INTESA SANPAOLO

PRESS RELEASE

INTESA SANPAOLO: CONSOLIDATED RESULTS AS AT 31 DECEMBER 2017

THE INTESA SANPAOLO 2014-2017 BUSINESS PLAN WAS DELIVERED, ENABLING THE GROUP TO CREATE VALUE FOR ALL STAKEHOLDERS AND CONTRIBUTE MORE THAN €250 BILLION TO THE ECONOMY OVER THE FOUR YEARS.

STATED NET INCOME FOR 2017 WAS €7,316 MILLION. THIS INCLUDED THE €3.5 BILLION PUBLIC CASH CONTRIBUTION OFFSETTING THE IMPACT ON THE CAPITAL RATIOS RESULTING FROM THE ACQUISITION OF THE AGGREGATE SET OF BANCA POPOLARE DI VICENZA AND VENETO BANCA.

NET INCOME WAS €3,813 MILLION EXCLUDING THE AFOREMENTIONED PUBLIC CONTRIBUTION AND THE IMPACT OF THE AGGREGATE SET, AND REACHED €4,450 MILLION ALSO EXCLUDING LEVIES AND OTHER CHARGES CONCERNING THE BANKING INDUSTRY.

PROPOSED CASH DIVIDENDS AMOUNT TO €3.4 BILLION.

THE CAPITAL POSITION WAS SOLID AND WELL ABOVE REGULATORY REQUIREMENTS: PRO-FORMA FULLY LOADED COMMON EQUITY TIER 1 RATIO WAS 14% NET OF PROPOSED DIVIDENDS AND 13% INCLUDING, IN ADDITION, THE IMPACT OF THE IFRS 9 FIRST TIME ADOPTION.

GROSS INCOME INCREASED SIGNIFICANTLY IN 2017 (UP 14.1% ON 2016 EXCLUDING THE AFOREMENTIONED PUBLIC CONTRIBUTION AND THE IMPACT OF THE AGGREGATE SET) REFLECTING THE TWIN STRENGTHS OF INTESA SANPAOLO'S BUSINESS MODEL – REVENUE GENERATION ENHANCED BY FEE GROWTH, AND A HIGH LEVEL OF EFFICIENCY – AND IMPROVING CREDIT QUALITY.

CREDIT QUALITY IMPROVED. THE PAST 27 MONTHS RECORDED GROSS NPL REDUCTION OF AROUND €13 BILLION, WHICH WAS ACHIEVED AT NO EXTRAORDINARY COST TO SHAREHOLDERS. A REDUCTION OF AROUND €7 BILLION WAS ACHIEVED IN 2017 ALONE, ALREADY REPRESENTING 43% OF THE TARGET REDUCTION FOR THE PERIOD 2017-2019. AT THE END OF 2017, AFTER THE IMPACT OF IFRS 9, THE NPL TO TOTAL LOAN RATIO WAS 5.5% NET OF ADJUSTMENTS, BEATING THE 6% TARGET FOR THE END OF 2019.

INTESA SANPAOLO CONTINUES TO OPERATE AS AN ACCELERATOR FOR GROWTH IN THE REAL ECONOMY IN ITALY. IN 2017, MEDIUM/LONG-TERM NEW LENDING GRANTED BY THE GROUP TO ITALIAN HOUSEHOLDS AND BUSINESSES AMOUNTED TO AROUND €50 BILLION (UP 2.6% ON 2016). IN 2017, THE BANK FACILITATED THE RETURN TO PERFORMING STATUS OF AROUND 21,000 COMPANIES – BRINGING THE TOTAL TO OVER 73,000 SINCE 2014.

- **€3.4BN PROPOSED CASH DIVIDENDS: 20.3 EURO CENTS PER ORDINARY SHARE AND 21.4 EURO CENTS PER SAVINGS SHARE. DIVIDEND YIELD (°) OF 6.6% PER ORDINARY SHARE AND 7.2% PER SAVINGS SHARE**

- **ROBUST NET INCOME:**
  - **STATED INCOME:**
    - **€1,428M IN Q4 2017**
    - **€7,316M IN 2017 INCLUDING THE €3.5BN PUBLIC CONTRIBUTION (*)**
  - **EXCLUDING THE PUBLIC CONTRIBUTION (*) AND THE AGGREGATE SET:**
    - **€1,344M IN Q4 2017 VS €731M IN Q3 2017 AND €776M IN Q4 2016**
    - **€3,813M IN 2017 VS €3,111M IN 2016**
  - **EXCLUDING, IN ADDITION, LEVIES AND OTHER CHARGES CONCERNING THE BANKING INDUSTRY (**):**
    - **€1,342M IN Q4 2017 VS €910M IN Q3 2017 AND €1,153M IN Q4 2016**
    - **€4,450M IN 2017 VS €3,670M IN 2016**

- **GROWING OPERATING MARGIN:**
  - **UP 5.3% IN 2017 ON 2016 EXCLUDING THE IMPACT OF THE DEVALUATION OF THE EGYPTIAN CURRENCY AND THE DIVIDENDS FROM THE STAKE IN THE BANK OF ITALY**

- **INCREASING OPERATING INCOME:**
  - **UP 3.2% IN 2017 ON 2016 EXCLUDING THE IMPACT OF THE DEVALUATION OF THE EGYPTIAN CURRENCY AND THE DIVIDENDS FROM THE STAKE IN THE BANK OF ITALY**

- **IMPROVING CREDIT QUALITY TREND:**
  - **DECREASING NLPs**
    - **AROUND €13BN GROSS REDUCTION IN THE PAST 27 MONTHS, ACHIEVED AT NO EXTRAORDINARY COST TO SHAREHOLDERS**
    - **AROUND €7BN GROSS REDUCTION ACHIEVED IN 2017 ALONE, ALREADY REPRESENTING 43% OF THE €16BN TARGET REDUCTION FOR 2017-2019**
    - **AFTER THE IFRS 9 IMPACT, NPL TO TOTAL LOAN RATIO, NET OF ADJUSTMENTS, OF 5.5%, BEATING THE 6% TARGET FOR THE END OF 2019**
    - **AFTER THE IFRS 9 IMPACT, NLP STOCK -25% NET ON DECEMBER 2016**

- **SOLID CAPITAL POSITION, WELL ABOVE REGULATORY REQUIREMENTS:**
  - **COMMON EQUITY TIER 1 RATIO AS AT 31 DECEMBER 2017, NET OF €3.4BN OF DIVIDENDS PROPOSED FOR 2017, OF**
    - **14% PRO-FORMA FULLY LOADED (1) (2), 13% AFTER IFRS 9 IMPACT**
    - **13.3% PHASED IN (2), 13% TAKING INTO ACCOUNT THE IFRS 9 IMPACT AND THE TRANSITIONAL ARRANGEMENTS FOR 2018**

(°) At the reference price recorded by the Intesa Sanpaolo stock on 5 February 2018.

(*) Non-taxable public cash contribution of €3.5bn, in Q2 2017, offsetting the impact on the capital ratios of the acquisition of certain assets and liabilities and certain legal relationships of Banca Popolare di Vicenza and Veneto Banca ("Aggregate Set").

(**) Mainly contributions to the resolution fund and the deposit guarantee scheme, 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 December 2017, considering the total absorption of deferred tax assets (DTAs) related to goodwill realignment, loan adjustments, as well as to the non-taxable public cash contribution of €1,285m covering the integration and rationalisation charges relating to the acquisition of the Aggregate Set of Banca Popolare di Vicenza and Veneto Banca, and the expected absorption of DTAs on losses carried forward.

(2) Net of dividends proposed for 2017 and the coupons accrued on the Additional Tier 1 issues.

HIGHLIGHTS:

OPERATING INCOME (•):	Q4 2017	+11.4%	€4,543M FROM €4,077M IN Q3 2017
	2017	+1.2%	€17,177M FROM €16,975M IN 2016
OPERATING COSTS (•):	Q4 2017	+13.2%	€2,403M FROM €2,122M IN Q3 2017
	2017	+0.4%	€8,739M FROM €8,702M IN 2016
OPERATING MARGIN (•):	Q4 2017	+9.5%	€2,140M FROM €1,955M IN Q3 2017
	2017	+2%	€8,438M FROM €8,273M IN 2016
GROSS INCOME (•):	Q4 2017	€1,696M	FROM €1,356M IN Q3 2017
	2017	€6,216M	FROM €5,450M IN 2016, EXCLUDING THE PUBLIC CONTRIBUTION (*)
NET INCOME:	Q4 2017	€1,428M	
		€1,344M	FROM €731M IN Q3 2017, EXCLUDING THE AGGREGATE SET
		€1,342M	FROM €910M IN Q3 2017, EXCLUDING, IN ADDITION, LEVIES AND OTHER CHARGES CONCERNING THE BANKING INDUSTRY (**)
	2017	€7,316M	
		€3,813M	FROM €3,111M IN 2016, EXCLUDING THE PUBBLIC CONTRIBUTION (*) AND THE AGGREGATE SET
		€4,450M	FROM €3,670M IN 2016, EXCLUDING, IN ADDITION, LEVIES AND OTHER CHARGES CONCERNING THE BANKING INDUSTRY (**)

CAPITAL RATIOS: COMMON EQUITY TIER 1 RATIO AFTER PROPOSED DIVIDENDS:
14% PRO-FORMA FULLY LOADED [3] [4], 13% AFTER THE IFRS 9 IMPACT
13.3% PHASED IN [4], 13% AFTER THE IFRS 9 IMPACT AND THE TRANSITIONAL ARRANGEMENTS FOR 2018

(•) Excluding the contribution from the acquisition of the Aggregate Set of Banca Popolare di Vicenza and Veneto Banca, consolidated in the income statement from the third quarter of 2017.

(*) Non-taxable public cash contribution of €3.5bn, in Q2 2017, offsetting the impact on the capital ratios of the acquisition of the Aggregate Set of Banca Popolare di Vicenza and Veneto Banca.

(**) Mainly contributions to the resolution fund and the deposit guarantee scheme, 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 December 2017, considering the total absorption of deferred tax assets (DTAs) related to goodwill realignment, loan adjustments, as well as to the non-taxable public cash contribution of €1,285m covering the integration and rationalisation charges relating to the acquisition of the Aggregate Set of Banca Popolare di Vicenza and Veneto Banca, the expected absorption of DTAs on losses carried forward.

(4) Net of dividends proposed for 2017 and the coupons accrued on the Additional Tier 1 issues.

Turin - Milan, 6 February 2018 – At its meeting today, the Board of Directors of Intesa Sanpaolo approved both parent company and consolidated results for the year ended 31 December 2017 (5).

At the end of 2017, the Intesa Sanpaolo **2014-2017 Business Plan was delivered, enabling the Group to create value for all stakeholders and contribute more than €250 billion to the economy** over the four years:

STAKEHOLDER	2014-2017 CONTRIBUTION TO THE ECONOMY	FORECAST	ACHIEVEMENT
SHAREHOLDERS:	CASH DIVIDENDS	€10BN	€10BN
HOUSEHOLDS AND BUSINESSES:	MEDIUM/LONG-TERM NEW LENDING TO THE REAL ECONOMY	AROUND €170BN	AROUND €200BN
GROUP PEOPLE:	PERSONNEL EXPENSES	AROUND €21BN	AROUND €21BN
SUPPLIERS:	PURCHASE AND INVESTMENTS	AROUND €10BN	AROUND €11BN
PUBLIC SECTOR:	DIRECT AND INDIRECT TAXES	AROUND €10BN	AROUND €10BN

Intesa Sanpaolo delivered 2017 results consistent with the 2014-2017 Business Plan and the commitment to distributing **cash dividends of €3.4 billion for 2017 and €10 billion in the period 2014-2017**. These results reflect **the twin strengths of Intesa Sanpaolo's business model – revenue generation enhanced by fee growth, and high efficiency – as well as** a **solid capital position and** a **low risk profile:**

- **net income:**
  - **stated net income at €1,428m in Q4 2017 and €7,316m in 2017 including the** non-taxable **public cash contribution of €3.5bn**, booked in Q2 2017, **to offset the impact on the capital ratios resulting from the acquisition** of certain assets and liabilities and certain legal relationships, **"Aggregate Set", of Banca Popolare di Vicenza and Veneto Banca**;
  - **excluding the aforementioned public contribution and the contribution of the acquisition of the Aggregate Set of Banca Popolare di Vicenza and Veneto Banca**, consolidated in the income statement from Q3 2017, net income was **€1,344m in Q4 2017** versus €731m in Q3 2017 and €776m in Q4 2016, and **€3,813m in 2017** versus €3,111m in 2016;
  - **excluding also levies and other charges concerning the banking industry** (mainly made up of contributions to the resolution fund and the deposit guarantee scheme, and charges in relation to impairment losses regarding the *Atlante* fund and the National Interbank Deposit Guarantee Fund Voluntary Scheme), net income was **€1,342m in Q4 2017** versus €910m in Q3 2017 and €1,153m in Q4 2016, and **€4,450m in 2017** versus €3,670m in 2016;

(5) Methodological note on the scope of consolidation on page 23.

- **gross income** (•)**, excluding the public contribution**, **up 14.1% in 2017** on 2016;

- **operating margin** (•) **up 5.3% in 2017** on 2016 when excluding the impact of the devaluation of the Egyptian currency and the dividends from the stake in the Bank of Italy (€10m in 2017, compared with the €121m of 2016);

- **operating income** (•) **up 3.2% in 2017** on 2016 when excluding the impact of the devaluation of the Egyptian currency and the dividends from the stake in the Bank of Italy;

- **net interest income** (•) **up 0.2% in 2017** on 2016 when excluding the impact of the devaluation of the Egyptian currency;

- **net fee and commission income** (•) **up 5.5% in 2017** on 2016, **as a result of the strong rebound in assets under management, which in 2017 recorded a stock increase of around €23bn and net inflow of around €20bn**;

- **high efficiency**, highlighted by a **cost/income of 50.9%** (•) in 2017 – **a figure that places Intesa Sanpaolo in the top tier of its European peers**;

- **continuous cost management** (•), with operating costs up by only 0.4% in 2017, attributable to increases of 1.2% in personnel expenses, due to incentives to trigger growth, and 4.9% in adjustments and a decrease of 2.4% in administrative expenses;

- **improving credit quality** due to an **effective proactive credit management approach** in an improving economic environment:
  - a **further decrease in the gross inflow of new NPLs from performing loans**, which in 2017 was **at its lowest since the creation of Intesa Sanpaolo**: **€4.7bn**, down 19% from €5.8bn in 2016;
  - **NPL reduction**:
    - **around €13 billion** gross **in 27 months, at no extraordinary cost to shareholders**,
    - **around €7 billion in 2017 alone,** already achieving, in the first year, **43%** of the €16bn target reduction **for the period 2017-2019**;
  - **NPL stock decrease** in December 2017, compared with December 2016:
    - 10.4% gross
    - 14.5% net, a decrease of around 25% taking into account **the first time adoption of IFRS 9** effective from 1 January 2018;
  - specifically, a **decrease in bad loan stock,** compared with December 2016:
    - 9.6% gross
    - 15.2% net, a decrease of around 29% **after the IFRS 9 impact**;
  - **decrease in unlikely-to-pay stock** on December 2016:
    - 11.8% gross
    - 13.7% net, a decrease of around 20% **after the IFRS 9 impact**;
  - **decrease** in the **NPL to total loan ratio**, **net of adjustments**, **to 5.5%** in December 2017 **after the IFRS 9 impact**, from 8.2% at the end of 2016, **beating the 6% target for the end of 2019 two years early**;

(•) Excluding the contribution from the acquisition of the Aggregate Set of Banca Popolare di Vicenza and Veneto Banca, consolidated in the income statement from the third quarter of 2017.

- **sizeable NPL coverage**:
  - **NPL cash coverage ratio of 51.1%** at the end of 2017 versus 48.8% at year-end 2016, **with a cash coverage ratio of 63.1% for the bad loan component** (60.6% at year-end 2016); **after the IFRS 9 impact**, **NPL cash coverage ratio of around 57% and cash coverage ratio of around 69% for the bad loan component**;
  - **robust reserve buffer on performing loans** of 0.35% at the end of 2017 (0.5% at the end of 2016) and around 0.7% after the IFRS 9 impact;
- **very solid capital position**, with capital ratios well above regulatory requirements. As at 31 December 2017, the **pro-forma fully loaded Common Equity Tier 1 ratio** came in at **14%** (6) (7) – **one of the highest levels amongst major European banks** – and the phased-in Common Equity Tier 1 ratio at 13.3% (7) after the deduction of €3.4bn of proposed dividends. The aforementioned ratios compare with the SREP requirement for 2017, comprising Capital Conservation Buffer, O-SII Buffer and Countercyclical Capital Buffer (8), which set the fully loaded Common Equity Tier 1 ratio at 9.27% and the phased-in Common Equity Tier 1 ratio at 7.27%.
- **very solid capital position even after taking into account the first time adoption of IFRS 9, effective from 1 January 2018**. According to current estimations, under the first application of IFRS 9 included in the interim statement as at 31 March 2018, **net adjustments of around €4.1bn in total** (around €3bn net of tax) will be recognised **directly in the net shareholders' equity.** These are mainly attributable to:
  - **performing loans and debt securities impairment**, mainly determined by allocation of loans to Stage 2, **of around €1.3bn** (around €1bn net of tax);
  - **NPL impairment of around €3.1bn** (around €2.2bn net of tax), around €2.1bn of which to bad loans and €0.9bn to unlikely-to-pay-loans;
  - **fair value measurement of financial instruments**, following reclassification, **of around €0.3bn** (around €0.2bn net of tax).

The new impairments derive from the introduction of the expected loss calculated on the entire residual life of the performing loans in Stage 2, the inclusion of future macroeconomic scenarios in the calculations regarding all loan categories, as well as the inclusion of sale scenarios in respect of a sizeable portion of bad loans, in line with the trend envisaged in the new NPL Plan linked to the 2018-2021 Business Plan.

Taking the impact of IFRS 9 into account, the **pro-forma fully loaded Common Equity Tier 1 ratio would be 13%** and the Common Equity Tier 1 ratio would be 13% as well under the transitional arrangements for 2018. The aforementioned ratios compare with the SREP requirement for 2018, comprising Capital Conservation Buffer, O-SII Buffer and Countercyclical Capital Buffer (9), which set the fully loaded Common Equity Tier 1 ratio at 9.33% and the phased-in Common Equity Tier 1 ratio at 8.145%.

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(6) Estimated by applying the fully loaded parameters to the financial statements as at 31 December 2017, considering the total absorption of deferred tax assets (DTAs) related to goodwill realignment, loan adjustments, as well as to the non-taxable public cash contribution of €1,285m covering the integration and rationalisation charges relating to the acquisition of the Aggregate Set of Banca Popolare di Vicenza and Veneto Banca, the expected absorption of DTAs on losses carried forward.

(7) Net of dividends proposed for 2017 and the coupons accrued on the Additional Tier 1 issues.

(8) *Countercyclical Capital Buffer* calculated taking into account the exposures as at 30 September 2017 in the various countries where the Group has a presence, as well as the respective requirements set by the competent national authorities relating to the fourth quarter of 2017 (requirement was set at zero per cent in Italy).

(9) *Countercyclical Capital Buffer* calculated taking into account the exposures as at 30 September 2017 in the various countries where the Group has a presence, as well as the respective requirements set by the competent national authorities relating to the first quarter of 2018 (requirement was set at zero per cent in Italy).

- **<u>strong liquidity position and funding capability</u>**, with **liquid assets of €171bn** and **available unencumbered liquid assets of €98bn at the end of December 2017. The Basel 3 Liquidity Coverage Ratio and Net Stable Funding Ratio requirements have already been complied with**, 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 €63.6bn in Q4 2017 (an average of €63.8bn in Q3 2017, €56.7bn in Q2 2017, €44.8bn in Q1 2017 and €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 under the fourth and final TLTRO II bringing its total funding to around €57bn, 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. As at the end of June 2017, the Group's refinancing operations with the ECB included components deriving from the acquisition of the Aggregate Set of Banca Popolare di Vicenza and Veneto Banca which comprised around €7.1bn borrowed under TLTROs II.

- **<u>support to the real economy</u>**, with around **€63bn of medium/long-term new lending** in 2017. **Loans** amounting to around **€50bn** were granted **in Italy, up 2.6% on 2016,** of which around **€43bn was granted to households and SMEs, an increase of 4.4%** on 2016. **In 2017, the Bank facilitated the return** from non-performing **to performing status of** around **21,000 Italian companies**, bringing the total to over **73,000 since 2014**.

- **<u>cash dividends of €3.4bn</u>**. The Board of Directors, at its meeting today, has adopted a proposal, to be submitted at the next Ordinary Shareholders' Meeting, regarding **the distribution of 20.3 euro cents on ordinary shares and 21.4 euro cents on savings shares**, before tax. Specifically, the proposal envisages the distribution of €3,419,089,656.81 (10), deriving from 20.3 euro cents on each of the 15,859,786,585 ordinary shares and 21.4 euro cents on each of the 932.490.561 savings shares. No distribution will be made to own shares held by the Bank at the record date. The dividend payment, if approved at the Shareholders' Meeting, will take place from 23 May 2018 (with coupon presentation on 21 May and record date on 22 May). The dividend yield is 6.6% per ordinary share and 7.2% per savings share, and is based on the reference price recorded by the Intesa Sanpaolo stock on 5 February 2018.

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(10) The Group's consolidated net income of €7,316 million and the Parent Company's net income of €4,882 million include the non-taxable public cash contribution of €3.5bn offsetting the impact on the capital ratios of the acquisition of the Aggregate Set of Banca Popolare di Vicenza and Veneto Banca. The proposal in respect of the allocation of net income for the year envisages: on the one hand, the allocation of the aforementioned €3.5 billion to the extraordinary reserve and, on the other hand, a cash distribution of €1,353,639,567.85 as dividends from the Parent Company's remaining net income of €1,382 million (corresponding to 8 euro cents on each ordinary share and 9.1 euro cents on each savings share) and €2,065,450,088.96 as assignment of reserves from the Share Premium Reserve (corresponding to 12.3 euro cents on each ordinary share and savings share). The assignment of reserves shall be subject to the same tax regime as the distribution of dividends.

The income statement for the fourth quarter of 2017 (••)

The consolidated income statement for Q4 2017 [11] recorded **operating income** of €4,543m (excluding €170m deriving from the acquisition of the Aggregate Set of Banca Popolare di Vicenza and Veneto Banca), up 11.4% from €4,077m in Q3 2017 (excluding €96m deriving from the acquisition of the Aggregate Set of Banca Popolare di Vicenza and Veneto Banca) and up 8.6% from €4,184m in Q4 2016.

As part of it, in Q4 2017 **net interest income** amounted to €1,742m (excluding €95m deriving from the Aggregate Set), down 0.4% from €1,749m in Q3 2017 (excluding €58m deriving from the Aggregate Set) and down 0.3% from €1,748m in Q4 2016.

Net fee and commission income amounted to €2,095m (excluding €51m deriving from the Aggregate Set), up 10.9% from €1,889m in Q3 2017 (excluding €57m deriving from the Aggregate Set). Specifically, commissions on commercial banking activities were up 6.9% and commissions on management, dealing and consultancy activities were up 13.3%. The latter, which include portfolio management, distribution of insurance products, dealing and placement of securities, etc., recorded increases of 50% in dealing and placement of securities, 12.1% in portfolio management (performance fees contributed €72m in Q4 2017 and €11m in Q3 2017) and 1.3% in distribution of insurance products. Net fee and commission income for Q4 2017 was up 3.2% from €2,030m in Q4 2016. Specifically, commissions on commercial banking activities were up 6.3% and those on management, dealing and consultancy activities were up 12.4% with increases of 49% in dealing and placement of securities, 16.7% in portfolio management (performance fees in Q4 2016 contributed €36m) and 6.4% in distribution of insurance products.

(••) Percentage changes have been calculated excluding items deriving from the acquisition of the Aggregate Set of Banca Popolare di Vicenza and Veneto Banca consolidated in the income statement from the third quarter of 2017.

(11) During the preparation of the interim statement at 31 September 2008, certain amendments to international accounting standards were introduced in the wake of the global financial crisis, 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 €169m into loans and receivables; the Group also reclassified financial assets available for sale of €4,763m into loans and receivables. If these reclassifications had not been made, there would have been a positive impact of €4m on profits/losses on trading for Q4 2017 (a positive impact of €15m in 2017, 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 December 2017 would have included a negative pre-tax direct impact of €744m (with a positive impact of €26m in Q4 2017 and €150m in 2017).

Income from insurance business amounted to €183m from €227m in Q3 2017 and €166m in Q4 2016.

Profits on trading amounted to €542m (excluding the negative balance of €4m deriving from the Aggregate Set) from €208m in Q3 2017 (excluding the negative balance of €26m deriving from the Aggregate Set). Profits from customers increased from €118m to €251m. Activities in capital markets and AFS financial assets increased from €22m to €167m. Trading and treasury activities increased from €63m to €120m. Structured credit products decreased from €5m to €3m. Profits of €542m for Q4 2017 compare with profits of €247m in Q4 2016, which recorded profits from customers of €117m, profits from capital markets and AFS financial assets of €39m, profits from trading and treasury activities of €83m, and profits from structured credit products of €8m.

Operating costs amounted to €2,403m (excluding €271m deriving from the Aggregate Set), up 13.2% from the €2,122m of Q3 2017 (excluding €200m deriving from the Aggregate Set), attributable to increases of 10.8% in personnel expenses, 18.1% in administrative expenses and 14.6% in adjustments. Operating costs for Q4 2017 increased 1.6% from the €2,364m of the corresponding quarter of 2016, with personnel expenses up 4.2%, adjustments up 6.8% and administrative expenses down 4.3%.

As a result, **operating margin** amounted to €2,140m (excluding a negative balance of €101m deriving from the Aggregate Set), up 9.5% from the €1,955m of Q3 2017 (excluding a negative balance of €104m deriving from the Aggregate Set) and up 17.6% from the €1,820m of Q4 2016. The cost/income ratio for Q4 2017 was 52.9% (excluding the Aggregate Set) versus 52% in Q3 2017(excluding the Aggregate Set) and 56.5% in Q4 2016.

Net adjustments to loans amounted to €1,175m (excluding €54m deriving from the Aggregate Set) from €646m in Q3 2017 (excluding net recoveries of €3m deriving from the Aggregate Set) and €1,174m in Q4 2016.

Net provisions and net impairment losses on other assets amounted to €130m (excluding €5m deriving from the Aggregate Set) from €25m in Q3 2017 (excluding net recoveries of €2m deriving from the Aggregate Set) and €105m in Q4 2016.

Other income amounted to €861m (including the capital gain of €811m deriving from the sale of the Allfunds stake) versus €72m in Q3 2017 and €138m in Q4 2016 (including a positive impact of €314m deriving from a transaction to realise the value of a real-estate portfolio 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, the same as in Q3 2017. The figure for Q4 2016 was €881m (the capital gain from the sale of Setefi and Intesa Sanpaolo Card).

Gross income amounted to €1,696m (excluding the negative balance of €160m deriving from the Aggregate Set) versus €1,356m in Q3 2017 (excluding the negative balance of €99m deriving from the Aggregate Set) and €1,560m in Q4 2016.

Consolidated net income for the quarter amounted to €1,344m (excluding €84m deriving from the Aggregate Set), after accounting:
- taxes on income of €290m (excluding tax credits of €41m deriving from the Aggregate Set);
- charges (net of tax) for integration and exit incentives of €48m (excluding €179m deriving from the Aggregate Set);
- effect of purchase price allocation (net of tax) of €14m (excluding the positive contribution of €378m deriving from the Aggregate Set);
- levies and other charges concerning the banking industry (net of tax) recording a recovery of €2m (excluding €1m relating to the Aggregate Set). This derived from the following pre-tax figures: recoveries of €11m relating to the Italian deposit guarantee scheme, charges of €4m in relation to contributions to the deposit guarantee scheme concerning the international network, and €4m in relation to the National Interbank Deposit Guarantee Fund Voluntary Scheme. In Q3 2017, levies and other charges amounted to €179m (excluding €13m relating to the Aggregate Set) deriving from pre-tax charges of €113m as contributions to the Italian deposit guarantee scheme estimated for full year 2017, €3m in relation to contributions to the deposit guarantee scheme concerning the international network and €150m in relation to impairment losses regarding the National Interbank Deposit Guarantee Fund Voluntary Scheme. In Q4 2016, levies and other charges amounted to €377m, deriving from pre-tax charges of €316m in relation to the extraordinary contribution to the resolution fund, €227m in relation to impairment losses in respect of the *Atlante* fund, and €15m in relation to impairment losses in respect of the National Interbank Deposit Guarantee Fund Voluntary Scheme.
- minority interests of €2m (excluding losses pertaining to minority interests of €3m deriving from the Aggregate Set).

Net income of €1,344m in Q4 2017 compares to €731m in Q3 2017 and €776m in Q4 2016. Furthermore, excluding levies and other charges concerning the banking industry, net income was €1,342m in Q4 2017, €910m in Q3 2017 and €1,153m in Q4 2016.

The income statement for 2017 [••]

The consolidated income statement for 2017 recorded **operating income** of €17,177m (excluding €266m contributed in the second half of 2017 by the Aggregate Set), up 1.2% from €16,975m in 2016, up 3.2% excluding the impact of the devaluation of the Egyptian currency and the dividends from the stake in the Bank of Italy (equal to €10m in 2017 and €121m in 2016).

As part of it, in 2017 **net interest income** amounted to €7,111m (excluding €153m deriving from the Aggregate Set), down 2.5% from €7,294m in 2016, up 0.2% excluding the impact of the devaluation of the Egyptian currency.

Net fee and commission income amounted to €7,735m (excluding €108m deriving from the Aggregate Set), up 5.5% from €7,331m in 2016. Specifically, commissions on commercial banking activities were up 1.1% and commissions on management, dealing and consultancy activities were up 12.1%. The latter recorded increases of 36.1% in dealing and placement of securities, 12.1% in portfolio management (performance fees contributed €93m, compared with €43m in 2016), and 8.5% in distribution of insurance products.

Income from insurance business amounted to €933m from €995m in 2016.

Profits on trading amounted to €1,341m (excluding a negative contribution of €30m from the Aggregate Set) from €1,190m in 2016. Profits from customers increased from €456m to €637m. Activities in capital markets and AFS financial assets increased from €214m to €226m. Trading and treasury activities decreased from €501m (including €121m of dividends from the stake in the bank of Italy) to €450m (including €10m of dividends from the stake in the Bank of Italy). Profits from structured credit products increased from €19m to €28m.

Operating costs amounted to €8,739m (excluding €471m deriving from the Aggregate Set), up 0.4% from the €8,702m of 2016 attributable to personnel expenses up 1.2%, adjustments up 4.9% and administrative expenses down 2.4%.

(••) Percentage changes have been calculated excluding items deriving from the acquisition of the Aggregate Set of Banca Popolare di Vicenza and Veneto Banca consolidated in the income statement from the third quarter of 2017.

As a result, **operating margin** amounted to €8,438m (excluding the negative balance of €205m deriving from the Aggregate Set), up 2% from €8,273m in 2016, up 5.3% excluding the impact of the devaluation of the Egyptian currency and the dividends from the stake in the Bank of Italy. The cost/income ratio was 50.9% in 2017 (excluding the Aggregate Set) versus 51.3% in 2016.

Net adjustments to loans amounted to €3,253m (excluding €51m of the Aggregate Set) from €3,708m in 2016.

Net provisions and net impairment losses on other assets amounted to €215m (excluding €3m of the Aggregate Set) from €422m in 2016.

Other income amounted to €4,746m and included the public cash contribution of €3.5bn offsetting the impact on the capital ratios of the acquisition of the Aggregate Set of Banca Popolare di Vicenza and Veneto Banca and €299m deriving from the disposal of a stake in NTV and the fair value measurement following the reclassification of both the remaining investment in NTV and the investment in Bank of Qingdao, which are no longer included among companies subject to significant influence. In addition, it included a capital gain of €811m deriving from the sale of the Allfunds stake. In the corresponding period of 2016, the "Other income" caption recorded €355m and included, on the one hand, positive contributions of €170m deriving from the disposal of the stake in VISA Europe and €314m deriving from a transaction to realise the value of a real-estate portfolio and, on the other hand, 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, versus €952m in 2016, including a capital gain of €881m deriving from the sale of Setefi and Intesa Sanpaolo Card.

Gross income amounted to €9,716m (excluding the negative balance of €259m deriving from the Aggregate Set). Gross income was €6,216m excluding the public cash contribution of €3.5bn offsetting the impact on the capital ratios of the acquisition of the Aggregate Set of Banca Popolare di Vicenza and Veneto Banca, up 14.1% from €5,450m in 2016.

Consolidated net income for the year amounted to €7,313m (excluding €3m deriving from the Aggregate Set), after accounting:
- taxes on income of €1,553m (excluding tax credits of €72m deriving from the Aggregate Set);
- charges (net of tax) for integration and exit incentives of €121m (excluding €179m deriving from the Aggregate Set). The figure included the non-taxable public cash contribution of €1,285m covering integration and rationalisation charges relating to the acquisition of the Aggregate Set of Banca Popolare di Vicenza and Veneto Banca and related provisions for risks and charges of €1,285m, net of taxation.
- effect of purchase price allocation (net of tax) of €51m (excluding the positive contribution of €378m deriving from the Aggregate Set);

- levies and other charges concerning the banking industry (net of tax) of €637m (excluding €12m relating to the Aggregate Set). This derived from pre-tax charges of €163m in relation to the ordinary contribution to the resolution fund, €102m in relation to the contributions to the Italian deposit guarantee scheme, €19m in relation to contributions to the deposit guarantee scheme concerning the international network, €449m in relation to impairment losses on the *Atlante* fund, €154m in relation to impairment losses regarding the National Interbank Deposit Guarantee Fund Voluntary Scheme, and €48m in relation to impairment losses following the compulsory administrative liquidation of Banca Popolare di Vicenza and Veneto Banca. In 2016, levies and other charges amounted to €559m, deriving from pre-tax charges of €464m in relation to ordinary and extraordinary contributions to the resolution fund, €94m in relation to the contributions to the Italian deposit guarantee scheme, €20m in relation to contributions to the deposit guarantee scheme concerning the international network, €227m in relation to impairment losses on the *Atlante* fund and €15m in relation to impairment losses regarding the National Interbank Deposit Guarantee Fund Voluntary Scheme.
- minority interests of €41m (excluding losses pertaining to minority interests of €3m deriving from the Aggregate Set).

Excluding the public cash contribution of €3.5bn (as well as net income of the Aggregate Set), net income for 2017 was €3,813m from €3,111m in 2016. Excluding, in addition, levies and other charges concerning the banking industry, net income was €4,450m in 2017 and €3,670m in 2016.

Balance sheet as at 31 December 2017 (•••)

As regards the consolidated balance sheet figures, as at 31 December 2017 **loans to customers** amounted to €411bn, up 3.1% on year-end 2016 net of €35bn deriving from the acquisition of the Aggregate Set of Banca Popolare di Vicenza and Veneto Banca (up 3.5% 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 €25,464m, down 16.5% net of €594m deriving from the Aggregate Set, from €29,767m at year-end 2016. In detail, bad loans decreased to €12,625m from €14,895m at year-end 2016, with a bad loan to total loan ratio of 3.1% (4.1% as at year-end 2016), and a cash coverage ratio of 63.1% (60.6% as at year-end 2016). Unlikely-to-pay loans decreased to €12,460m from €14,435m as at year-end 2016. Past due loans decreased to €379m from €437m at year-end 2016.

Customer financial assets amounted to €943bn (net of duplications between direct deposits and indirect customer deposits), up 3.2% on year-end 2016 net of €52m deriving from the Aggregate Set. Under customer financial assets, **direct deposits from banking business** amounted to €423bn, down 1.6% on year-end 2016 net of €36bn deriving from the Aggregate Set. **Direct deposits from insurance business and technical reserves** amounted to €152bn, up 5.8% on year-end 2016. Indirect customer deposits amounted to €518bn, up 7.3% on year-end 2016 net of €16bn deriving from the Aggregate Set. **Assets under management** reached €388bn, up 7.3% on year-end 2016 net of €1bn deriving from the Aggregate Set. As for bancassurance, in 2017 the new business for life policies (not affected by the Aggregate Set) amounted to €21.6bn (6.4% lower than in 2016). Assets held under administration and in custody amounted to €180bn, up 7.2% on year-end 2016 net of €15bn deriving from the Aggregate Set.

(•••) Percentage changes have been calculated excluding items deriving from the acquisition of the Aggregate Set of Banca Popolare di Vicenza and Veneto Banca consolidated in the balance sheet from 30 June 2017.

Capital ratios as at 31 December 2017, calculated by applying the transitional arrangements for 2017 and after the deduction of €3.4bn of dividends proposed for 2017, were as follows:

- Common Equity ratio (12) at 13.3% (12.7% at year-end 2016),
- Tier 1 ratio (12) at 15.2% (13.9% at year-end 2016),
- total capital ratio (12) at 17.9% (17% at year-end 2016).

The estimated pro-forma common equity ratio for the Group on a **fully loaded basis** was 14% (12.9% at year-end 2016). It was calculated by applying the fully loaded parameters to the financial statements as at 31 December 2017, taking into account the total absorption of deferred tax assets (DTAs) related to goodwill realignment, loan adjustments, and the non-taxable public cash contribution of €1,285m covering the integration and rationalisation charges relating to the acquisition of the Aggregate Set of Banca Popolare di Vicenza and Veneto Banca and the expected absorption of DTAs on losses carried forward.

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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 €98bn at the end of December 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 €171bn at the end of December 2017;

(12) Net of dividends proposed for 2017 and the coupons accrued on the Additional Tier 1 issues.

- refinancing operations with the ECB to optimise the cost of funding and to support businesses in their investment amounted to an average of €63.6bn in Q4 2017 (an average of €63.8 in Q3 2017, €56.7bn in Q2 2017, €44.8bn in Q1 2017 and €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 under the fourth and final TLTRO II bringing its total funding to around €57bn, 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. As at the end of June 2017, the Group's refinancing operations with the ECB included components deriving from the acquisition of the Aggregate Set of Banca Popolare di Vicenza and Veneto Banca which comprised around €7.1bn borrowed under TLTROs II.
- the sources of funding were stable and well diversified, with retail funding representing 74% of direct deposits from banking business (including securities issued);
- medium/long-term funding was around €16bn in 2017, around €12bn of which was wholesale funding;
- medium/long-term wholesale issues in 2017 included benchmark transactions of €2bn Additional Tier 1, covered bonds of €1bn, senior bonds of €2.5bn and U.S.$2.5bn and a green bond of €500m (of these, around 83% were placed with foreign investors).

The Group's **leverage ratio** as at 31 December 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 December 2017, the Intesa Sanpaolo Group's **operating structure** had a total network of 5,843 branches (823 of which were part of the Aggregate Set of Banca Popolare di Vicenza and Veneto Banca acquired). The total network consists of 4,694 branches in Italy (783 branches from the Aggregate Set) and 1,149 abroad (40 branches from the Aggregate Set). Employees were 96,892 (8,877 of these were part of the Aggregate Set).

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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 5, a "proximity bank" linked with a non-captive network of points of sale, focused on instant banking and targeting categories of customers who rarely use banking products and services. Moreover, 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 fourth quarter of 2017, the Banca dei Territori Division recorded:
- operating income of €2,306m, +4.7% versus €2,203m in Q3 2017;
- operating costs of €1,292m, +7.6% versus €1,201m in Q3 2017;
- operating margin of €1,014m, +1.2% versus €1,002m in Q3 2017;
- a cost/income ratio of 56% versus 54.5% in Q3 2017;
- net provisions and adjustments of €464m, versus €405m in Q3 2017;
- gross income of €550m, -8.1% versus €598m in Q3 2017;
- net income of €316m, -12.7% versus €362m in Q3 2017.

In 2017, the Banca dei Territori Division recorded:
- operating income of €8,884m, +3% versus €8,625m in 2016, contributing approximately 52% of the consolidated operating income (51% in 2016);
- operating costs of €4,907m, -0.7% versus €4,944m in 2016;
- operating margin of €3,977m, +8% versus €3,681m in 2016;
- a cost/income ratio of 55.2% versus 57.3% in 2016;
- net provisions and adjustments of €1,649m, versus €2,096m in 2016;
- gross income of €2,328m, -10% versus €2,586m in 2016;
- net income of €1,371m, -24.3% versus €1,812m in 2016.

(••••) Figures concerning the Aggregate Set of Banca Popolare di Vicenza and Veneto Banca have temporarily been allocated to the Corporate Centre.

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

- Global Corporate, which manages the relationship with corporate clients with a turnover higher than €350m and national public entities, 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 Department, which ensures the development of the division and is responsible for foreign branches, representative offices and foreign subsidiaries carrying out corporate banking (Intesa Sanpaolo Bank Luxembourg, Intesa Sanpaolo Bank Ireland and Intesa Sanpaolo Brasil)
- Financial Institutions, which is responsible for relationships with financial institutions
- Global Transaction Banking, which is responsible for management of transaction banking services
- Banca IMI, which operates in investment banking (M&A and advisory), structured finance, capital markets and primary markets (equity and debt capital market).

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

In the fourth quarter of 2017, the Corporate and Investment Banking Division recorded:
- operating income of €947m, +27.2% versus €745m in Q3 2017;
- operating costs of €284m, +22% versus €233m in Q3 2017;
- operating margin of €663m, +29.5% versus €512m in Q3 2017;
- a cost/income ratio of 30% versus 31.3% in Q3 2017;
- net recoveries of €19m, versus €12m in Q3 2017;
- gross income of €679m, +34.8% versus €503m in Q3 2017;
- net income of €467m, +33.3% versus €350m in Q3 2017.

In 2017, the Corporate and Investment Banking Division recorded:
- operating income of €3,341m, -1.3% versus €3,385m in 2016, contributing approximately 19% of the consolidated operating income (20% in 2016);
- operating costs of €984m, +2.8% versus €957m in 2016;
- operating margin of €2,357m, -2.9% versus €2,428m in 2016;
- a cost/income ratio of 29.5% versus 28.3% in 2016;
- net provisions and adjustments of €155m, versus €343m in 2016;
- gross income of €2.287m, +8% versus €2,118m in 2016;
- net income of €1,615m, +11.5% versus €1,448m in 2016.

The **International Subsidiary Banks** (13) 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 fourth quarter of 2017, the International Subsidiary Banks Division recorded:
- operating income of €498m, +1.1% versus €492m in Q3 2017;
- operating costs of €257m, +12.6% versus €228m in Q3 2017;
- operating margin of €241m, -8.8% versus €264m in Q3 2017;
- a cost/income ratio of 51.6% versus 46.4% in Q3 2017;
- net provisions and adjustments of €56m, versus €45m in Q3 2017;
- gross income of €185m, -15.8% versus €220m in Q3 2017;
- net income of €151m, -14.5% versus €176m in Q3 2017.

In 2017, the International Subsidiary Banks Division recorded:
- operating income of €1,948m, -2.7% versus €2,002m in 2016 (+9%, excluding the impact from the Egyptian currency devaluation), contributing approximately 11% of the consolidated operating income (12% in 2016);
- operating costs of €938m, -2.5% versus €962m in 2016;
- operating margin of €1,010m, -2.9% versus €1,040m in 2016 (+11.7%, excluding the impact from the Egyptian currency devaluation);
- a cost/income ratio of 48.2% versus 48.1% in 2016;
- net provisions and adjustments of €200m, versus €229m in 2016;
- gross income of €1,006m, +10.2% versus €913m in 2016 (+4.6%, excluding the impact from the Egyptian currency devaluation and the Bank of Qingdao reclassification);
- net income of €827m, +17.6% versus €703m in 2016 (+5.7%, excluding the impact from the Egyptian currency devaluation and the Bank of Qingdao reclassification).

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(12) The International Subsidiary Banks Division does not include Pravex-Bank in Ukraine and the bad bank of CIB Bank in Hungary; both banks 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 fourth quarter of 2017, the Private Banking Division recorded:
- operating income of €477m, +1.5% versus €470m in Q3 2017;
- operating costs of €150m, +12.9% versus €132m in Q3 2017;
- operating margin of €327m, -3% versus €338m in Q3 2017;
- a cost/income ratio of 31.4% versus 28.2% in Q3 2017;
- net provisions and adjustments of €9m, versus €1m in Q3 2017;
- gross income of €318m, -7.6% versus €345m in Q3 2017;
- net income of €203m, -12.6% versus €232m in Q3 2017.

In 2017, the Private Banking Division recorded:
- operating income of €1,879m, +8% versus €1,740m in 2016, contributing approximately 11% of the consolidated operating income (10% in 2016);
- operating costs of €551m, +3.2% versus €534m in 2016;
- operating margin of €1,328m, +10.1% versus €1,206m in 2016;
- a cost/income ratio of 29.3% versus 30.7% in 2016;
- net provisions and adjustments of €28m, versus €38m in 2016;
- gross income of €1,308m, +12% versus €1,168m in 2016;
- net income of €879m, +23.8% versus €710m in 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 Yi Tsai, which is 25% owned by Fideuram and 55% by the Parent Company Intesa Sanpaolo.

In the fourth quarter of 2017, the Asset Management Division recorded:
- operating income of €230m, +23.5% versus €186m in Q3 2017;
- operating costs of €50m, +43.5% versus €35m in Q3 2017;
- operating margin of €180m, +18.9% versus €151m in Q3 2017;
- a cost/income ratio of 21.7% versus 18.7% in Q3 2017;
- gross income of €180m, +18.6% versus €151m in Q3 2017;
- net income of €141m, +20.3% versus €117m in Q3 2017.

In 2017, the Asset Management Division recorded:
- operating income of €785m, +21.3% versus €647m in 2016, contributing approximately 5% of the consolidated operating income (4% in 2016);
- operating costs of €157m, +11.3% versus €141m in 2016;
- operating margin of €628m, +24.1% versus €506m in 2016;
- a cost/income ratio of 20% versus 21.8% in 2016;
- no provisions and adjustments, versus net recoveries of €1m in 2016;
- gross income of €628m, +23.9% versus €507m in 2016;
- net income of €493m, +38.1% versus €357m in 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 fourth quarter of 2017, the Insurance Division recorded:
- operating income of €210m, -20.1% versus €262m in Q3 2017;
- operating costs of €51m, +21% versus €42m in Q3 2017;
- operating margin of €158m, -28% versus €220m in Q3 2017;
- a cost/income ratio of 24.4% versus 16.1% in Q3 2017;
- net provisions and adjustments of €1m, the same as in Q3 2017;
- gross income of €158m, -28% versus €219m in Q3 2017;
- net income of €100m, -34% versus €152m in Q3 2017.

In 2017, the Insurance Division recorded:
- operating income of €1,067m, -9% versus €1,172m in 2016, contributing approximately 6% of the consolidated operating income (7% in 2016);
- operating costs of €178m, +2.9% versus €173m in 2016;
- operating margin of €889m, -11% versus €999m in 2016;
- a cost/income ratio of 16.7% versus 14.8% in 2016;
- net provisions and adjustments of €2m, versus €12m in 2016;
- gross income of €887m, -12% versus €1,008m in 2016;
- net income of €613m, -8.4% versus €669m in 2016.

The outlook for 2018

In 2018, the Group's net income is expected to grow compared with 2017, excluding from the 2017 net income the €3.5 billion public cash contribution that offset the impact on the capital ratios resulting from the acquisition of the Aggregate Set of Banca Popolare di Vicenza and Veneto Banca. An increase in revenues, continuous cost management and a decrease in the cost of risk are envisaged to be the drivers of the expected performance of net income. The dividend policy for 2018 envisages a commitment to distributing an amount of cash dividends corresponding to a payout ratio of 85% of net income.

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Balance sheet figures as at 31 December 2017 included items deriving from the acquisition, effective 26 June 2017, of certain assets and liabilities and certain legal relationships of Banca Popolare di Vicenza and Veneto Banca (Aggregate Set) consolidated line by line with regard to the parent companies (already consolidated line by line as at 30 June 2017) and subsidiaries Banca Nuova, Banca Apulia, SEC Servizi, Servizi Bancari, Veneto Banca DD - Croatia (recognised under “investments in associates and companies subject to joint control” as at 30 June 2017 and already consolidated line by line as at 30 September 2017) and Veneto Banka Sh.a - Albania (recognised under “investments in associates and companies subject to joint control” as at 30 June 2017 and as at 30 September 2017), while subsidiary Exibank -Moldavia has been recognised under “investments in associates and companies subject to joint control” (as at the same dates, 30 June 2017 and 30 September 2017). Income statement figures include items deriving from the aforementioned acquisition starting from the third quarter of 2017 as regards those relating to the parent companies and, starting from the fourth quarter of 2017, as regards those relating to subsidiaries Banca Nuova, Banca Apulia, SEC Servizi, Servizi Bancari, Veneto Banca DD - Croazia and Veneto Banka Sh.a - Albania.

Income statement figures 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 disposal 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 disposal 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.

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In order to present more complete information on the results generated as at 31 December 2017, the reclassified consolidated income statement and the reclassified consolidated balance sheet approved by the Board of Directors are attached. Please note that the auditing firm is completing the auditor review of the financial statements, as well as the activities for the issue of the statement in accordance with art. 26 (2) of Regulation EU n. 575/2013 and with ECB Decision no. 2015/656. The parent company draft financial statements and the consolidated financial statements as at 31 December 2017 will be submitted for approval at the meeting of the Board of Directors scheduled for 23 February 2018. The parent company draft financial statements and the consolidated financial statements as at 31 December 2017 will be submitted for examination of the auditing firm in charge of auditing the annual report and will be made available for shareholders and the market by 9 March 2018. The parent company financial statements will be submitted for the approval of shareholders at the Ordinary Meeting scheduled for 27 April 2018.

* * *

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.

* * *

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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)

	31.12.2017			31.12.2016	Changes	
	Consolidated figure (a)	Of which: figure of the Aggregate Set (b)	Consolidated figure net of the Aggregate Set (c) = (a) - (b)	Consolidated figure (d)	amount (e) = (c) - (d)	% (e) / (d)
Net interest income	7,264	153	7,111	7,294	-183	-2.5
Net fee and commission income	7,843	108	7,735	7,331	404	5.5
Income from insurance business	933	-	933	995	-62	-6.2
Profits (Losses) on trading	1,311	-30	1,341	1,190	151	12.7
Other operating income (expenses)	92	35	57	165	-108	-65.5
Operating income	**17,443**	**266**	**17,177**	**16,975**	**202**	**1.2**
Personnel expenses	-5,670	-285	-5,385	-5,323	62	1.2
Other administrative expenses	-2,730	-162	-2,568	-2,630	-62	-2.4
Adjustments to property, equipment and intangible assets	-810	-24	-786	-749	37	4.9
Operating costs	**-9,210**	**-471**	**-8,739**	**-8,702**	**37**	**0.4**
Operating margin	**8,233**	**-205**	**8,438**	**8,273**	**165**	**2.0**
Net adjustments to loans	-3,304	-51	-3,253	-3,708	-455	-12.3
Net provisions and net impairment losses on other assets	-218	-3	-215	-422	-207	-49.1
Other income (expenses)	4,746	-	4,746	355	4,391	
Income (Loss) from discontinued operations	-	-	-	952	-952	
Gross income (loss)	**9,457**	**-259**	**9,716**	**5,450**	**4,266**	**78.3**
Taxes on income	-1,481	72	-1,553	-1,428	125	8.8
Charges (net of tax) for integration and exit incentives	-300	-179	-121	-150	-29	-19.3
Effect of purchase price allocation (net of tax)	327	378	-51	-112	-61	-54.5
Levies and other charges concerning the banking industry (net of tax)	-649	-12	-637	-559	78	14.0
Impairment (net of tax) of goodwill and other intangible assets	-	-	-	-	-	-
Minority interests	-38	3	-41	-90	-49	-54.4
Net income (loss)	**7,316**	**3**	**7,313**	**3,111**	**4,202**	

Figures restated, where necessary, considering the changes in the scope of consolidation. The figures concerning the Aggregate Set of Banca Popolare di Vicenza and Veneto Banca have not been restated.

Intesa Sanpaolo Group

Quarterly development of the reclassified consolidated statement of income

(millions of euro)

	2017						2016			
	Fourth quarter			Third quarter	Second quarter	First quarter	Fourth quarter	Third quarter	Second quarter	First quarter
	Consolidated figure (a)	Of which: figure of the Aggregate Set (b)	Consolidated figure net of the Aggregate Set (c) = (a) - (b)							
Net interest income	1,837	95	1,742	1,749	1,815	1,805	1,748	1,859	1,832	1,855
Net fee and commission income	2,146	51	2,095	1,889	1,896	1,855	2,030	1,756	1,858	1,687
Income from insurance business	183	-	183	227	240	283	166	258	239	332
Profits (Losses) on trading	538	-4	542	208	365	226	247	248	467	228
Other operating income (expenses)	9	28	-19	4	32	40	-7	29	68	75
Operating income	**4,713**	**170**	**4,543**	**4,077**	**4,348**	**4,209**	**4,184**	**4,150**	**4,464**	**4,177**
Personnel expenses	-1,606	-155	-1,451	-1,310	-1,338	-1,286	-1,393	-1,310	-1,341	-1,279
Other administrative expenses	-834	-102	-732	-620	-633	-583	-765	-627	-641	-597
Adjustments to property, equipment and intangible assets	-234	-14	-220	-192	-188	-186	-206	-186	-179	-178
Operating costs	**-2,674**	**-271**	**-2,403**	**-2,122**	**-2,159**	**-2,055**	**-2,364**	**-2,123**	**-2,161**	**-2,054**
Operating margin	**2,039**	**-101**	**2,140**	**1,955**	**2,189**	**2,154**	**1,820**	**2,027**	**2,303**	**2,123**
Net adjustments to loans	-1,229	-54	-1,175	-646	-737	-695	-1,174	-917	-923	-694
Net provisions and net impairment losses on other assets	-135	-5	-130	-25	-57	-3	-105	-77	-194	-46
Other income (expenses)	861	-	861	72	3,617	196	138	16	196	5
Income (Loss) from discontinued operations	-	-	-	-	-	-	881	23	28	20
Gross income (loss)	**1,536**	**-160**	**1,696**	**1,356**	**5,012**	**1,652**	**1,560**	**1,072**	**1,410**	**1,408**
Taxes on income	-249	41	-290	-374	-444	-445	-314	-321	-361	-432
Charges (net of tax) for integration and exit incentives	-227	-179	-48	-20	-41	-12	-83	-16	-38	-13
Effect of purchase price allocation (net of tax)	364	378	-14	-26	-5	-6	-30	-26	-27	-29
Levies and other charges concerning the banking industry (net of tax)	3	1	2	-179	-178	-282	-377	-69	-11	-102
Impairment (net of tax) of goodwill and other intangible assets	-	-	-	-	-	-	-	-	-	-
Minority interests	1	3	-2	-26	-7	-6	20	-12	-72	-26
Net income (loss)	**1,428**	**84**	**1,344**	**731**	**4,337**	**901**	**776**	**628**	**901**	**806**

Figures restated, where necessary, considering the changes in the scope of consolidation. The figures concerning the Aggregate Set of Banca Popolare di Vicenza and Veneto Banca have not been restated.

Intesa Sanpaolo Group

Reclassified consolidated balance sheet

(millions of euro)

Assets	31.12.2017 Consolidated figure (including the Aggregate Set) (a)	31.12.2016 Consolidated figure (b)	Changes amount Consolidated figure (c) = (a) - (b)	Figure of the Aggregate Set (d)	Net of the Aggregate Set (e) = (a-d) - (b)	% (e) / (b)
Financial assets held for trading	39,518	43,613	-4,095	2,073	-6,168	-14.1
of which: Insurance Companies	*490*	*514*	*-24*	-	*-24*	*-4.7*
Financial assets designated at fair value through profit and loss	75,269	63,865	11,404	2	11,402	17.9
of which: Insurance Companies	*74,715*	*62,743*	*11,972*	-	*11,972*	*19.1*
Financial assets available for sale	142,341	146,692	-4,351	5,678	-10,029	-6.8
of which: Insurance Companies	*77,373*	*79,286*	*-1,913*	-	*-1,913*	*-2.4*
Investments held to maturity	1,174	1,241	-67	-	-67	-5.4
Due from banks	72,462	53,146	19,316	3,769	15,547	29.3
Loans to customers	410,746	364,713	46,033	34,574	11,459	3.1
Investments in associates and companies subject to joint control	678	1,167	-489	64	-553	-47.4
Property, equipment and intangible assets	14,419	12,294	2,125	330	1,795	14.6
Tax assets	16,887	14,442	2,445	1,982	463	3.2
Non-current assets held for sale and discontinued operations	627	478	149	328	-179	-37.4
Other assets	22,740	23,487	-747	1,207	-1,954	-8.3
Total Assets	**796,861**	**725,138**	**71,723**	**50,007**	**21,716**	**3.0**

Liabilities and Shareholders' Equity	31.12.2017 Consolidated figure (including the Aggregate Set) (a)	31.12.2016 Consolidated figure (b)	Changes amount Consolidated figure (c) = (a) - (b)	Figure of the Aggregate Set (d)	Net of the Aggregate Set (e) = (a-d) - (b)	% (e) / (b)
Due to banks	99,990	72,641	27,349	10,376	16,973	23.4
Due to customers and securities issued	417,682	386,666	31,016	36,079	-5,063	-1.3
of which: Insurance Companies	*1,311*	*1,295*	*16*	-	*16*	*1.2*
Financial liabilities held for trading	41,285	44,790	-3,505	1,541	-5,046	-11.3
of which: Insurance Companies	*67*	*86*	*-19*	-	*-19*	*-22.1*
Financial liabilities designated at fair value through profit and loss	68,169	57,187	10,982	-	10,982	19.2
of which: Insurance Companies	*68,166*	*57,184*	*10,982*	-	*10,982*	*19.2*
Tax liabilities	2,509	2,038	471	107	364	17.9
Liabilities associated with non-current assets held for sale and discontinued operations	264	300	-36	-	-36	-12.0
Other liabilities	20,541	21,754	-1,213	1,748	-2,961	-13.6
Technical reserves	82,926	85,619	-2,693	-	-2,693	-3.1
Allowances for specific purpose	6,891	4,824	2,067	147	1,920	39.8
Share capital	8,732	8,732	-	-	-	-
Reserves	36,843	36,805	38	7	31	0.1
Valuation reserves	-789	-1,854	-1,065	2	-1,063	-57.3
Equity instruments	4,103	2,117	1,986	-	1,986	93.8
Minority interests	399	408	-9	-	-9	-2.2
Net income (loss)	7,316	3,111	4,205	-	4,205	
Total Liabilities and Shareholders' Equity	**796,861**	**725,138**	**71,723**	**50,007**	**21,716**	**3.0**

Figures restated, where necessary, considering the changes in the scope of consolidation and discontinued operations. The figures concerning the Aggregate Set of Banca Popolare di Vicenza and Veneto Banca have not been restated.

Figures under (d) relate to the values of the Venetian Banks as at the date of acquisition, adjusted to take the results of the due diligence into account.

Intesa Sanpaolo Group

Quarterly development of the reclassified consolidated balance sheet

(millions of euro)

Assets	2017				2016			
	31/12 Consolidated figure (including the Aggregate Set)	**30/09 Consolidated figure** (including the Aggregate Set)	**30/06 Consolidated figure** (including the Aggregate Set)	**31/3**	**31/12**	**30/9**	**30/6**	**31/3**
Financial assets held for trading	39,518	41,762	44,415	44,484	43,613	50,232	52,499	54,786
of which: Insurance Companies	*490*	*485*	*486*	*498*	*514*	*524*	*648*	*721*
Financial assets designated at fair value through profit and loss	75,269	72,805	70,018	67,438	63,865	61,338	57,948	54,480
of which: Insurance Companies	*74,715*	*71,806*	*68,961*	*66,330*	*62,743*	*60,187*	*56,908*	*53,358*
Financial assets available for sale	142,341	143,906	144,562	150,000	146,692	146,885	152,465	142,816
of which: Insurance Companies	*77,373*	*78,098*	*78,174*	*78,916*	*79,286*	*80,792*	*80,379*	*78,393*
Investments held to maturity	1,174	2,267	2,305	1,229	1,241	1,231	1,246	1,317
Due from banks	72,462	79,381	78,147	58,897	53,146	37,528	36,879	33,540
Loans to customers	410,746	390,818	393,517	366,648	364,713	364,836	360,240	358,478
Investments in associates and companies subject to joint control	678	716	1,282	736	1,167	1,253	1,266	1,281
Property, equipment and intangible assets	14,419	12,331	12,418	12,198	12,294	12,102	12,109	12,107
Tax assets	16,887	15,707	15,949	14,341	14,442	14,161	14,396	14,581
Non-current assets held for sale and discontinued operations	627	493	483	488	478	961	1,154	3,721
Other assets	22,740	25,173	24,959	23,028	23,487	23,909	27,126	23,289
Total Assets	**796,861**	**785,359**	**788,055**	**739,487**	**725,138**	**714,436**	**717,328**	**700,396**

Liabilities and Shareholders' Equity	2017				2016			
	31/12 Consolidated figure (including the Aggregate Set)	**30/09 Consolidated figure** (including the Aggregate Set)	**30/06 Consolidated figure** (including the Aggregate Set)	**31/3**	**31/12**	**30/9**	**30/6**	**31/3**
Due to banks	99,990	99,281	101,450	92,584	72,641	69,641	67,656	60,343
Due to customers and securities issued	417,682	412,279	406,036	377,374	386,666	372,383	379,655	373,239
of which: Insurance Companies	*1,311*	*1,376*	*1,339*	*1,331*	*1,295*	*1,320*	*1,362*	*1,361*
Financial liabilities held for trading	41,285	41,476	42,517	43,360	44,790	48,143	49,340	48,936
of which: Insurance Companies	*67*	*68*	*68*	*78*	*86*	*117*	*104*	*95*
Financial liabilities designated at fair value through profit and loss	68,169	65,567	63,017	60,562	57,187	54,373	51,360	48,031
of which: Insurance Companies	*68,166*	*65,398*	*62,823*	*60,559*	*57,184*	*54,373*	*51,360*	*48,031*
Tax liabilities	2,509	1,927	1,972	2,084	2,038	2,235	2,186	2,564
Liabilities associated w ith non-current assets held for sale and discontinued operations	264	296	295	302	300	442	364	375
Other liabilities	20,541	20,588	29,083	22,994	21,754	25,945	26,800	25,180
Technical reserves	82,926	83,211	83,593	84,405	85,619	87,370	86,813	86,664
Allow ances for specific purpose	6,891	6,695	6,571	4,731	4,824	5,042	4,981	4,786
Share capital	8,732	8,732	8,732	8,732	8,732	8,732	8,732	8,732
Reserves	36,843	36,834	36,930	39,903	36,805	36,774	36,830	39,184
Valuation reserves	-789	-1,908	-1,838	-2,159	-1,854	-1,737	-1,860	-1,387
Equity instruments	4,103	4,102	4,102	3,358	2,117	2,118	2,118	2,118
Minority interests	399	391	357	356	408	640	646	825
Net income (loss)	7,316	5,888	5,238	901	3,111	2,335	1,707	806
Total Liabilities and Shareholders' Equity	**796,861**	**785,359**	**788,055**	**739,487**	**725,138**	**714,436**	**717,328**	**700,396**

Figures restated, where necessary, considering the changes in the scope of consolidation and discontinued operations. The figures concerning the Aggregate Set of Banca Popolare di Vicenza and Veneto Banca have not been restated.

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**	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Operating income	8,884	8,625	3,341	3,385	1,948	2,002	1,879	1,740	785	647	1,067	1,172
Operating costs	-4,907	-4,944	-984	-957	-938	-962	-551	-534	-157	-141	-178	-173
Operating margin	3,977	3,681	2,357	2,428	1,010	1,040	1,328	1,206	628	506	889	999
Net income (loss)	1,371	1,812	1,615	1,448	827	703	879	710	493	357	613	669

Balance sheet (millions of euro)	**Banca dei Territori**		**Corporate and Investment Banking**		**International Subsidiary Banks**		**Private Banking**		**Asset management**		**Insurance**	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016	31.12.2017	31.12.2016	31.12.2017	31.12.2016	31.12.2017	31.12.2016	31.12.2017	31.12.2016
Loans to customers	196,814	188,317	109,399	98,183	28,637	26,492	9,637	9,597	361	298	22	26
Direct deposits from banking business	175,277	173,599	111,940	112,661	35,538	32,978	30,581	27,540	6	8	-	-

Figures restated, where necessary, considering the changes in the scope of consolidation and in business unit constituents and discontinued operations. The figures concerning the Aggregate Set of Banca Popolare di Vicenza and Veneto Banca have temporarily been allocated to the Corporate Centre.