PRESS RELEASE

INTESA SANPAOLO: CONSOLIDATED RESULTS AS AT 30 JUNE 2016

NET INCOME FOR H1 2016 WAS €1,707M. EXCLUDING ORDINARY CHARGES IN RELATION TO THE RESOLUTION FUND FOR FULL YEAR 2016 BOOKED IN H1, NET INCOME WAS €1,810M.

NET INCOME WAS ALREADY ALMOST 90% OF THE €3BN DIVIDEND COMMITMENT FOR 2016 WHEN INCLUDING THE NET CAPITAL GAIN OF AROUND €895M ON THE SALE OF SETEFI AND INTESA SANPAOLO CARD (THE AGREEMENT CONCERNING THE SALE WAS SIGNED IN Q2 2016 AND THE CAPITAL GAIN IS EXPECTED TO BE BOOKED IN THE SECOND HALF OF 2016).

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

NET FEE AND COMMISSION INCOME SHOWED STRONG RECOVERY IN Q2 2016.

THE CREDIT TREND IMPROVED AT A FASTER PACE. IN Q2 2016, NPL STOCK AND GROSS NPL INFLOW FROM PERFORMING LOANS FURTHER DIMINISHED (THE LOWEST QUARTELY INFLOW SINCE THE CREATION OF INTESA SANPAOLO AND THE LOWEST HALF-YEARLY INFLOW SINCE 2007).

INTESA SANPAOLO CONTINUES TO OPERATE AS AN ACCELERATOR FOR GROWTH IN THE REAL ECONOMY IN ITALY. IN THE FIRST HALF OF 2016, MEDIUM/LONG-TERM NEW LENDING GRANTED BY THE GROUP TO ITALIAN HOUSEHOLDS AND BUSINESSES AMOUNTED TO €24BN (UP 24% VS H1 2015). IN THE FIRST HALF OF THE YEAR, THE BANK FACILITATED THE RETURN TO PERFORMING STATUS OF OVER 10,000 COMPANIES – MAKING A TOTAL OF AROUND 40,000 SINCE 2014.

- **ROBUST NET INCOME:**
  - **€901M IN Q2 2016, VS €806M IN Q1 2016**
  - **€1,707M IN H1 2016, VS €2,004M IN H1 2015**
  - **€1,810M IN H1 2016, VS €2,106M IN H1 2015, EXCLUDING CHARGES IN RELATION TO THE RESOLUTION FUND AND THE DEPOSIT GURANTEE SCHEME**
- **SIGNIFICANT INCREASE IN OPERATING MARGIN IN Q2 2016 VS Q1 2016:**
  - **€2,451M, UP 9% EXCLUDING RESOLUTION FUND CHARGES AND THE INCOME FROM THE SALE OF THE STAKE IN VISA EUROPE**
- **GROWING OPERATING INCOME IN Q2 2016 VS Q1 2016:**
  - **€4,605M, UP 7% EXCLUDING RESOLUTION FUND CHARGES AND THE INCOME FROM THE SALE OF THE STAKE IN VISA EUROPE**
- **STRONG RECOVERY IN NET FEE AND COMMISSION INCOME IN Q2 2016 VS Q1 2016:**
  - **€1,848M, UP 10%**
- **PRE-TAX INCOME IN Q2 2016 IN LINE WITH Q1 2016, AND REFLECTING PARTICULARLY CONSERVATIVE LOAN ADJUSTMENTS INCREASED ALSO IN LIGHT OF THE INCOME FROM THE DISPOSAL OF NON-CORE ASSETS:**
  - **PRE-TAX INCOME OF €1,372M VS €1,377M, EXCLUDING RESOLUTION FUND CHARGES**
  - **ADJUSTMENTS TO LOANS OF €923M VS €694M**
- **CREDIT TREND IMPROVING AT A FASTER PACE:**
  - **DECREASE IN GROSS NPL INFLOW FROM PERFORMING LOANS:**
    - **THE LOWEST QUARTERLY INFLOW SINCE THE CREATION OF INTESA SANPAOLO, AT €1.4BN, DOWN 7% VS Q1 2016**
    - **THE LOWEST HALF-YEARLY INFLOW SINCE 2007, AT €3BN, DOWN 35% VS H1 2015**
  - **DECREASE IN NLP STOCK:**
    - **DOWN 2% GROSS VS Q1 2016 AND DOWN 3% GROSS VS Q4 2015**
    - **DOWN 2% NET VS Q1 2016 AND Q4 2015**
- **A STRONG CAPITAL BASE, WELL ABOVE REGULATORY REQUIREMENTS EVEN UNDER THE STRESS TEST ADVERSE SCENARIO:**
  - **COMMON EQUITY RATIO AS AT 30 JUNE 2016, NET OF AROUND €1,650M DIVIDENDS ACCRUED IN H1 2016:**
    - **12.9% ON A FULLY LOADED BASIS**(1) (2)
    - **12.7% ON A TRANSITIONAL BASIS FOR 2016**(2)
  - **COMMON EQUITY RATIO UNDER STRESS TEST:**
    - **10.2% UNDER THE ADVERSE SCENARIO FOR 2018**

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(1) Estimated by applying the fully loaded parameters to the financial statements as at 30 June 2016, considering the total absorption of deferred tax assets (DTAs) related to the goodwill realignment and adjustments to loans, the expected absorption of DTAs on losses carried forward and the expected distribution of the H1 2016 net income of insurance companies; including the effect of the Danish compromise (under which insurance investments are risk weighted instead of being deducted from capital, with a benefit of 16 basis points).

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

HIGHLIGHTS:

OPERATING INCOME:	Q2 2016	+14.5% **+6.9%**	AT €4,605M VS €4,023M IN Q1 2016, EXCLUDING RESOLUTION FUND CHARGES AND INCOME FROM THE SALE OF VISA EUROPE STAKE
	H1 2016	-5.6% -7.2%	AT €8,628M VS €9,139M IN H1 2015, EXCLUDING CHARGES IN RELATION TO RESOLUTION FUND AND DEPOSIT GUARANTEE SCHEME AND INCOME FROM THE SALE OF VISA EUROPE STAKE
OPERATING COSTS:	Q2 2016	+5.2%	AT €2,154M FROM €2,047M IN Q1 2016;
	H1 2016	-0.1%	AT €4,201M FROM €4,205M IN H1 2015
OPERATING MARGIN:	Q2 2016	+24% **+8.6%**	AT €2,451M VS €1,976M IN Q1 2016, EXCLUDING RESOLUTION FUND CHARGES AND INCOME FROM THE SALE OF VISA EUROPE STAKE;
	H1 2016	-10.3% -13.2%	AT €4,427M VS €4,934M IN H1 2015, EXCLUDING CHARGES IN RELATION TO RESOLUTION FUND AND DEPOSIT GUARANTEE SCHEME AND INCOME FROM THE SALE OF VISA EUROPE STAKE
INCOME BEFORE TAX FROM CONTINUING OPERATIONS:	Q2 2016	**€1,360M** €1,372M	VS €1,241M IN Q1 2016; VS €1,377M IN Q1 2016, EXCLUDING RESOLUTION FUND CHARGES
	H1 2016	**€2,601M** €2,749M	VS €3,224M IN H1 2015; VS €3,362M IN H1 2015, EXCLUDING CHARGES IN RELATION TO RESOLUTION FUND AND DEPOSIT AND GUARANTEE SCHEME
NET INCOME:	Q2 2016	**€901M** €908M	VS €806M IN Q1 2016; VS €902M IN Q1 2016, EXCLUDING RESOLUTION FUND CHARGES
	H1 2016	**€1,707M** €1,810M	VS €2,004M IN H1 2015; VS €2,106M IN H1 2015, EXCLUDING CHARGES IN RELATION TO RESOLUTION FUND AND DEPOSIT GUARANTEE SCHEME
CAPITAL RATIOS:		COMMON EQUITY RATIO AFTER ACCRUED DIVIDENDS: **12.9% PRO-FORMA FULLY LOADED**(3) (4); **12.7% PHASED IN**(4)	

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(3) Estimated by applying the fully loaded parameters to the financial statements as at 30 June 2016, considering the total absorption of deferred tax assets (DTAs) related to the goodwill realignment and adjustments to loans, the expected absorption of DTAs on losses carried forward and the expected distribution of the H1 2016 net income of insurance companies; including the effect of the Danish compromise (under which insurance investments are risk weighted instead of being deducted from capital, with a benefit of 16 basis points).

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

Turin - Milan, 2 August 2016 – At its meeting today, the Board of Directors of Intesa Sanpaolo approved the consolidated half-yearly report as at 30 June 2016[(5)].

In the second quarter of 2016, the Group achieved an **improvement in profitability compared with the first quarter of 2016**, and **maintained a solid balance sheet**, as the figures below show:

- **robust net income** at **€901m in Q2 2016**, compared with €806m in Q1 2016. Excluding charges in relation to the resolution fund – for which the total ordinary contribution covering full year 2016 was booked in the first half of the year – net income for Q2 was €908m, versus €902m in Q1 2016. **In H1 2016, net income amounted to €1,707m**, compared with €2,004m in H1 2015 which benefitted from a particularly positive trend in financial markets. Excluding charges in relation to the resolution fund and the deposit guarantee scheme, net income for H1 2016 was €1,810m, versus €2,106m in H1 2015. Net income for H1 2016 was **already almost 90% of the €3bn dividend commitment for 2016 when considering the net capital gain of around €895m deriving from the sale of Setefi and Intesa Sanpaolo Card**. The agreement concerning the sale was signed in Q2 2016 and the capital gain is expected to be booked in the second half of 2016.

- **increase in operating margin** to **€2,451m** in Q2 2016, up 24% versus Q1 2016, **up 9% excluding charges in relation to the resolution fund and the income from the sale of the VISA Europe stake**;

- **growth in operating income** to **€4,605m** in Q2 2016, up 14% versus Q1 2016, **up 7% excluding charges in relation to the resolution fund and the income from the sale of the VISA Europe stake**;

- **strong recovery in net fee and commission income** up at **€1,848m** in Q2 2016, **up 10%** versus Q1 2016, alongside a **pick-up in assets under management**. Managed assets recorded net inflow of around €3bn in Q2, compared with €1bn in Q1, despite savers continued to show propensity towards liquidity in a context of high market volatility.

- **high efficiency**, highlighted by a **cost/income ratio of 48.7%** in H1 2016 – 48.8% excluding resolution fund charges and the income from the sale of the stake in VISA Europe – **a figure that places Intesa Sanpaolo in the top tier of its European peers**;

- **continuous cost management,** with operating costs at €4,201m in H1 2016, in line with H1 2015, due to a 5% decrease in administrative expenses, and a 2% increase in personnel expenses attributable to incentives to trigger growth;

- **pre-tax income in Q2 2016 in line with Q1 2016**, at **€1,372m** versus €1,377m, **when excluding resolution fund charges**, and reflecting particularly conservative loan adjustments increased to €923m in Q2 2016 from €694m in Q1 2016 also in light of the income from the disposal of non-core assets. The stated pre-tax income amounted to €1,360m in Q2 2016 versus €1,241m in Q1 2016.

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

- **<u>credit trend improving at a faster pace</u>**, following the **effective proactive credit management approach** in an improving economic environment:
  - **gross inflow of new NPLs from performing loans strongly diminished in Q2 2016, the lowest quarterly figure since the creation of Intesa Sanpaolo**: €1.4bn in Q2 2016, down 7% versus €1.6bn in Q1 2016, leading to €3bn for the first half of the year, **the lowest half-yearly figure since 2007**, down 35% from €4.6bn in H1 2015,
  - in addition, **net inflow of new NPLs from performing loans recorded a strong decrease in Q2 2016, the lowest quarterly figure since 2007**: €0.9bn in Q2 2016, down 26% versus €1.2bn in Q1 2016, leading to €2bn for the first half of the year, **the lowest half-yearly figure since 2007**, down 31% from €3bn in H1 2015,
  - **NPL stock decreased**, down 2% gross versus March 2016 and down 3% gross versus December 2015, down 2% net versus both March 2016 and December 2015,
  - specifically, the **stock of unlikely to pay loans decreased**, down 3% gross and net, versus both March 2016 and December 2015,
  - **gross bad loan stock decreased**, down 1% versus both March 2016 and December 2015;

- **<u>sizeable NPL coverage</u>**:
  - **NPL cash coverage ratio of 47.3%** at the end of June 2016 versus 47.6% at year-end 2015 (Italian peers average: 41% in Q1 2016), **with a cash coverage ratio of the bad loan component of 60.7%** at the end of June 2016 (61.8% at year-end 2015)
  - **total NPL coverage ratio of 146% including collateral** at the end of June 2016 (139% at year-end 2015) and **153% when adding also personal guarantees** (146% at year-end 2015), with a total coverage ratio of the **bad loan component of 147%** (140% at year-end 2015) and **154%** when adding also personal guarantees (147% at year-end 2015)
  - **robust reserve buffer on performing loans** amounting to 0.6% at the end of June 2016 (0.7% at year-end 2015);

- **<u>support to the real economy,</u>** with over **€27bn of medium/long-term new lending** in the first half of 2016. Around **€24bn of loans** were granted **in Italy (up 24% vs H1 2015)**; over **€20bn of these loans were granted to households and SMEs,** an **increase of 32%** on H1 2015. **In the first half of 2016, the Bank facilitated the return** from non-performing **to performing status of more than 10,000 Italian companies**, making a total of around **40,000 since 2014**.

- **a very solid capital base** with capital ratios well above regulatory requirements, even under the stress test adverse scenario. As at 30 June 2016, 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 came in at 12.7%(7). These are net of around €1,650m dividends accrued in the first half of the year (assumed to be equal to the net income for the half year minus accrued coupons on Additional Tier 1 issues). The Common Equity ratio resulting from the stress test under the adverse scenario for 2018 would stand at 10.2%.

- **strong liquidity position and funding capability** with **liquid assets of €130bn** and **available unencumbered liquid assets of €69bn at the end of June 2016. 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 support businesses in their investment, amounted, on average, to €27.7bn in Q2 2016 (€27.6bn, on average, in Q1 2016 and €23.2bn, on average, in 2015), and consisted entirely of the four-year TLTRO funding. At the end of June 2016, the Group took around €36bn under the TLTRO II programme against the full pay-back of the €27.6bn that the Group borrowed under the TLTRO I programme (€12.6bn in the last four months of 2014, €10bn at the end of March 2015, and €5bn at the end of June 2015).

- **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 €111
      - the "**Intesa Sanpaolo Casa**" real estate project, focused on real estate sale and brokerage, is being implemented with **23 real estate agencies already opened** and four additional agencies to be opened in September in the most important cities
    - **Multichannel Bank**
      - **new multichannel processes have been successfully launched:**
        - **around 1.2 million additional multichannel clients since the beginning of 2014, raising the total to around 5.6 million clients**
        - 3.4 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 3.8 million transactions completed)

(6) Estimated by applying the fully loaded parameters to the financial statements as at 30 June 2016, considering the total absorption of deferred tax assets (DTAs) related to the goodwill realignment and adjustments to loans, the expected absorption of DTAs on losses carried forward and the expected distribution of the H1 2016 net income of insurance companies; including the effect of the Danish compromise (under which insurance investments are risk weighted instead of being deducted from capital, with a benefit of 16 basis points).

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

- **the "Online Branch" is fully operational for the "Service To Sale"**, with around 11,000 products sold in the first six months of 2016
- **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

- **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**
  - the **first wave of new products has been launched for the entire Division** (e.g., Fideuram Private Mix)
  - **five dedicated High Net Worth Individual boutiques** have been opened, with a targeted service model for HNWI clientele
  - **the advisory tool "View" has been launched on the Intesa Sanpaolo Private Banking network** with €2.6bn of assets under advisory
  - **the new digital office for private bankers is being rolled out**
- **Asset Management**
  - the digital platform has been enriched (with e.g., "model portfolio" and "scenario analysis")
  - a **new product range** has been introduced in the **Banca dei Territori, the Private Banking and the Insurance Divisions**, 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 which allow investors to **sustain the real economy** while capturing the evolution of the **European structured credit market** (Eurizon Easy Fund – Securitised Bond Fund)
  - the Asset Management Division is **expanding further at an international level** (e.g., partnership in London, ongoing authorisation processes for Eurizon Capital China, Frankfurt, Hong Kong and Paris)
- **Insurance**
  - **the steering** of product mix **towards capital-efficient products is making good progress** (i.e., Unit Linked products represent 61% of the new production, compared with 57% in 2015)
  - a **new Unit Linked Product with capital protection** has been launched ("Exclusive Insurance")
  - **existing products have been consolidated** (Fideuram Private Mix and Synthesis) **and a new composite product for HNWI has been launched within the Private Banking Division**
  - **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 health-care sector (a new product dedicated to surgery and prevention) and in the corporate sector (a new product dedicated to agriculture)

    - **activities** for the **development of pension funds dedicated to company employees** have been **completed**
    - **pension fund business has been fully integrated**
  - **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 reinforced (e.g., new **"Mutuo Giovani"**)
    - a **new service model** has been introduced in **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 and the reinforcement of distribution under way
    - a **front-line excellence programme** is being implemented in the Corporate and Investment Banking Division, reinforcing a sector-oriented business model
    - a new international **organisation is in place within the Corporate and Investment Banking Division** to serve top international clients; the **international strategy of Banca IMI** is being implemented, with a focus on core selected products
    - a **new segmentation** and a **new service model** have been launched **for affluent clients of the International Subsidiary Banks Division**
    - 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 **93 branch closures since the beginning of 2016 and 658 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 now 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 **720** dedicated **people** and **around €16bn 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 **€40m** since 2014
  - **the partnership with KKR-Pillarstone is up and running**

- **people and investment 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 (more than 300 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 fully operational at 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 the digitisation launched on eight processes, already up and running on four
  - investment to **renew the layout of 1,000 branches** has already been activated (around 50 branches have been converted to date)
  - more than **175 agreements with labour unions** have been signed
  - more than **4,500 employees** have already adopted "**smart working**" practices
  - an "**Integrated Welfare Programme**" has been launched.

The income statement for the second quarter of 2016

The consolidated income statement for Q2 2016[8] recorded **net interest income** of €1,831m, down 1.3% from €1,855m in Q1 2016 and down 6.3% from €1,954m in Q2 2015.

Net fee and commission income amounted to €1,848m, up 10.3% from €1,676m in Q1 2016. Specifically, commissions on commercial banking activities were up 3.6% and commissions on management, dealing and consultancy activities were up 11.7%. The latter, which include portfolio management, distribution of insurance products, dealing and placement of securities, etc., recorded commissions on dealing and placement of securities up 68.1%, distribution of insurance products up 10.7% and portfolio management up 3.9% (zero-contribution of performance fees in both Q1 and Q2 2016). Net fee and commission income for Q2 2016 decreased 4.8% from €1,941m in Q2 2015. Specifically, commissions on commercial banking activities were stable, while those on management, dealing and consultancy activities declined by 9% with commissions on dealing and placement of securities down 22.3%, portfolio management down 13.2% (performance fees of €60m were recorded in Q2 2015) and distribution of insurance products up 8.1%.

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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 €485m into loans and receivables; the Group also reclassified financial assets available for sale of €5,375m into loans and receivables. If these reclassifications had not been made, the profits/losses on trading for Q2 2016 would have recorded a positive pre-tax impact of €4m (a negative impact of €15m in H1 2016, a positive impact of €2m in full-year 2015, €60m in full-year 2014, €94m in full-year 2013, €135m in full-year 2012, a negative impact of €11m in full-year 2011, a positive impact of €92m in full-year 2010 and €73m in full-year 2009, and a negative impact of €460m in full-year 2008) and the shareholders’ equity as at 30 June 2016 would have included a negative pre-tax direct impact of €904m (with a negative impact of €82m in Q2 2016 and €220m in H1 2016).

Profits on trading amounted to €467m (including €121m dividends from the Bank of Italy stake) versus €228m in Q1 2016. Profits from customers increased from €106m to €136m. Activities in capital markets and AFS financial assets increased from €74m to €85m. Trading and treasury activities increased from €48m to €239m (including the aforementioned dividends of €121m). Structured credit products reported profits of €6m versus a loss of €1m. Profits of €467m for Q2 2016 compare with profits of €380m in the corresponding period of 2015, which recorded profits from customers of €69m, profits from capital markets and AFS financial assets of €57m, profits from trading and treasury activities of €251m (including €144m dividends from the Bank of Italy stake) and profits from structured credit products of €3m.

Income from insurance business amounted to €239m, compared with €332m in Q1 2016 and €282m in Q2 2015.

Other operating income/expenses showed a positive balance of €136m (including the income of €170m from the sale of the stake in VISA Europe, as well as further charges of €12m in relation to the resolution fund for full-year 2016 in addition to those estimated in Q1 2016). In Q1 2016, a negative balance of €142m was recorded (including €136m charges for the resolution fund), while in Q2 2015 the negative balance was €59m (including charges of €21m for the resolution fund and €43m for the deposit guarantee scheme).

Operating income amounted, therefore, to €4,605m, up 14.5% from €4,023m in Q1 2016 and up 2% from €4,513m in Q2 2015. Excluding charges for the resolution fund and the deposit guarantee scheme and the income from the sale of the VISA Europe stake, operating income increased 6.9% versus Q1 2016 and was down 2.8% versus Q2 2015.

Operating costs amounted to €2,154m, up 5.2% from €2,047m in Q1 2016 attributable to personnel expenses increasing 4.9%, administrative expenses up 7.2% and adjustments up 0.6%. Operating costs for Q2 2016 increased 2.2% from €2,107m in the same quarter of 2015, due to personnel expenses up 5.9%, adjustments up 1.1%, while administrative expenses were down 4.5%.

As a result, **operating margin** amounted to €2,451m, up 24% from €1,976m in Q1 2016 and up 1.9% from €2,406m in Q2 2015. The cost/income ratio was 46.8% in Q2 2016 versus 50.9% in Q1 2016 and 46.7% in Q2 2015. Excluding charges for the resolution fund and the deposit guarantee scheme, as well as the income from the sale of the VISA Europe stake, the cost/income ratio was 48.4% versus 49.2% in Q1 2016 and 46% in Q2 2015, and the operating margin increased 8.6% versus Q1 2016, while decreasing 7.2% versus Q2 2015.

Net **provisions** and adjustments (net provisions for risks and charges, net adjustments to loans, net impairment losses on other assets) amounted to €1,056m, compared with €730m in Q1 2016 and €946m in Q2 2015. Net provisions for risks and charges amounted to €97m, compared with €16m in Q1 2016 and €68m in Q2 2015. Net adjustments to loans amounted to €923m, compared with €694m in Q1 2016 and €847m in Q2 2015. Net impairment losses on other assets were €36m, compared with €20m in Q1 2016 and €31m in Q2 2015.

Profits/losses on investments held to maturity and on other investments recorded losses of €35m, compared with losses of €5m in Q1 2016 and profits of €38m in Q2 2015.

Income before tax from continuing operations amounted to €1,360m, compared with €1,241m in Q1 2016 and €1,498m in Q2 2015. Excluding charges for the resolution fund and the deposit guarantee scheme, the income amounted to €1,372m in Q2 2016, compared with €1,377m in Q1 2016 and €1,562m in Q2 2015.

Consolidated net income for the quarter amounted to €901m, compared with €806m in Q1 2016 and €940m in Q2 2015, after accounting:
- taxes of €340m
- charges (net of tax) for integration and exit incentives of €38m
- charges from purchase price allocation (net of tax) of €27m
- income after tax from discontinued operations of €15m
- minority interests of €69m.

Excluding charges for the resolution fund and the deposit guarantee scheme, net income was €908m in Q2 2016, compared with €902m in Q1 2016 and €988m in Q2 2015.

The income statement for the first half of 2016

The consolidated income statement for H1 2016 recorded **net interest income** of €3,686m, down 5.6% from €3,904m in H1 2015.

Net fee and commission income amounted to €3,524m, down 5.2% from €3,716m in H1 2015. Specifically, commissions on commercial banking activities were down 1.3% and commissions on management, dealing and consultancy activities were down 9.4%. The latter, which include portfolio management, distribution of insurance products, dealing and placement of securities, etc., showed commissions on dealing and placement of securities down 43.3%, on portfolio management down 9% (contribution from performance fees was zero in H1 2016 and €90m in H1 2015), and on distribution of insurance products up 14.8%.

Profits on trading amounted to €695m (including €121m dividends from the Bank of Italy stake) versus €976m in H1 2015 (including €144m dividends from the Bank of Italy stake). Profits from customers increased from €227m to €243m. Activities in capital markets and AFS financial assets increased from €145m to €160m. Trading and treasury activities (including the aforementioned dividends) declined from €603m to €288m. Structured credit products increased from €1m to €5m.

Income from insurance business amounted to €571m, compared with €625m in H1 2015.

Other operating income/expenses showed a negative balance of €6m (including the income of €170m from the sale of the stake in VISA Europe and charges of €148m in relation to the resolution fund). The corresponding period of 2015 showed a negative balance of €136m, which included charges of €95m for the resolution fund and the contribution of €43m made to the deposit guarantee scheme.

Operating income amounted, therefore, to €8,628m, down 5.6% from €9,139m in H1 2015. Excluding charges for the resolution fund and the deposit guarantee scheme, as well as the income from the sale of the VISA Europe stake, operating income was down 7.2% versus H1 2015.

Operating costs amounted to €4,201m, down 0.1% from €4,205m in H1 2015, as a result of a 4.9% decrease in administrative expenses and increases in personnel expenses and adjustments of 2.2% and 1.4% respectively.

As a result, **operating margin** amounted to €4,427m, down 10.3% from €4,934m in H1 2015. The cost/income ratio was 48.7% in H1 2016 versus 46% in H1 2015. Excluding charges for the resolution fund and the deposit guarantee scheme, as well as the income from the sale of the VISA Europe stake, the cost/income ratio was 48.8% versus 45.3% in H1 2015 and the operating margin decreased 13.2% versus H1 2015.

Net **provisions** and adjustments (net provisions for risks and charges, net adjustments to loans, net impairment losses on other assets) amounted to €1,786m, compared with €1,776m in H1 2015. Net provisions for risks and charges amounted to €113m, compared with €122m in H1 2015. Net adjustments to loans amounted to €1,617m, compared with €1,614m in H1 2015. Net impairment losses on other assets were €56m, compared with €40m in H1 2015.

Profits/losses on investments held to maturity and on other investments recorded losses of €40m, compared with profits of €66m in H1 2015.

Income before tax from continuing operations amounted to €2,601m, compared with €3,224m in H1 2015. Excluding charges for the resolution fund and the deposit guarantee scheme, the income amounted to €2,749m in H1 2016 and €3,362m in H1 2015.

Consolidated net income for the first half of the year amounted to €1,707m, compared with €2,004m in H1 2015, after accounting:
- taxes of €723m
- charges (net of tax) for integration and exit incentives of €51m
- charges from purchase price allocation (net of tax) of €56m
- income after tax from discontinued operations of €28m
- minority interests of €92m.

Excluding charges for the resolution fund and the deposit guarantee scheme, net income was €1,810m in H1 2016 and €2,106m in H1 2015.

Balance sheet as at 30 June 2016

As regards the consolidated balance sheet figures, as at 30 June 2016 **loans to customers** amounted to €360bn, up 3.7% from year-end 2015 and up 5.4% from 30 June 2015 (up 1.2% in Q2 2016 vs Q1 2016 and up 1.8% in H1 2016 vs H1 2015 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 €32,352m, down 2.2% vs the €33,086m of year-end 2015. In detail, bad loans increased to €15,159m from €14,973m at year-end 2015, with a bad loans to total loans ratio of 4.2% (4.3% as at year-end 2015) and a cash coverage ratio of 60.7% (61.8% as at year-end 2015). When including **collateral and guarantees**, the total bad loan coverage ratio was 147% including collateral and 154% adding also personal guarantees. Loans included in the unlikely to pay category decreased to €16,560m from €17,091m as at year-end 2015. Past due loans decreased to €633m from €1,022m at year-end 2015.

Customer financial assets amounted to €841bn (net of duplications between direct deposits and indirect customer deposits), down 0.2% from year-end 2015 and up 1.5% from 30 June 2015. Under customer financial assets, **direct deposits from banking business** amounted to €387bn, up 3.9% from year-end 2015 and up 6% from 30 June 2015; **direct deposits from insurance business and technical reserves** amounted to €140bn, up 5% from year-end 2015 and up 12.2% from 30 June 2015. Indirect customer deposits amounted to €452bn, down 3.4% from year-end 2015 and down 2.1% from 30 June 2015. **Assets under management** reached €301bn, down 0.4% from year-end 2015 and down 0.1% from 30 June 2015. As for bancassurance, in H1 2016, the new business for life policies amounted to €12.7bn (7.3% lower than in H1 2015). Assets under administration and in custody amounted to €151bn, down 8.9% from year-end 2015 and down 5.8% from 30 June 2015.

Capital ratios as at 30 June 2016, calculated by applying the transitional arrangements for 2016 and net of around €1,650m dividends accrued for the first half of the year, were as follows:

- Common Equity ratio(9) at 12.7% (13% at year-end 2015),
- Tier 1 ratio(9) at 13.9% (13.8% at year-end 2015),
- total capital ratio(9) at 16.9% (16.6% at year-end 2015).

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

The estimated pro-forma common equity ratio for the Group on a **fully loaded basis** was 12.9% (13.1% at year-end 2015). It was calculated by applying the fully loaded parameters to the financial statements as at 30 June 2016, considering the total absorption of deferred tax assets (DTAs) related to the goodwill realignment and adjustments to loans, the expected absorption of DTAs on losses carried forward, the expected distribution of the H1 2016 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 16 basis points).

* * *

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 which were €130bn at the end of June 2016, including eligible assets with Central Banks received as collateral and excluding eligible assets currently used as collateral;
- high level of liquid assets which amounted to €69bn at the end of June 2016, comprising available unencumbered liquid assets - excluding eligible assets received as collateral - and eligible assets currently used as collateral;
- refinancing operations with the ECB to optimise the cost of funding and support businesses in their investment, amounted, on average, to €27.7bn in the second quarter of 2016 (€27.6bn on average in Q1 2016 and €23.2bn, on average, in 2015) and consisted entirely of the four-year TLTRO funding. At the end of June 2016, the Group took around €36bn under the TLTRO II programme against the full pay-back of the €27.6bn that the Group borrowed under the TLTRO I programme (€12.6bn in the last four months of 2014, €10bn at the end of March 2015, and €5bn at the end of June 2015);
- the sources of funding were stable and well-diversified, with 70% of direct deposits from the banking business (including securities issued) generated from retail operations;
- medium/long-term funding has reached around €11bn since the beginning of the year, of which around €4bn retail funding;
- medium/long-term wholesale issues have included, since the beginning of the year, the following benchmark operations: €1.25bn Additional Tier 1, US$1.5bn subordinated Tier 2 and €1.25bn covered bonds (almost 90% placed with foreign investors).

The Group's **leverage ratio** as at 30 June 2016 was 6.6% phased in and 6.2% fully loaded, both best in class among major European banking groups.

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As at 30 June 2016, the Intesa Sanpaolo Group's **operating structure** had a total network of 5,242 branches - of which 4,047 were in Italy and 1,195 were abroad - with 89,914 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, Mediocredito Italiano, which is the SME Finance Hub, and Setefi operating in electronic payments.

In the second quarter of 2016, the Banca dei Territori Division recorded:
- operating income of €2,291m, +8.2% versus €2,118m in Q1 2016;
- operating costs of €1,241m, +4.4% versus €1,188m in Q1 2016;
- operating margin of €1,050m, +12.9% versus €930m in Q1 2016;
- a cost/income ratio of 54.2% versus 56.1% in Q1 2016;
- net provisions and adjustments of €504m, versus €456m in Q1 2016;
- income before tax from continuing operations of €547m, +15.4% versus €474m in Q1 2016;
- net income of €357m, +25.1% versus €286m in Q1 2016.

In the first half of 2016, the Banca dei Territori Division recorded:
- operating income of €4,410m, -4.2% versus €4,602m in H1 2015, contributing approximately 51% of the consolidated operating income (50% in H1 2015);
- operating costs of €2,429m, +0.4% versus €2,419m in H1 2015;
- operating margin of €1,981m, -9.3% versus €2,183m in H1 2015;
- a cost/income ratio of 55.1% versus 52.6% in H1 2015;
- net provisions and adjustments of €960m, versus €1,048m in H1 2015;
- income before tax from continuing operations of €1,021m, -10% versus €1,135m in H1 2015;
- net income of €643m, -3.6% versus €667m in H1 2015.

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

- International Network & Global Industries, which manages relationships with global industrial corporates operating in eight key industries with high growth potential (automotive & industrial; basic resources & diversified; consumer, retail & luxury; healthcare & chemical; infrastructures; oil & gas; power & utilities; telecom, media & technology). Furthermore, this department 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
- Corporate and Public Finance, which manages relationships with large to mid-sized Italian corporates and provides services to government, public entities, local authorities, universities, public utilities, general contractors, and public and private healthcare providers
- 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 second quarter of 2016, the Corporate and Investment Banking Division recorded:

- operating income of €898m, +15.1% versus €780m in Q1 2016;
- operating costs of €237m, +6.7% versus €222m in Q1 2016;
- operating margin of €661m, +18.4% versus €558m in Q1 2016;
- a cost/income ratio of 26.4% versus 28.5% in Q1 2016;
- net provisions and adjustments of €88m, versus €38m in Q1 2016;
- profits on investments held to maturity and on other investments of €18m, versus no profits/losses in Q1 2016;
- income before tax from continuing operations of €591m, +13.6% versus €520m in Q1 2016;
- net income of €399m, +11.2% versus €359m in Q1 2016.

In the first half of 2016, the Corporate and Investment Banking Division recorded:

- operating income of €1,678m, -6.6% versus €1,796m in H1 2015, contributing approximately 19% of the consolidated operating income (20% in H1 2015);
- operating costs of €460m, +1.3% versus €454m in H1 2015;
- operating margin of €1,218m, -9.2% versus €1,342m in H1 2015;
- a cost/income ratio of 27.4% versus 25.3% in H1 2015;
- net provisions and adjustments of €125m, versus €130m in H1 2015;

- profits on investments held to maturity and on other investments of €18m, versus no profits/losses in H1 2015;
- income before tax from continuing operations of €1,111m, -8.3% versus €1,212m in H1 2015;
- net income of €758m, -8.7% versus €830m in H1 2015.

The **International Subsidiary Banks**(10) 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 Banka Koper 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 second quarter of 2016, the International Subsidiary Banks Division recorded:
- operating income of €566m, +12.6% versus €503m in Q1 2016;
- operating costs of €239m, +0.1% versus €239m in Q1 2016;
- operating margin of €327m, +23.8% versus €264m in Q1 2016;
- a cost/income ratio of 42.2% versus 47.5% in Q1 2016;
- net provisions and adjustments of €46m, versus €42m in Q1 2016;
- no profits/losses on investments held to maturity and on other investments, versus €4m profits in Q1 2016;
- income before tax from continuing operations of €281m, +24.2% versus €226m in Q1 2016;
- net income of €217m, +26.8% versus €171m in Q1 2016.

(10) 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.

In the first half of 2016, the International Subsidiary Banks Division recorded:
- operating income of €1,068m, +2.5% versus €1,042m in H1 2015, contributing approximately 12% of the consolidated operating income (11% in H1 2015);
- operating costs of €477m, -4.4% versus €499m in H1 2015;
- operating margin of €591m, +8.8% versus €543m in H1 2015;
- a cost/income ratio of 44.7% versus 47.9% in H1 2015;
- net provisions and adjustments of €88 m, versus €165m in H1 2015;
- profits on investments held to maturity and on other investments of €4m, versus no profits/losses H1 2015;
- income before tax from continuing operations of €507m, +34.1% versus €378m in H1 2015;
- net income of €389m, +37% versus €284m in H1 2015.

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 second quarter of 2016, the Private Banking Division recorded:
- operating income of €430m, -2.1% versus €439m in Q1 2016;
- operating costs of €133m, +7.4% versus €124m in Q1 2016;
- operating margin of €296m, -5.9% versus €315m in Q1 2016;
- a cost/income ratio of 31% versus 28.3% in Q1 2016;
- net provisions and adjustments of €15 m, versus €6m in Q1 2016;
- income before tax from continuing operations of €281m, -8.9% versus €308m in Q1 2016;
- net income of €170m, -11.9% versus €194m in Q1 2016.

In the first half of 2016, the Private Banking Division recorded:
- operating income of €869m, -2% versus €887m in H1 2015, contributing approximately 10% of the consolidated operating income (10% in H1 2015 as well);
- operating costs of €258m, -0.8% versus €260m in H1 2015;
- operating margin of €611m, -2.6% versus €627m in H1 2015;
- a cost/income ratio of 29.7% versus 29.3% in H1 2015;

- net provisions and adjustments of €21 m, versus €12m in H1 2015;
- income before tax from continuing operations of €590m, -4.1% versus €615m in H1 2015;
- net income of €364m, -2.2% versus €372m in H1 2015.

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 is 50.12% owned by Eurizon Capital SA and heads up the Hungarian CIB IFM and the Croatian PBZ Invest (Eastern European asset management hub). Eurizon Capital also controls Epsilon Associati SGR, a company specialising in managing structured products and mutual funds using quantitative methods which is 51% owned by Eurizon Capital and 49% owned by Banca IMI. Eurizon Capital owns a 49% stake in a Chinese asset management company, Penghua Fund Management.

In the second quarter of 2016, the Asset Management Division recorded:
- operating income of €151m, +2% versus €148m in Q1 2016;
- operating costs of €33m, +4.9% versus €31m in Q1 2016;
- operating margin of €118m, +1.2% versus €117m in Q1 2016;
- a cost/income ratio of 21.8% versus 21.2% in Q1 2016;
- income before tax from continuing operations of €118m, +1.2% versus €117m in Q1 2016;
- net income of €89m, -1.3% versus €90m in Q1 2016.

In the first half of 2016, the Asset Management Division recorded:
- operating income of €299m, -19.4% versus €371m in H1 2015, contributing approximately 3% of the consolidated operating income (4%in H1 2015);
- operating costs of €64m, -4.5% versus €67m in H1 2015;
- operating margin of € 235m, -22.7% versus €304m in H1 2015;
- a cost/income ratio of 21.4% versus 18.1% in H1 2015;
- no net provisions and adjustments, versus net provisions and adjustments of €1m in H1 2015;
- income before tax from continuing operations of €235m, -22.4% versus €303m in H1 2015;
- net income of €179m, -19.7% versus €223m in H1 2015.

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 second quarter of 2016, the Insurance Division recorded:
- operating income of €306m, -16.6% versus €367m in Q1 2016;
- operating costs of €39m, +4.7% versus €37m in Q1 2016;
- operating margin of €267m, -19% versus €330m in Q1 2016;
- a cost/income ratio of 12.6% versus 10% in Q1 2016;
- net provisions and adjustments of €8m, versus no net provisions and adjustments in Q1 2016;
- income before tax from continuing operations of €259m, -21.5% versus €330m in Q1 2016;
- net income of €176m, -18.7% versus €216m in Q1 2016.

In the first half of 2016, the Insurance Division recorded:
- operating income of €673m, +3.5% versus €650m in H1 2015, contributing approximately 8% of the consolidated operating income (7% in H1 2015);
- operating costs of €75m, +2.7% versus €73m in H1 2015;
- operating margin of €598m, +3.6% versus €577m in H1 2015;
- a cost/income ratio of 11.1% versus 11.2% in H1 2015;
- net provisions and adjustments of €9m, versus no net provisions and adjustments in H1 2015;
- income before tax from continuing operations of €589m, +2.1% versus €577m in H1 2015;
- net income of €392m, -0.3% versus €393m in H1 2015.

The outlook for 2016

In 2016, the Intesa Sanpaolo Group is expected to record improvement in consolidated pre-tax income and net income, compared with 2015. The commitment to distribute €3 billion cash dividends for 2016, as indicated in the 2014-2017 Business Plan, is confirmed.

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For consistency purpose:

- the income statement and the balance sheet figures for the four quarters of 2015 and the first quarter of 2016 were restated following the signing of the agreement concerning the sale of Setefi and Intesa Sanpaolo Card and the finalisation of the sale 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;
- furthermore, the income statement and balance sheet figures for the first quarter of 2015 were restated following the termination of the sale-and-purchase agreement signed in January 2014, concerning Ukrainian subsidiary Pravex-Bank. The related items were reconsolidated line by line while their contribution to the income statement and the balance sheet was previously recorded, respectively, under income/loss from discontinued operations and under relevant assets/liabilities referring to discontinued operations;
- finally, following the consolidation of Risanamento, the income statement figures for the first and the second quarter of 2015 were restated line by line, with the corresponding net income included under minority interests, and so were the balance sheet figures for the first quarter of 2015.

* * *

In order to present more complete information on the results generated in the first half of 2016, the reclassified consolidated income statement and the reclassified consolidated balance sheet included in the report approved by the Board of Directors are attached. Please note that these statements have not been reviewed by the auditing company. The auditing company in charge of performing the limited review of the half-yearly report has not yet completed its analysis.

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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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Intesa Sanpaolo Group

Reclassified consolidated statement of income

(millions of euro)

	30.06.2016	30.06.2015	Changes	
			amount	%
Net interest income	3,686	3,904	-218	-5.6
Profits (losses) on investments carried at equity	158	54	104	
Net fee and commission income	3,524	3,716	-192	-5.2
Profits (Losses) on trading	695	976	-281	-28.8
Income from insurance business	571	625	-54	-8.6
Other operating income (expenses)	-6	-136	-130	-95.6
Operating income	8,628	9,139	-511	-5.6
Personnel expenses	-2,613	-2,558	55	2.2
Other administrative expenses	-1,233	-1,297	-64	-4.9
Adjustments to property, equipment and intangible assets	-355	-350	5	1.4
Operating costs	-4,201	-4,205	-4	-0.1
Operating margin	4,427	4,934	-507	-10.3
Net provisions for risks and charges	-113	-122	-9	-7.4
Net adjustments to loans	-1,617	-1,614	3	0.2
Net impairment losses on other assets	-56	-40	16	40.0
Profits (Losses) on investments held to maturity and on other investments	-40	66	-106	
Income (Loss) before tax from continuing operations	2,601	3,224	-623	-19.3
Taxes on income from continuing operations	-723	-1,136	-413	-36.4
Charges (net of tax) for integration and exit incentives	-51	-31	20	64.5
Effect of purchase price allocation (net of tax)	-56	-59	-3	-5.1
Impairment (net of tax) of goodwill and other intangible assets	-	-	-	-
Income (Loss) after tax from discontinued operations	28	29	-1	-3.4
Minority interests	-92	-23	69	
Net income (loss)	1,707	2,004	-297	-14.8

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)

	2016		2015			
	Second quarter	First quarter	Fourth quarter	Third quarter	Second quarter	First quarter
Net interest income	1,831	1,855	1,926	1,887	1,954	1,950
Profits (losses) on investments carried at equity	84	74	1	41	15	39
Net fee and commission income	1,848	1,676	1,878	1,748	1,941	1,775
Profits (Losses) on trading	467	228	57	1	380	596
Income from insurance business	239	332	131	241	282	343
Other operating income (expenses)	136	-142	-378	209	-59	-77
Operating income	4,605	4,023	3,615	4,127	4,513	4,626
Personnel expenses	-1,338	-1,275	-1,479	-1,249	-1,263	-1,295
Other administrative expenses	-638	-595	-791	-632	-668	-629
Adjustments to property, equipment and intangible assets	-178	-177	-200	-178	-176	-174
Operating costs	-2,154	-2,047	-2,470	-2,059	-2,107	-2,098
Operating margin	2,451	1,976	1,145	2,068	2,406	2,528
Net provisions for risks and charges	-97	-16	-55	-222	-68	-54
Net adjustments to loans	-923	-694	-923	-769	-847	-767
Net impairment losses on other assets	-36	-20	-108	-20	-31	-9
Profits (Losses) on investments held to maturity and on other investments	-35	-5	51	21	38	28
Income (Loss) before tax from continuing operations	1,360	1,241	110	1,078	1,498	1,726
Taxes on income from continuing operations	-340	-383	-60	-339	-502	-634
Charges (net of tax) for integration and exit incentives	-38	-13	-37	-15	-25	-6
Effect of purchase price allocation (net of tax)	-27	-29	-33	-27	-33	-26
Impairment (net of tax) of goodwill and other intangible assets	-	-	-	-	-	-
Income (Loss) after tax from discontinued operations	15	13	15	15	14	15
Minority interests	-69	-23	18	10	-12	-11
Net income (loss)	901	806	13	722	940	1,064

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

Intesa Sanpaolo Group

Reclassified consolidated balance sheet

(millions of euro)

Assets	30.06.2016	31.12.2015	Changes amount	Changes %
Financial assets held for trading	52,499	51,597	902	1.7
of which: Insurance Companies	648	728	-80	-11.0
Financial assets designated at fair value through profit and loss	57,948	53,663	4,285	8.0
of which: Insurance Companies	56,908	52,519	4,389	8.4
Financial assets available for sale	152,465	131,334	21,131	16.1
of which: Insurance Companies	80,379	75,646	4,733	6.3
Investments held to maturity	1,246	1,386	-140	-10.1
Due from banks	36,879	34,445	2,434	7.1
Loans to customers	360,240	347,333	12,907	3.7
Investments in associates and companies subject to joint control	1,400	1,383	17	1.2
Property, equipment and intangible assets	12,116	12,536	-420	-3.4
Tax assets	14,398	15,007	-609	-4.1
Non-current assets held for sale and discontinued operations	966	3,431	-2,465	-71.8
Other assets	27,135	24,453	2,682	11.0
Total Assets	717,292	676,568	40,724	6.0

Liabilities and Shareholders' Equity	30.06.2016	31.12.2015	Changes amount	Changes %
Due to banks	67,656	59,327	8,329	14.0
Due to customers and securities issued	379,643	365,419	14,224	3.9
of which: Insurance Companies	1,362	1,310	52	4.0
Financial liabilities held for trading	49,340	43,522	5,818	13.4
of which: Insurance Companies	104	144	-40	-27.8
Financial liabilities designated at fair value through profit and loss	51,360	47,022	4,338	9.2
of which: Insurance Companies	51,360	47,022	4,338	9.2
Tax liabilities	2,186	2,351	-165	-7.0
Liabilities associated with non-current assets held for sale and discontinued operations	336	116	220	
Other liabilities	26,798	20,773	6,025	29.0
Technical reserves	86,813	84,616	2,197	2.6
Allowances for specific purpose	4,987	4,829	158	3.3
Share capital	8,732	8,732	-	-
Reserves	36,830	36,446	384	1.1
Valuation reserves	-1,860	-1,018	842	82.7
Equity instruments	2,118	877	1,241	
Minority interests	646	817	-171	-20.9
Net income (loss)	1,707	2,739	-1,032	-37.7
Total Liabilities and Shareholders' Equity	717,292	676,568	40,724	6.0

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	2016		2015			
	30/6	31/3	31/12	30/9	30/6	31/3
Financial assets held for trading	52,499	54,786	51,597	52,391	51,996	62,257
of which: Insurance Companies	648	721	728	775	754	823
Financial assets designated at fair value through profit and loss	57,948	54,480	53,663	49,998	49,407	48,620
of which: Insurance Companies	56,908	53,358	52,519	48,877	48,203	47,361
Financial assets available for sale	152,465	142,816	131,334	133,353	135,430	138,066
of which: Insurance Companies	80,379	78,393	75,646	72,548	71,463	74,813
Investments held to maturity	1,246	1,317	1,386	1,379	1,426	1,470
Due from banks	36,879	33,540	34,445	33,994	31,147	34,942
Loans to customers	360,240	358,478	347,333	342,509	341,634	343,606
Investments in associates and companies subject to joint control	1,400	1,407	1,383	1,448	1,413	1,596
Property, equipment and intangible assets	12,116	12,114	12,536	12,112	12,185	12,259
Tax assets	14,398	14,583	15,007	14,809	14,946	14,366
Non-current assets held for sale and discontinued operations	966	3,545	3,431	3,294	3,206	3,134
Other assets	27,135	23,297	24,453	23,044	25,720	23,169
Total Assets	717,292	700,363	676,568	668,331	668,510	683,485

Liabilities and Shareholders' Equity	2016		2015			
	30/6	31/3	31/12	30/9	30/6	31/3
Due to banks	67,656	60,343	59,327	64,118	62,493	58,312
Due to customers and securities issued	379,643	373,224	365,419	352,998	358,870	364,309
of which: Insurance Companies	1,362	1,361	1,310	1,460	1,319	1,303
Financial liabilities held for trading	49,340	48,936	43,522	44,189	43,221	54,398
of which: Insurance Companies	104	95	144	169	138	234
Financial liabilities designated at fair value through profit and loss	51,360	48,031	47,022	43,657	43,451	42,088
of which: Insurance Companies	51,360	48,031	47,022	43,657	43,451	42,088
Tax liabilities	2,186	2,564	2,351	3,386	2,967	3,354
Liabilities associated with non-current assets held for sale and discontinued operations	336	350	116	101	121	98
Other liabilities	26,798	25,181	20,773	25,013	26,825	25,983
Technical reserves	86,813	86,664	84,616	81,965	79,645	82,925
Allowances for specific purpose	4,987	4,792	4,829	4,698	4,588	5,276
Share capital	8,732	8,732	8,732	8,730	8,725	8,725
Reserves	36,830	39,184	36,446	36,435	36,415	37,545
Valuation reserves	-1,860	-1,387	-1,018	-1,183	-1,449	-1,147
Equity instruments	2,118	2,118	877	875	-	-
Minority interests	646	825	817	623	634	555
Net income (loss)	1,707	806	2,739	2,726	2,004	1,064
Total Liabilities and Shareholders' Equity	717,292	700,363	676,568	668,331	668,510	683,485

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	
	30.06.2016	30.06.2015	30.06.2016	30.06.2015	30.06.2016	30.06.2015	30.06.2016	30.06.2015	30.06.2016	30.06.2015	30.06.2016	30.06.2015
Operating income	4,410	4,602	1,678	1,796	1,068	1,042	869	887	299	371	673	650
Operating costs	-2,429	-2,419	-460	-454	-477	-499	-258	-260	-64	-67	-75	-73
Operating margin	1,981	2,183	1,218	1,342	591	543	611	627	235	304	598	577
Net income (loss)	643	667	758	830	389	284	364	372	179	223	392	393

Balance sheet (millions of euro)	Banca dei Territori		Corporate and Investment Banking		International Subsidiary Banks		Private Banking		Asset management		Insurance	
	30.06.2016	31.12.2015	30.06.2016	31.12.2015	30.06.2016	31.12.2015	30.06.2016	31.12.2015	30.06.2016	31.12.2015	30.06.2016	31.12.2015
Loans to customers	187,302	184,522	97,930	89,691	26,207	25,818	9,817	8,971	270	372	29	24
Direct deposits from banking business	163,740	159,854	110,152	109,915	32,807	32,456	23,745	20,922	8	9	208	196

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