new caption "Levies and other charges concerning the banking industry (net of tax)" reported after "Gross Income (Loss)", which replaces the previous caption "Income (Loss) before tax from continuing operations";
   - non-recurring items of a non-operating nature like the income from the sale of VISA Europe (Q2 2016), which are now included in the new caption "Other income (expenses)" reported after "Operating margin" and comprising the previous specific caption "Profits (Losses) on investments held to maturity and on other investments" as well;
2. "Other operating income (expenses)" now includes the previous specific caption "Profits (Losses) on investments carried at equity";
3. "Net provisions and net impairment losses on other assets" is a new caption which includes the previous specific captions "Net provisions for risks and charges" and "Net impairment losses on other assets";
4. "Income (Loss) from discontinued operations" is no longer net of tax and is now reported before "Gross Income (Loss)", which replaces the previous caption "Income (Loss) before tax from continuing operations".

In addition, for consistency purpose:

- the income statement figures for the four quarters of 2016 and the balance sheet figures for the first three quarters of 2016 were restated following the acquisition of Banca ITB. The related items were consolidated line by line and the corresponding net income was included under minority interests;
- the income statement and the balance sheet figures for the first quarter of 2016 were restated following the sale of Setefi and Intesa Sanpaolo Card and that of a portfolio of performing loans of subsidiary Accedo. The related items were deconsolidated line by line: the contribution of Setefi and Intesa Sanpaolo Card to the income statement and the balance sheet was recorded under income/loss from discontinued operations and under relevant assets/liabilities referring to discontinued operations, while the contribution of Accedo's portfolio to the income statement was recorded under minority interests.

* * *

In order to present more complete information on the results generated as at 31 March 2017, the reclassified consolidated income statement and the reclassified consolidated balance sheet included in the interim statement approved by the Board of Directors are attached. Please note that the auditing firm is completing the activities for the issue of a statement in accordance with Article 26 (2) of Regulation EU no. 575/2013 and ECB Decision no. 2015/656.

* * *

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

* * *

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

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

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

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

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Intesa Sanpaolo Group

Reclassified consolidated statement of income

(millions of euro)

	31.03.2017	31.03.2016	Changes	
			amount	%
Net interest income	1,805	1,855	-50	-2.7
Net fee and commission income	1,855	1,687	168	10.0
Income from insurance business	283	332	-49	-14.8
Profits (Losses) on trading	226	228	-2	-0.9
Other operating income (expenses)	40	75	-35	-46.7
Operating income	4,209	4,177	32	0.8
Personnel expenses	-1,286	-1,279	7	0.5
Other administrative expenses	-583	-597	-14	-2.3
Adjustments to property, equipment and intangible assets	-186	-178	8	4.5
Operating costs	-2,055	-2,054	1	-
Operating margin	2,154	2,123	31	1.5
Net adjustments to loans	-695	-694	1	0.1
Net provisions and net impairment losses on other assets	-3	-46	-43	-93.5
Other income (expenses)	196	5	191	
Income (Loss) from discontinued operations	-	20	-20	
Gross income (loss)	1,652	1,408	244	17.3
Taxes on income	-445	-432	13	3.0
Charges (net of tax) for integration and exit incentives	-12	-13	-1	-7.7
Effect of purchase price allocation (net of tax)	-6	-29	-23	-79.3
Levies and other charges concerning the banking industry (net of tax)	-282	-102	180	
Impairment (net of tax) of goodwill and other intangible assets	-	-	-	-
Minority interests	-6	-26	-20	-76.9
Net income (loss)	901	806	95	11.8

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

Intesa Sanpaolo Group

Quarterly development of the reclassified consolidated statement of income

(millions of euro)

	2017	2016			
	First quarter	Fourth quarter	Third quarter	Second quarter	First quarter
Net interest income	1,805	1,748	1,859	1,832	1,855
Net fee and commission income	1,855	2,030	1,756	1,858	1,687
Income from insurance business	283	166	258	239	332
Profits (Losses) on trading	226	247	248	467	228
Other operating income (expenses)	40	-7	29	68	75
Operating income	4,209	4,184	4,150	4,464	4,177
Personnel expenses	-1,286	-1,393	-1,310	-1,341	-1,279
Other administrative expenses	-583	-765	-627	-641	-597
Adjustments to property, equipment and intangible assets	-186	-206	-186	-179	-178
Operating costs	-2,055	-2,364	-2,123	-2,161	-2,054
Operating margin	2,154	1,820	2,027	2,303	2,123
Net adjustments to loans	-695	-1,174	-917	-923	-694
Net provisions and net impairment losses on other assets	-3	-105	-77	-194	-46
Other income (expenses)	196	138	16	196	5
Income (Loss) from discontinued operations	-	881	23	28	20
Gross income (loss)	1,652	1,560	1,072	1,410	1,408
Taxes on income	-445	-314	-321	-361	-432
Charges (net of tax) for integration and exit incentives	-12	-83	-16	-38	-13
Effect of purchase price allocation (net of tax)	-6	-30	-26	-27	-29
Levies and other charges concerning the banking industry (net of tax)	-282	-377	-69	-11	-102
Impairment (net of tax) of goodwill and other intangible assets	-	-	-	-	-
Minority interests	-6	20	-12	-72	-26
Net income (loss)	901	776	628	901	806

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

Intesa Sanpaolo Group

Reclassified consolidated balance sheet

(millions of euro)

Assets	31.03.2017	31.12.2016	Changes amount	%
Financial assets held for trading	44,484	43,613	871	2.0
of which: Insurance Companies	498	514	-16	-3.1
Financial assets designated at fair value through profit and loss	67,438	63,865	3,573	5.6
of which: Insurance Companies	66,330	62,743	3,587	5.7
Financial assets available for sale	150,000	146,692	3,308	2.3
of which: Insurance Companies	78,916	79,286	-370	-0.5
Investments held to maturity	1,229	1,241	-12	-1.0
Due from banks	58,897	53,146	5,751	10.8
Loans to customers	366,648	364,713	1,935	0.5
Investments in associates and companies subject to joint control	736	1,167	-431	-36.9
Property, equipment and intangible assets	12,205	12,301	-96	-0.8
Tax assets	14,343	14,444	-101	-0.7
Non-current assets held for sale and discontinued operations	431	423	8	1.9
Other assets	23,042	23,495	-453	-1.9
Total Assets	739,453	725,100	14,353	2.0

Liabilities and Shareholders' Equity	31.03.2017	31.12.2016	Changes amount	%
Due to banks	92,584	72,641	19,943	27.5
Due to customers and securities issued	377,356	386,659	-9,303	-2.4
of which: Insurance Companies	1,331	1,295	36	2.8
Financial liabilities held for trading	43,360	44,790	-1,430	-3.2
of which: Insurance Companies	78	86	-8	-9.3
Financial liabilities designated at fair value through profit and loss	60,562	57,187	3,375	5.9
of which: Insurance Companies	60,559	57,184	3,375	5.9
Tax liabilities	2,084	2,038	46	2.3
Liabilities associated with non-current assets held for sale and discontinued operations	273	272	1	0.4
Other liabilities	23,001	21,745	1,256	5.8
Technical reserves	84,405	85,619	-1,214	-1.4
Allowances for specific purpose	4,737	4,830	-93	-1.9
Share capital	8,732	8,732	-	-
Reserves	39,903	36,805	3,098	8.4
Valuation reserves	-2,159	-1,854	305	16.5
Equity instruments	3,358	2,117	1,241	58.6
Minority interests	356	408	-52	-12.7
Net income (loss)	901	3,111	-2,210	-71.0
Total Liabilities and Shareholders' Equity	739,453	725,100	14,353	2.0

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

Intesa Sanpaolo Group

Quarterly development of the reclassified consolidated balance sheet

(millions of euro)

Assets	2017	2016			
	31/3	31/12	30/9	30/6	31/3
Financial assets held for trading	44,484	43,613	50,232	52,499	54,786
of which: Insurance Companies	498	514	524	648	721
Financial assets designated at fair value through profit and loss	67,438	63,865	61,338	57,948	54,480
of which: Insurance Companies	66,330	62,743	60,187	56,908	53,358
Financial assets available for sale	150,000	146,692	146,885	152,465	142,816
of which: Insurance Companies	78,916	79,286	80,792	80,379	78,393
Investments held to maturity	1,229	1,241	1,231	1,246	1,317
Due from banks	58,897	53,146	37,528	36,879	33,540
Loans to customers	366,648	364,713	364,836	360,240	358,478
Investments in associates and companies subject to joint control	736	1,167	1,253	1,266	1,281
Property, equipment and intangible assets	12,205	12,301	12,108	12,116	12,114
Tax assets	14,343	14,444	14,163	14,398	14,583
Non-current assets held for sale and discontinued operations	431	423	906	1,100	3,671
Other assets	23,042	23,495	23,917	27,135	23,297
Total Assets	739,453	725,100	714,397	717,292	700,363

Liabilities and Shareholders' Equity	2017	2016			
	31/3	31/12	30/9	30/6	31/3
Due to banks	92,584	72,641	69,641	67,656	60,343
Due to customers and securities issued	377,356	386,659	372,372	379,643	373,224
of which: Insurance Companies	1,331	1,295	1,320	1,362	1,361
Financial liabilities held for trading	43,360	44,790	48,143	49,340	48,936
of which: Insurance Companies	78	86	117	104	95
Financial liabilities designated at fair value through profit and loss	60,562	57,187	54,373	51,360	48,031
of which: Insurance Companies	60,559	57,184	54,373	51,360	48,031
Tax liabilities	2,084	2,038	2,235	2,186	2,564
Liabilities associated with non-current assets held for sale and discontinued operations	273	272	413	336	350
Other liabilities	23,001	21,745	25,939	26,798	25,181
Technical reserves	84,405	85,619	87,370	86,813	86,664
Allowances for specific purpose	4,737	4,830	5,049	4,987	4,792
Share capital	8,732	8,732	8,732	8,732	8,732
Reserves	39,903	36,805	36,774	36,830	39,184
Valuation reserves	-2,159	-1,854	-1,737	-1,860	-1,387
Equity instruments	3,358	2,117	2,118	2,118	2,118
Minority interests	356	408	640	646	825
Net income (loss)	901	3,111	2,335	1,707	806
Total Liabilities and Shareholders' Equity	739,453	725,100	714,397	717,292	700,363

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

Intesa Sanpaolo Group

Breakdown of financial highlights by business area

Income statement (millions of euro)	Banca dei Territori		Corporate and Investment Banking		International Subsidiary Banks		Private Banking		Asset management		Insurance	
	31.03.2017	31.03.2016	31.03.2017	31.03.2016	31.03.2017	31.03.2016	31.03.2017	31.03.2016	31.03.2017	31.03.2016	31.03.2017	31.03.2016
Operating income	2,179	2,123	804	780	472	503	464	439	178	148	319	367
Operating costs	-1,185	-1,200	-226	-222	-224	-239	-129	-124	-34	-31	-40	-37
Operating margin	994	923	578	558	248	264	335	315	144	117	279	330
Net income (loss)	351	279	351	359	351	171	227	194	115	90	195	216

Balance sheet (millions of euro)	Banca dei Territori		Corporate and Investment Banking		International Subsidiary Banks		Private Banking		Asset management		Insurance	
	31.03.2017	31.12.2016	31.03.2017	31.12.2016	31.03.2017	31.12.2016	31.03.2017	31.12.2016	31.03.2017	31.12.2016	31.03.2017	31.12.2016
Loans to customers	190,960	188,317	103,267	98,183	27,159	26,492	8,887	9,597	262	298	25	26
Direct deposits from banking business	172,152	173,599	107,108	112,661	33,266	32,978	27,979	27,540	7	8	-	-

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