INTESA SANPAOLO

PRESS RELEASE

INTESA SANPAOLO: CONSOLIDATED RESULTS AS AT 30 SEPTEMBER 2016

NET INCOME FOR 9M 2016 WAS €2.3BN. EXCLUDING CHARGES FOR RESOLUTION FUND AND DEPOSIT GUARANTEE SCHEME COVERING THE WHOLE YEAR 2016, BOOKED IN 9M, NET INCOME WAS €2.5BN.

NET INCOME WAS ALREADY ABOVE THE €3BN DIVIDEND COMMITMENT FOR 2016 WHEN INCLUDING THE NET CAPITAL GAIN OF €895M ON THE SALE OF SETEFI AND INTESA SANPAOLO CARD (SALE AGREEMENT SIGNED IN Q2 2016 AND CAPITAL GAIN TO BE BOOKED IN Q4 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 13% NET OF ACCRUED DIVIDENDS.

THE CREDIT TREND IMPROVED AT A FASTER PACE. IN Q3 2016, NPL STOCK AND NPL INFLOW FROM PERFORMING LOANS DIMINISHED FURTHER (NPL INFLOW AT ITS LOWEST, BOTH ON A QUARTERLY BASIS AND ON A 9M BASIS, SINCE THE CREATION OF INTESA SANPAOLO).

INTESA SANPAOLO CONTINUES TO OPERATE AS AN ACCELERATOR FOR GROWTH IN THE REAL ECONOMY IN ITALY. IN THE FIRST NINE MONTHS OF 2016, MEDIUM/LONG-TERM NEW LENDING GRANTED BY THE GROUP TO ITALIAN HOUSEHOLDS AND BUSINESSES AMOUNTED TO €34BN (UP 17% VS 9M 2015). IN THE NINE-MONTH PERIOD, THE BANK FACILITATED THE RETURN TO PERFORMING STATUS OF OVER 17,000 COMPANIES – MAKING A TOTAL OF OVER 45,000 SINCE 2014.

- **ROBUST NET INCOME:**
  - **€628M IN Q3 2016, VS €901M IN Q2 2016 AND €722M IN Q3 2015**
  - **€2,335M IN 9M 2016, VS €2,726M IN 9M 2015**
  - **€2,517M IN 9M 2016, VS €2,830M IN 9M 2015, EXCLUDING CHARGES IN RELATION TO THE RESOLUTION FUND AND THE DEPOSIT GUARANTEE SCHEME**
  - **€3.2BN IN 9M 2016 WHEN INCLUDING THE NET CAPITAL GAIN OF €895M ON THE SALE OF SETEFI AND INTESA SANPAOLO CARD, THAT WILL BE BOOKED IN Q4 2016**

- **SIGNIFICANT INCREASE IN OPERATING MARGIN IN Q3 2016 VS Q3 2015:**
  - **€1,919M, UP 9% EXCLUDING CHARGES FOR THE RESOLUTION FUND AND THE DEPOSIT GUARANTEE SCHEME FROM BOTH QUARTERS, AND THE BENEFIT FROM A CLAIM FROM Q3 2015**

- **GROWING OPERATING INCOME IN Q3 2016 VS Q3 2015:**
  - **€4,036M, UP 6% EXCLUDING CHARGES FOR THE RESOLUTION FUND AND THE DEPOSIT GUARANTEE SCHEME FROM BOTH QUARTERS, AND THE BENEFIT FROM A CLAIM FROM Q3 2015**

- **PRE-TAX INCOME IN Q3 2016 REFLECTING LOAN ADJUSTMENTS IN KEEPING WITH THE CONSERVATIVE PROVISIONS IN Q2 2016, NOTWITHSTANDING THE IMPROVING CREDIT TREND:**
  - **PRE-TAX INCOME OF €1,044M IN Q3 2016, VS €1,377M IN Q2 2016 AND €1,080M IN Q3 2015, EXCLUDING CHARGES FOR THE RESOLUTION FUND AND THE DEPOSIT GUARANTEE SCHEME FROM THE THREE QUARTERS**
  - **LOAN ADJUSTMENTS OF €917M IN Q3 2016, VS €923M IN Q2 2016 AND €769M IN Q3 2015**

- **CREDIT TREND IMPROVING AT A FASTER PACE:**
  - **DECREASE IN NPL INFLOW FROM PERFORMING LOANS:**
    - **THE LOWEST QUARTERLY INFLOW SINCE THE CREATION OF INTESA SANPAOLO: €1.3BN OF GROSS INFLOW, DOWN 8% VS Q2 2016, AND €0.2BN OF NET INFLOW, DOWN 82% VS Q2 2016**
    - **THE LOWEST NINE-MONTH INFLOW SINCE THE CREATION OF INTESA SANPAOLO: €4.3BN OF GROSS INFLOW, DOWN 36% VS 9M 2015, AND €2.2BN OF NET INFLOW, DOWN 52% VS 9M 2015**
  - **DECREASE IN NLP STOCK:**
    - **DOWN 4% NET VS Q2 2016 AND DOWN 6% NET VS Q4 2015**
    - **DOWN 3% GROSS VS Q2 2016 AND DOWN 5% GROSS VS Q4 2015**

- **A STRONG CAPITAL BASE, WELL ABOVE REGULATORY REQUIREMENTS EVEN UNDER THE STRESS TEST ADVERSE SCENARIO:**
  - **COMMON EQUITY RATIO AS AT 30 SEPTEMBER 2016, NET OF AROUND €2,250M DIVIDENDS ACCRUED IN 9M 2016:**
    - **13% ON A FULLY LOADED BASIS(1) (2)**
    - **12.8% ON A TRANSITIONAL BASIS FOR 2016(2)**
  - **COMMON EQUITY RATIO UNDER STRESS TEST:**
    - **10.2% UNDER THE ADVERSE SCENARIO FOR 2018**

---

(1) Estimated by applying the fully loaded parameters to the financial statements as at 30 September 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 effect of the Danish compromise (under which insurance investments are risk weighted instead of being deducted from capital, with a benefit of 14 basis points).

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

HIGHLIGHTS:

OPERATING INCOME:	Q3 2016	-12.4% -7%	AT €4,036M VS €4,605M IN Q2 2016, EXCLUDING CHARGES FOR RESOLUTION FUND AND DEPOSIT GUARANTEE SCHEME, AND THE INCOME FROM THE SALE OF THE VISA EUROPE STAKE(*);
	9M 2016	-4.5% -3.3%	AT €12,664M VS €13,266M IN 9M 2015, EXCLUDING CHARGES FOR RESOLUTION FUND AND DEPOSIT GUARANTEE SCHEME, THE INCOME FROM THE SALE OF THE VISA EUROPE STAKE(*) AND THE BENEFIT FROM A CLAIM(**)
OPERATING COSTS:	Q3 2016	-1.7%	AT €2,117M VS €2,154M IN Q2 2016;
	9M 2016	+0.9%	AT €6,318M VS €6,264M IN 9M 2015
OPERATING MARGIN:	Q3 2016	-21.7% -12%	AT €1,919M VS €2,451M IN Q2 2016, EXCLUDING CHARGES FOR RESOLUTION FUND AND DEPOSIT GUARANTEE SCHEME, AND THE INCOME FROM THE SALE OF THE VISA EUROPE STAKE(*);
	9M 2016	-9.4% -7.1%	AT €6,346M VS €7,002M IN 9M 2015, EXCLUDING CHARGES FOR RESOLUTION FUND AND DEPOSIT GUARANTEE SCHEME, THE INCOME FROM THE SALE OF THE VISA EUROPE STAKE(*) AND THE BENEFIT FROM A CLAIM(**)
INCOME BEFORE TAX FROM CONTINUING OPERATIONS:	Q3 2016	€941M €1,044M	VS €1,360M IN Q2 2016; VS €1,377M IN Q2 2016, EXCLUDING CHARGES FOR RESOLUTION FUND AND DEPOSIT GUARANTEE SCHEME
	9M 2016	€3,542M €3,805M	VS €4,302M IN 9M 2015; VS €4,442M IN 9M 2015, EXCLUDING CHARGES FOR RESOLUTION FUND AND DEPOSIT GUARANTEE SCHEME
NET INCOME:	Q3 2016	€628M €697M	VS €901M IN Q2 2016; VS €912M IN Q2 2016, EXCLUDING CHARGES FOR RESOLUTION FUND AND DEPOSIT GUARANTEE SCHEME
	9M 2016	€2,335M €2,517M	VS €2,726M IN 9M 2015; VS €2,830M IN 9M 2015, EXCLUDING CHARGES FOR RESOLUTION FUND AND DEPOSIT GUARANTEE SCHEME
CAPITAL RATIOS:		COMMON EQUITY AFTER ACCRUED DIVIDENDS: 13% PRO-FORMA FULLY LOADED(3) (4); 12.8% PHASED IN(4)	

(*) Income from the sale of the stake in VISA Europe in Q2 2016.

(**) Benefit deriving from a claim in Q3 2015.

(3) Estimated by applying the fully loaded parameters to the financial statements as at 30 September 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 effect of the Danish compromise (under which insurance investments are risk weighted instead of being deducted from capital, with a benefit of 14 basis points).

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

Turin - Milan, 4 November 2016 – At its meeting today, the Board of Directors of Intesa Sanpaolo approved the consolidated interim statement as at 30 September 2016(°)(5).

In the third quarter of 2016, the Group's **income statement remained solid. This is highlighted by an operating margin which was significantly higher than in the third quarter of 2015**, against a seasonal decrease versus the second quarter of 2016. **Its balance sheet also remained solid, with inflow and stock of NPLs improving further**:

- **<u>net income</u>** at **€628m in Q3 2016**, compared with €901m in Q2 2016 and €722m in Q3 2015. Excluding charges relating to the resolution fund (the total ordinary contribution covering 2016 was booked in H1) and the deposit guarantee scheme (the estimated ordinary contribution covering full-year 2016 was booked in 9M), net income for Q3 2016 was €697m, versus €912m in Q2 2016 and €724m in Q3 2015. **In the first nine months of 2016, net income amounted to €2,335m**, compared with €2,726m in the same period of 2015 (the first half of 2015 had benefitted from a particularly positive trend in financial markets). Excluding charges relating to the resolution fund and the deposit guarantee scheme, net income for 9M 2016 was €2,517m, versus €2,830m in 9M 2015. Net income for 9M 2016 was at €3.2bn – **already above the €3bn dividend commitment for 2016** – **when including the net capital gain of around €895m deriving from the sale of Setefi and Intesa Sanpaolo Card**. The agreement concerning this sale was signed in Q2 2016 and the capital gain will be booked in Q4 2016.

- **<u>operating margin</u> at €1,919m** in Q3 2016, **up 9% versus Q3 2015, excluding charges relating to the resolution fund and the deposit guarantee scheme** from both quarters **and the benefit from a claim** from Q3 2015;
- **<u>operating income</u> at €4,036m** in Q3 2016, **up 6% versus Q3 2015, excluding charges relating to the resolution fund and the deposit guarantee scheme** from both quarters **and the benefit from a claim** from Q3 2015;

(°) Legislative Decree 25 of 15 February 2016, implementing the new Transparency Directive (2013/50/UE), removes the obligation to publish an interim statement, as previously required under paragraph 5 of Article 154-ter of the Consolidated Law on Finance. The Decree also gives Consob the option of requiring disclosures in addition to the annual report and the half-yearly report. On the basis of the regulatory power provided by the Decree, Consob, with Resolution no. 19770 of 26 October 2016, introduced changes to the Issuers' Regulation, which relate to periodic disclosures of additional financial information. These changes will be effective as of 2 January 2017. Intesa Sanpaolo has drawn up its interim statement as at 30 September 2016, consistent with previous years. The Bank will decide the contents of its quarterly disclosure for the future by the date on which the regulatory changes come into force. The interim statement, approved today by the Board of Directors, will be published on 9 November 2016.

(5) Methodological note on the scope of consolidation on page 24.

- **net fee and commission income** at **€1,745m** in Q3 2016, **in line with Q3 2015 after the year-on-year decline in Q1 and Q2 2016** (respectively, 5.6% and 4.8%), alongside a **pick-up in assets under management**. Net inflow was around €4.3bn in Q3 2016, compared with €3bn in Q2 and €1bn in Q1, despite savers continued to show propensity for liquidity in a context of gradual market stabilisation after the high volatility of the first part of the year. In 2015, net inflow was around €4bn in Q3, €7bn in Q2 and €14bn in Q1.
- **high efficiency**, highlighted by a **cost/income ratio of 49.9%** in 9M 2016 – 49.5% excluding charges relating to the resolution fund and the deposit guarantee scheme 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 €6,318m in 9M 2016, slightly up (1%) versus 9M 2015, as a result of a 3% increase in personnel expenses attributable to incentives to trigger growth and a 4% decrease in administrative expenses;
- **pre-tax income at €941m** in Q3 2016, versus €1,360m in Q2 2016 and €1,078m in Q3 2015. Excluding charges relating to the resolution fund and the deposit guarantee scheme, pre-tax income was €1,044m in Q3 2016, €1,377m in Q2 2016 and €1,080m in Q3 2015. Pre-tax income reflected **Q3 2016 loan adjustments** of €917m which were **in line with the conservative loan adjustments of Q2 2016** (€923m) and against €769m in Q3 2015, notwithstanding the improving credit trend.
- **credit trend improving at a faster pace**, following the **effective proactive credit management approach** in an improving economic environment:
  - **gross inflow of new NPLs from performing loans diminished significantly in Q3 2016, the lowest quarterly figure since the creation of Intesa Sanpaolo**: €1.3bn in Q3 2016, down 8% from €1.4bn in Q2 2016. This led to €4.3bn of gross NPL inflow in 9M 2016, **the lowest nine-month figure since the creation of Intesa Sanpaolo,** down 36% from €6.7bn in 9M 2015.
  - **net inflow of new NPLs from performing loans recorded a strong decrease in Q3 2016, the lowest quarterly figure since the creation of Intesa Sanpaolo:** €0.2bn in Q3 2016, down 82% from €0.9bn in Q2 2016. This led to €2.2bn of net NPL inflow in 9M 2016, **the lowest nine-month figure since the creation of Intesa Sanpaolo**, down 52% from €4.6bn in 9M 2015.
  - **NPL stock decreased** 4% net versus June 2016 and 6% net versus December 2015; the decrease was 3% gross versus June 2016 and 5% gross versus December 2015,
  - specifically, the **stock of unlikely to pay loans was down** 7% net versus June 2016 and 9% net versus December 2015; the decrease was 5% gross versus June 2016 and 8% gross versus December 2015,
  - **bad loan stock was down** 1% gross versus June 2016 and 3% gross versus December 2015;

- **sizeable NPL coverage**:
  - **NPL cash coverage ratio of 48%** at the end of September 2016 versus 47.6% at year-end 2015 (Italian peers average: 43% in Q2 2016), **with a cash coverage ratio of the bad loan component of 60.5%** at the end of September 2016 (61.8% at year-end 2015)
  - **total NPL coverage ratio, including collateral, of 147%,** at the end of September 2016 (139% at year-end 2015) and **155% when adding also personal guarantees** (146% at year-end 2015), with a total coverage ratio of the **bad loan component of 148%** (140% at year-end 2015) and **155%** when adding also personal guarantees (147% at year-end 2015)
  - **robust reserve buffer on performing loans** amounting to 0.6% at the end of September 2016 (0.7% at year-end 2015);
- **support to the real economy**, with around **€40bn of medium/long-term new lending** in the first nine months of 2016. Around **€34bn of loans** were granted **in Italy (up 17% vs 9M 2015)**; around **€29bn of these loans were granted to households and SMEs,** an **increase of 25%** on 9M 2015. **In the first nine months of 2016, the Bank facilitated the return** from non-performing **to performing status of more than 17,000 Italian companies**, making a total of more than **45,000 since 2014**.
- **a very solid capital base** with capital ratios well above regulatory requirements, even under the stress test adverse scenario. As at 30 September 2016, the **pro-forma fully loaded Common Equity ratio** was **13%**(6)(7), **one of the highest levels amongst major European banks**, and the phased-in Common Equity ratio came in at 12.8%(7). These are net of around €2,250m dividends accrued in the first nine months of the year (assumed to be equal to the net income for the nine months minus the 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 €127bn** and **available unencumbered liquid assets of €76bn at the end of September 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 €36.4bn in Q3 2016 (€27.6bn, on average, in Q1 2016, €27.7bn, on average, in Q2 2016 and €23.2bn, on average, in 2015), and consisted entirely of the four-year TLTRO funding. At the end of September 2016, the Group took around €5bn under the second TLTRO II, after the take-up, at the end of June 2016, of around €36bn under the first TLTRO II against a full pay-back of the €27.6bn that it borrowed under the TLTRO I programme.

---

(6) Estimated by applying the fully loaded parameters to the financial statements as at 30 September 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 effect of the Danish compromise (under which insurance investments are risk weighted instead of being deducted from capital, with a benefit of 14 basis points).

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

- **<u>several Business Plan initiatives are already under way and on track</u>**, 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 €112
      - ▫ the “**Intesa Sanpaolo Casa**” real estate project, focused on real estate sale and brokerage, is being implemented with **29 real estate agencies already opened** in the most important cities
    - **Multichannel Bank**
      - ▫ **new multichannel processes have been successfully launched:**
        - **around 1.3 million additional multichannel clients since the beginning of 2014, raising the total to around 5.8 million clients**
        - 3.7 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 6.4 million transactions completed)
        - **the “Online Branch” is fully operational for the “Service To Sale”**, with around 18,000 products sold in the first nine 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 more than €3 billion 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 **growing in Europe** (e.g. partnership in London, ongoing authorisation processes for Eurizon Capital in Frankfurt and Paris) **and Asia** (e.g. ongoing authorisation processes for Eurizon Capital in Hong Kong and the setting up of a new wealth management company in China)

- **Insurance**
  - **the steering** of product mix **towards capital-efficient products is making good progress** (e.g., Unit Linked products represent 64% of the new production, compared with 57% in 2015)
  - a **new Unit Linked Product with capital protection** has been launched ("Exclusive Insurance")
  - **life-business products have been expanded** with the launch of *Base Sicura Tutelati*, designed for underage clients and those with disabilities, and *Vicino a Te* for minors who lost their parents in the earthquake
  - **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, prevention and illnesses with "Dread Disease") 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**
  - a new system has been launch which targets new customers based on the **registration of their license plates**
- **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 enhancement of distribution capabilities
  - ▫ a **front-line excellence programme** is being implemented in the Corporate and Investment Banking Division
  - ▫ a new **organisation** is in place within the Corporate and Investment Banking Division to reinforce the "industry driven" client service model and the international growth; 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 **104 branch closures since the beginning of 2016 and 669 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 **€18 billion of deleveraging of non-core assets** already achieved
  - a **new performance management system** is fully operational on each asset class
  - **Re.O.Co.** (Real Estate Owned Company) is **fully up and running**, and has generated an estimated **positive impact** for the Group of **€45 million** since 2014
  - **the partnership with KKR-Pillarstone is up and running**

- **people and investments as key enablers**:
  - **around 4,500 people have already been reallocated** to high priority initiatives
  - the **Investment Plan for Group employees** has been finalised, **registering the highest number of participants** in the Group's history
  - the "**Big Financial Data**" programme is fully in line with targets (around 500 employees involved)
  - the **Chief Innovation Officer** is established in role, and the "**Innovation Centre**", created to train staff and develop new products, processes and "ideal branches", has been located in the **new ISP Tower** in Turin
  - a **large-scale digitisation programme** has been launched with the aim of improving efficiency and service level in top priority operating processes; the **Digital Factory is fully operational**, with digitisation of eleven key processes launched, six already up and running
  - an **Advance Analytics programme** has been launched on commercial/operating initiatives in several units
  - investment to **renew the layout of 1,000 branches** has already been activated (around 60 branches have been converted to date)
  - more than **180 agreements with labour unions** have been signed
  - more than **5,000 employees** have already adopted "**smart working**" practices
  - an "**Integrated Welfare Programme**" has been launched.

The income statement for the third quarter of 2016

The consolidated income statement for Q3 2016[8] recorded **net interest income** of €1,859m, up 1.5% from €1,831m in Q2 2016 and down 1.5% from €1,887m in Q3 2015.

Net fee and commission income amounted to €1,745m, down 5.6% from €1,848m in Q2 2016. Specifically, commissions on commercial banking activities were up 1.1% and commissions on management, dealing and consultancy activities were down 3.9%. The latter, which include portfolio management, distribution of insurance products, dealing and placement of securities, etc., recorded decreases in commissions on dealing and placement of securities, down 10.5%, distribution of insurance products, down 7.5%, and portfolio management, down 1.6% (with zero contribution from performance fees in both Q2 and Q3 2016). Net fee and commission income for Q3 2016 were in line with the €1,748m of Q3 2015. Specifically, commissions on commercial banking activities were down 4%, while those on management, dealing and consultancy activities increased by 2.1% with commissions on dealing and placement of securities up 28%, distribution of insurance products up 11.7%, and portfolio management down 8.7% (€27m of performance fees were booked in Q3 2015).

---

(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 €476m into loans and receivables; the Group also reclassified financial assets available for sale of €5,380m into loans and receivables. If these reclassifications had not been made, no pre-tax impact would have been recorded on profits/losses on trading for Q3 2016 (a negative impact of €15m in 9M 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 September 2016 would have included a negative pre-tax direct impact of €913m (with a negative impact of €9m in Q3 2016 and €229m in 9M 2016).

Profits on trading amounted to €248m, compared with €467m in Q2 2016 which included €121m dividends from the Bank of Italy stake. Profits from customers decreased from €136m to €96m. Activities in capital markets and AFS financial assets decreased from €85m to €15m. Trading and treasury activities decreased from €240m to €130m (Q2 included the aforementioned dividends of €121m). Structured credit products reported profits of €6m, the same as in the previous quarter. Profits of €248m for Q3 2016 compare with profits of €1m in the corresponding period of 2015, which recorded profits from customers of €50m, losses from capital markets and AFS financial assets of €15m, losses from trading and treasury activities of €32m and losses from structured credit products of €3m.

Income from insurance business amounted to €258m, compared with €239m in Q2 2016 and €241m in Q3 2015.

Other operating income/expenses showed a negative balance of €104m (including charges of €103m in relation to the estimated contributions to the deposit guarantee scheme covering the whole 2016, in addition to the €12m, booked in H1, relating to the international network). The previous quarter closed with a positive balance of €136m (including the income of €170m from the sale of the stake in VISA Europe, further charges of €12m in relation to the resolution fund for full-year 2016 in addition to the €136m estimated in Q1 2016, and €5m for the deposit guarantee scheme relating to the international network). The third quarter of 2015 showed a positive balance of €209m (including the benefit of €211m deriving from a claim and charges of €2m for the resolution fund).

Operating income amounted, therefore, to €4,036m, down 12.4% from €4,605m in Q2 2016 and down 2.2% from €4,127m in Q3 2015. Excluding, on one hand, charges for the resolution fund and the deposit guarantee scheme and, on the other hand, the income from the sale of the VISA Europe stake and the benefit deriving from a claim, operating income declined 7% versus Q2 2016 and increased 5.6% versus Q3 2015.

Operating costs amounted to €2,117m, down 1.7% from €2,154m in Q2 2016 as a result of personnel expenses decreasing 2.4%, administrative expenses falling 2% and adjustments rising 4.5%. Operating costs for Q3 2016 increased 2.8% from €2,059m in the same quarter of 2015, due to personnel expenses up 4.6%, adjustments up 4.5%, while administrative expenses were down 1.1%.

As a result, **operating margin** amounted to €1,919m, down 21.7% from €2,451m in Q2 2016 and 7.2% from €2,068m in Q3 2015. The cost/income ratio was 52.5% in Q3 2016, versus 46.8% in Q2 2016 and 49.9% in Q3 2015. Excluding charges for the resolution fund and the deposit guarantee scheme, the income from the sale of the VISA Europe stake and the benefit from a claim, the cost/income ratio was 51.1%, versus 48.4% in Q2 2016 and 52.6% in Q3 2015, while operating margin decreased by 12% versus Q2 2016 and rose by 8.8% versus Q3 2015.

Net **provisions** and adjustments (net provisions for risks and charges, net adjustments to loans, net impairment losses on other assets) amounted to €996m, compared with €1,056m in Q2 2016 and €1,011m in Q3 2015. Net provisions for risks and charges amounted to €51m, compared with €97m in Q2 2016 and €222m in Q3 2015 (including €172m due to the enactment of a law in Croatia allowing borrowers to convert Swiss-franc loans into euros). Net adjustments to loans amounted to €917m, compared with €923m in Q2 2016 and €769m in Q3 2015. Net impairment losses on other assets were €28m, compared with €36m in Q2 2016 and €20m in Q3 2015.

Profits/losses on investments held to maturity and on other investments recorded profits of €18m, compared with losses of €35m in Q2 2016 and profits of €21m in Q3 2015.

Income before tax from continuing operations amounted to €941m, compared with €1,360m in Q2 2016 and €1,078m in Q3 2015. Excluding charges for the resolution fund and the deposit guarantee scheme, the pre-tax income amounted to €1,044m in Q3 2016, compared with €1,377m in Q2 2016 and €1,080m in Q3 2015.

Consolidated net income for the quarter amounted to €628m, compared with €901m in Q2 2016 and €722m in Q3 2015, after accounting:
- taxes of €278m
- charges (net of tax) for integration and exit incentives of €16m
- charges from purchase price allocation (net of tax) of €26m
- income after tax from discontinued operations of €16m
- minority interests of €9m.

Excluding charges for the resolution fund and the deposit guarantee scheme, net income was €697m in Q3 2016, compared with €912m in Q2 2016 and €724m in Q3 2015.

The income statement for the first nine months of 2016

The consolidated income statement for 9M 2016 recorded **net interest income** of €5,545m, down 4.2% from €5,791m in 9M 2015.

Net fee and commission income amounted to €5,269m, down 3.6% from €5,464m in 9M 2015. Specifically, commissions on commercial banking activities were down 2.3% and commissions on management, dealing and consultancy activities were down 5.9%. The latter, which include portfolio management, distribution of insurance products, dealing and placement of securities, etc., recorded commissions on dealing and placement of securities down 29.1%, on portfolio management down 8.9% (performance fees were zero in 9M 2016 and €117m in 9M 2015), and on distribution of insurance products up 13.8%.

Profits on trading amounted to €943m (including €121m dividends from the Bank of Italy stake) versus €977m in 9M 2015 (including €144m dividends from the Bank of Italy stake). Profits from customers increased from €277m to €339m and activities in capital markets and AFS financial assets from €130m to €174m, trading and treasury activities (including the aforementioned dividends) declined from €571m to €418m, and structured credit products were positive €11m versus a loss of €2m.

Income from insurance business amounted to €829m, compared with €866m in 9M 2015.

Other operating income/expenses showed a negative balance of €110m (including charges of €148m for the resolution fund and €115m for the deposit guarantee scheme, and income of €170m from the sale of the stake in VISA Europe). The corresponding period of 2015 showed a positive balance of €73m (including a benefit of €211m from a claim, and charges of €97m for the resolution fund and €43m for the deposit guarantee scheme).

Operating income amounted, therefore, to €12,664m, down 4.5% from €13,266m in 9M 2015. Excluding, on one hand, charges for the resolution fund and the deposit guarantee scheme and, on the other hand, the income from the sale of the VISA Europe stake and the benefit from a claim, operating income was down 3.3% versus 9M 2015.

Operating costs amounted to €6,318m, up 0.9% from €6,264m in 9M 2015, as a result of a 2.9% increase in personnel expenses attributable to incentives to trigger growth, a 2.5% increase in adjustments and a 3.7% decrease in administrative expenses.

As a result, **operating margin** amounted to €6,346m, down 9.4% from €7,002m in 9M 2015. The cost/income ratio was 49.9% in 9M 2016 versus 47.2% in 9M 2015. Excluding, on one hand, charges for the resolution fund and the deposit guarantee scheme and, on the other hand, the income from the sale of the VISA Europe stake and the benefit from a claim, the cost/income ratio was 49.5% versus 47.5% in 9M 2015, and the operating margin was down 7.1% versus 9M 2015.

Net **provisions** and adjustments (net provisions for risks and charges, net adjustments to loans, net impairment losses on other assets) amounted to €2,782m, compared with €2,787m in 9M 2015. Net provisions for risks and charges amounted to €164m, compared with €344m in 9M 2015 (including €172m due to the enactment of a law in Croatia allowing borrowers to convert Swiss-franc loans into euros). Net adjustments to loans amounted to €2,534m, compared with €2,383m in 9M 2015. Net impairment losses on other assets were €84m, compared with €60m in 9M 2015.

Profits/losses on investments held to maturity and on other investments recorded losses of €22m, compared with profits of €87m in 9M 2015.

Income before tax from continuing operations amounted to €3,542m, compared with €4,302m in 9M 2015. Excluding charges for the resolution fund and the deposit guarantee scheme, the income amounted to €3,805m in 9M 2016 and €4,442m in 9M 2015.

Consolidated net income for 9M 2016 amounted to €2,335m, compared with €2,726m in 9M 2015, after accounting:
- taxes of €1,001m
- charges (net of tax) for integration and exit incentives of €67m
- charges from purchase price allocation (net of tax) of €82m
- income after tax from discontinued operations of €44m
- minority interests of €101m.

Excluding charges for the resolution fund and the deposit guarantee scheme, net income was €2,517m in 9M 2016 and €2,830m in 9M 2015.

Balance sheet as at 30 September 2016

As regards the consolidated balance sheet figures, as at 30 September 2016 **loans to customers** amounted to €365bn, up 5% from year-end 2015 and up 6.5% from 30 September 2015 (up 0.9% in Q3 2016 vs Q2 2016 and up 2.6% in 9M 2016 vs 9M 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 €31,044m, down 6.2% vs the €33,086m of year-end 2015. In detail, bad loans totalled €15,014m from €14,973m at year-end 2015, with a bad loans to total loans ratio of 4.1% (4.3% as at year-end 2015) and a cash coverage ratio of 60.5% (61.8% as at year-end 2015). When including **collateral and guarantees**, the total bad loan coverage ratio was 148% considering collateral and 155% adding also personal guarantees. Loans under the unlikely to pay category decreased to €15,480m from €17,091m as at year-end 2015. Past due loans decreased to €550m from €1,022m at year-end 2015.

Customer financial assets amounted to €845bn (net of duplications between direct deposits and indirect customer deposits), up 0.3% from year-end 2015 and up 3.8% from 30 September 2015. Under customer financial assets, **direct deposits from banking business** amounted to €380bn, up 2% from year-end 2015 and up 5.8% from 30 September 2015; **direct deposits from insurance business and technical reserves** amounted to €143bn, up 7.6% from year-end 2015 and up 12.6% from 30 September 2015. Indirect customer deposits amounted to €464bn, down 1% from year-end 2015 and up 2.2% from 30 September 2015. **Assets under management** reached €309bn, up 2.3% from year-end 2015 and up 3.7% from 30 September 2015. As for bancassurance, in 9M 2016, the new business for life policies amounted to €17.4bn (9.8% lower than in 9M 2015). Assets under administration and in custody amounted to €155bn, down 6.9% from year-end 2015 and down 0.8% from 30 September 2015.

Capital ratios as at 30 September 2016, calculated by applying the transitional arrangements for 2016 and net of around €2,250m dividends accrued for the nine months of the year, were as follows:
- Common Equity ratio(9) at 12.8% (13% at year-end 2015),
- Tier 1 ratio(9) at 14.1% (13.8% at year-end 2015),
- total capital ratio(9) at 17.2% (16.6% at year-end 2015).

(9) After deduction of accrued dividends, assumed equal to the net income for the first nine months 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 13% (13.1% at year-end 2015). It was calculated by applying the fully loaded parameters to the financial statements as at 30 September 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 effect of the Danish compromise (under which insurance investments are risk weighted instead of being deducted from capital, with a benefit of 14 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 €127bn at the end of September 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 €76bn at the end of September 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 €36.4bn in the third quarter of 2016 (€27.6bn, on average, in Q1 2016, €27.7bn, on average, in Q2 2016 and €23.2bn, on average, in 2015) and consisted entirely of the four-year TLTRO funding. At the end of September 2016, the Group took around €5bn under the second TLTRO II, after borrowing around €36bn under the first TLTRO II at the end of June 2016, against the full pay-back of the €27.6bn take-up of the TLTRO I programme.
- the sources of funding were stable and well-diversified, with retail funding representing 73% of direct deposits from banking business (including securities issued);
- 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 September 2016 was 6.7% phased in and 6.4% fully loaded, both best in class among major European banking groups.

* * *

As at 30 September 2016, the Intesa Sanpaolo Group's **operating structure** had a total network of 5,235 branches - of which 4,036 were in Italy and 1,199 were abroad - with 89,545 employees.

* * *

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 third quarter of 2016, the Banca dei Territori Division recorded:
- operating income of €2,146m, -6.3% versus €2,290m in Q2 2016;
- operating costs of €1,198m, -3.5% versus €1,241m in Q2 2016;
- operating margin of €949m, -9.6% versus €1,049m in Q2 2016;
- a cost/income ratio of 55.8% versus 54.2% in Q2 2016;
- net provisions and adjustments of €579m, versus €504m in Q2 2016;
- income before tax from continuing operations of €370m, -32.2% versus €545m in Q2 2016;
- net income of €212m, -40.5% versus €356m in Q2 2016.

In the first nine months of 2016, the Banca dei Territori Division recorded:
- operating income of €6,555m, -3.3% versus €6,776m in 9M 2015, contributing approximately 52% of the consolidated operating income (51% in 9M 2015);
- operating costs of €3,627m, +0.3% versus €3,615m in 9M 2015;
- operating margin of €2,928m, -7.4% versus €3,161m in 9M 2015;
- a cost/income ratio of 55.3% versus 53.4% in 9M 2015;
- net provisions and adjustments of €1,539m, versus €1,560m in 9M 2015;
- income before tax from continuing operations of €1,389m, -13.2% versus €1,601m in 9M 2015;
- net income of €854m, -9.7% versus €946m in 9M 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 & construction; 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 third quarter of 2016, the Corporate and Investment Banking Division recorded:

- operating income of €712m, -20.7% versus €898m in Q2 2016;
- operating costs of €224m, -5.6% versus €237m in Q2 2016;
- operating margin of €488m, -26.1% versus €661m in Q2 2016;
- a cost/income ratio of 31.4% versus 26.4% in Q2 2016;
- net provisions and adjustments of €72m, versus €88m in Q2 2016;
- profits on investments held to maturity and on other investments of €2m, versus €18m in Q2 2016;
- income before tax from continuing operations of €418m, -29.2% versus €591m in Q2 2016;
- net income of €298m, -25.4% versus €399m in Q2 2016.

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

- operating income of €2,390m, +0.4% versus €2,381m in 9M 2015, contributing approximately 19% of the consolidated operating income (18% in 9M 2015);
- operating costs of €683m, +0.3% versus €681m in 9M 2015;
- operating margin of €1,707m, +0.4% versus €1,700m in 9M 2015;
- a cost/income ratio of 28.6% unchanged versus 9M 2015;
- net provisions and adjustments of €198m, versus €192m in 9M 2015;

- profits on investments held to maturity and on other investments of €20m, versus no profits/losses in 9M 2015;
- income before tax from continuing operations of €1,529m, +1.4% versus €1,508m in 9M 2015;
- net income of €1,055m, +0.8% versus €1,047m in 9M 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 third quarter of 2016, the International Subsidiary Banks Division recorded:
- operating income of €527m, -6.8% versus €566m in Q2 2016;
- operating costs of €240m, +0.5% versus €239m in Q2 2016;
- operating margin of €287m, -12.1% versus €327m in Q2 2016;
- a cost/income ratio of 45.5% versus 42.2% in Q2 2016;
- net provisions and adjustments of €44m, versus €46m in Q2 2016;
- profits on investments held to maturity and on other investments of €1m, versus no profits/losses in Q2 2016;
- income before tax from continuing operations of €243m, -13.3% versus €281m in Q2 2016;
- net income of €190m, -12.8% versus €217m in Q2 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 nine months of 2016, the International Subsidiary Banks Division recorded:
- operating income of €1,596m, +1.4% versus €1,574m in 9M 2015, contributing approximately 13% of the consolidated operating income (12% in 9M 2015);
- operating costs of €718m, -4.1% versus €749m in 9M 2015;
- operating margin of €878m, +6.4% versus €825m in 9M 2015;
- a cost/income ratio of 45% versus 47.6% in 9M 2015;
- net provisions and adjustments of €132m, versus €401m in 9M 2015;
- profits on investments held to maturity and on other investments of €4m, versus €1m in 9M 2015;
- income before tax from continuing operations of €750m, +76.5% versus €425m in 9M 2015;
- net income of €578m, +84.7% versus €313m in 9M 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 third quarter of 2016, the Private Banking Division recorded:
- operating income of €421m, -2% versus €430m in Q2 2016;
- operating costs of €134m, +0.3% versus €133m in Q2 2016;
- operating margin of €288m, -3% versus €296m in Q2 2016;
- a cost/income ratio of 31.8% versus 31% in Q2 2016;
- net provisions and adjustments of €14m, versus €15m in Q2 2016;
- income before tax from continuing operations of €274m, -2.5% versus €281m in Q2 2016;
- net income of €165m, -3.2% versus €170m in Q2 2016.

In the first nine months of 2016, the Private Banking Division recorded:
- operating income of €1,290m, +0.5% versus €1,284m in 9M 2015, contributing approximately 10% of the consolidated operating income (10% in 9M 2015 as well);
- operating costs of €391m, +1% versus €387m in 9M 2015;
- operating margin of €899m, +0.2% versus €897m in 9M 2015;
- a cost/income ratio of 30.3% versus 30.1% in 9M 2015;
- net provisions and adjustments of €35m, versus €23m in 9M 2015;

- income before tax from continuing operations of €864m, -1.1% versus €874m in 9M 2015;
- net income of €529m, +0.4% versus €527m in 9M 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 active management and, specifically, in quantitative and multi-strategy management with total-return investment aims, 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 third quarter of 2016, the Asset Management Division recorded:
- operating income of €168m, +11.6% versus €151m in Q2 2016;
- operating costs of €32m, -1.9% versus €33m in Q2 2016;
- operating margin of €136m, +15.3% versus €118m in Q2 2016;
- a cost/income ratio of 19.2% versus 21.8% in Q2 2016;
- income before tax from continuing operations of €137m, +15.7% versus €118m in Q2 2016;
- net income of €103m, +15.4% versus €89m in Q2 2016.

In the first nine months of 2016, the Asset Management Division recorded:
- operating income of €468m, -15.2% versus €552m in 9M 2015, contributing approximately 4% of the consolidated operating income (4% in 9M 2015 as well);
- operating costs of €97m, -3% versus €100m in 9M 2015;
- operating margin of €371m, -17.9% versus €452m in 9M 2015;
- a cost/income ratio of 20.7% versus 18.1% in 9M 2015;
- no net provisions and adjustments, versus net provisions and adjustments of €1m in 9M 2015;
- income before tax from continuing operations of €371m, -17.7% versus €451m in 9M 2015;
- net income of €282m, -16.3% versus €337m in 9M 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 third quarter of 2016, the Insurance Division recorded:
- operating income of €297m, -3% versus €306m in Q2 2016;
- operating costs of €39m, +1.9% versus €39m in Q2 2016;
- operating margin of €257m, -3.8% versus €267m in Q2 2016;
- a cost/income ratio of 13.2% versus 12.6% in Q2 2016;
- net provisions and adjustments of €2m, versus €8m in Q2 2016;
- income before tax from continuing operations of €255m, -1.6% versus €259m in Q2 2016;
- net income of €168m, -4.7% versus €176m in Q2 2016.

In the first nine months of 2016, the Insurance Division recorded:
- operating income of €970m, +4.2% versus €931m in 9M 2015, contributing approximately 8% of the consolidated operating income (7% in 9M 2015);
- operating costs of €115m, +3.6% versus €111m in 9M 2015;
- operating margin of €855m, +4.3% versus €820m in 9M 2015;
- a cost/income ratio of 11.9%, in line with 9M 2015;
- net provisions and adjustments of €11m, versus €13m in 9M 2015;
- income before tax from continuing operations of €844m, +4.6% versus €807m in 9M 2015;
- net income of €560m, +2.9% versus €544m in 9M 2015.

The outlook for 2016

The performance of the Intesa Sanpaolo Group in 2016 – including the exploitation of profits from disposal of non-core assets against the booking of charges and adjustments – is expected to lead to a consolidated net income higher than in 2015 and consistent with the commitment to distribute €3 billion cash dividends for 2016, as indicated in the 2014-2017 Business Plan.

* * *

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 as at 30 September 2016, the reclassified consolidated income statement and the reclassified consolidated balance sheet included in the interim statement approved by the Board of Directors are attached. Please note that the auditing firm is completing the activities for the issue of a statement in accordance with Article 26 (2) of Regulation EU no. 575/2013 and ECB Decision no. 2015/656.

* * *

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

* * *

Investor Relations
+39.02.87943180
investor.relations@intesasanpaolo.com

Media Relations
+39.02.87962326
stampa@intesasanpaolo.com

group.intesasanpaolo.com

Intesa Sanpaolo Group

Reclassified consolidated statement of income

(millions of euro)

	30.09.2016	30.09.2015	Changes	
			amount	%
Net interest income	5,545	5,791	-246	-4.2
Profits (losses) on investments carried at equity	188	95	93	97.9
Net fee and commission income	5,269	5,464	-195	-3.6
Profits (Losses) on trading	943	977	-34	-3.5
Income from insurance business	829	866	-37	-4.3
Other operating income (expenses)	-110	73	-183	
Operating income	12,664	13,266	-602	-4.5
Personnel expenses	-3,919	-3,807	112	2.9
Other administrative expenses	-1,858	-1,929	-71	-3.7
Adjustments to property, equipment and intangible assets	-541	-528	13	2.5
Operating costs	-6,318	-6,264	54	0.9
Operating margin	6,346	7,002	-656	-9.4
Net provisions for risks and charges	-164	-344	-180	-52.3
Net adjustments to loans	-2,534	-2,383	151	6.3
Net impairment losses on other assets	-84	-60	24	40.0
Profits (Losses) on investments held to maturity and on other investments	-22	87	-109	
Income (Loss) before tax from continuing operations	3,542	4,302	-760	-17.7
Taxes on income from continuing operations	-1,001	-1,475	-474	-32.1
Charges (net of tax) for integration and exit incentives	-67	-46	21	45.7
Effect of purchase price allocation (net of tax)	-82	-86	-4	-4.7
Impairment (net of tax) of goodwill and other intangible assets	-	-	-	-
Income (Loss) after tax from discontinued operations	44	44	-	-
Minority interests	-101	-13	88	
Net income (loss)	2,335	2,726	-391	-14.3

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			
	Third quarter	Second quarter	First quarter	Fourth quarter	Third quarter	Second quarter	First quarter
Net interest income	1,859	1,831	1,855	1,926	1,887	1,954	1,950
Profits (losses) on investments carried at equity	30	84	74	1	41	15	39
Net fee and commission income	1,745	1,848	1,676	1,878	1,748	1,941	1,775
Profits (Losses) on trading	248	467	228	57	1	380	596
Income from insurance business	258	239	332	131	241	282	343
Other operating income (expenses)	-104	136	-142	-378	209	-59	-77
Operating income	4,036	4,605	4,023	3,615	4,127	4,513	4,626
Personnel expenses	-1,306	-1,338	-1,275	-1,479	-1,249	-1,263	-1,295
Other administrative expenses	-625	-638	-595	-791	-632	-668	-629
Adjustments to property, equipment and intangible assets	-186	-178	-177	-200	-178	-176	-174
Operating costs	-2,117	-2,154	-2,047	-2,470	-2,059	-2,107	-2,098
Operating margin	1,919	2,451	1,976	1,145	2,068	2,406	2,528
Net provisions for risks and charges	-51	-97	-16	-55	-222	-68	-54
Net adjustments to loans	-917	-923	-694	-923	-769	-847	-767
Net impairment losses on other assets	-28	-36	-20	-108	-20	-31	-9
Profits (Losses) on investments held to maturity and on other investments	18	-35	-5	51	21	38	28
Income (Loss) before tax from continuing operations	941	1,360	1,241	110	1,078	1,498	1,726
Taxes on income from continuing operations	-278	-340	-383	-60	-339	-502	-634
Charges (net of tax) for integration and exit incentives	-16	-38	-13	-37	-15	-25	-6
Effect of purchase price allocation (net of tax)	-26	-27	-29	-33	-27	-33	-26
Impairment (net of tax) of goodwill and other intangible assets	-	-	-	-	-	-	-
Income (Loss) after tax from discontinued operations	16	15	13	15	15	14	15
Minority interests	-9	-69	-23	18	10	-12	-11
Net income (loss)	628	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	30.09.2016	31.12.2015	Changes amount	Changes %
Financial assets held for trading	50,232	51,597	-1,365	-2.6
of which: Insurance Companies	524	728	-204	-28.0
Financial assets designated at fair value through profit and loss	61,338	53,663	7,675	14.3
of which: Insurance Companies	60,187	52,519	7,668	14.6
Financial assets available for sale	146,885	131,334	15,551	11.8
of which: Insurance Companies	80,792	75,646	5,146	6.8
Investments held to maturity	1,231	1,386	-155	-11.2
Due from banks	37,528	34,445	3,083	9.0
Loans to customers	364,836	347,333	17,503	5.0
Investments in associates and companies subject to joint control	1,387	1,383	4	0.3
Property, equipment and intangible assets	12,108	12,536	-428	-3.4
Tax assets	14,163	15,007	-844	-5.6
Non-current assets held for sale and discontinued operations	772	3,431	-2,659	-77.5
Other assets	23,917	24,453	-536	-2.2
Total Assets	714,397	676,568	37,829	5.6

Liabilities and Shareholders' Equity	30.09.2016	31.12.2015	Changes amount	Changes %
Due to banks	69,641	59,327	10,314	17.4
Due to customers and securities issued	372,372	365,419	6,953	1.9
of which: Insurance Companies	1,320	1,310	10	0.8
Financial liabilities held for trading	48,143	43,522	4,621	10.6
of which: Insurance Companies	117	144	-27	-18.8
Financial liabilities designated at fair value through profit and loss	54,373	47,022	7,351	15.6
of which: Insurance Companies	54,373	47,022	7,351	15.6
Tax liabilities	2,235	2,351	-116	-4.9
Liabilities associated with non-current assets held for sale and discontinued operations	413	116	297	
Other liabilities	25,939	20,773	5,166	24.9
Technical reserves	87,370	84,616	2,754	3.3
Allowances for specific purpose	5,049	4,829	220	4.6
Share capital	8,732	8,732	-	-
Reserves	36,774	36,446	328	0.9
Valuation reserves	-1,737	-1,018	719	70.6
Equity instruments	2,118	877	1,241	
Minority interests	640	817	-177	-21.7
Net income (loss)	2,335	2,739	-404	-14.7
Total Liabilities and Shareholders' Equity	714,397	676,568	37,829	5.6

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			
	30/9	30/6	31/3	31/12	30/9	30/6	31/3
Financial assets held for trading	50,232	52,499	54,786	51,597	52,391	51,996	62,257
of which: Insurance Companies	524	648	721	728	775	754	823
Financial assets designated at fair value through profit and loss	61,338	57,948	54,480	53,663	49,998	49,407	48,620
of which: Insurance Companies	60,187	56,908	53,358	52,519	48,877	48,203	47,361
Financial assets available for sale	146,885	152,465	142,816	131,334	133,353	135,430	138,066
of which: Insurance Companies	80,792	80,379	78,393	75,646	72,548	71,463	74,813
Investments held to maturity	1,231	1,246	1,317	1,386	1,379	1,426	1,470
Due from banks	37,528	36,879	33,540	34,445	33,994	31,147	34,942
Loans to customers	364,836	360,240	358,478	347,333	342,509	341,634	343,606
Investments in associates and companies subject to joint control	1,387	1,400	1,407	1,383	1,448	1,413	1,596
Property, equipment and intangible assets	12,108	12,116	12,114	12,536	12,112	12,185	12,259
Tax assets	14,163	14,398	14,583	15,007	14,809	14,946	14,366
Non-current assets held for sale and discontinued operations	772	966	3,545	3,431	3,294	3,206	3,134
Other assets	23,917	27,135	23,297	24,453	23,044	25,720	23,169
Total Assets	714,397	717,292	700,363	676,568	668,331	668,510	683,485

Liabilities and Shareholders' Equity	2016			2015			
	30/9	30/6	31/3	31/12	30/9	30/6	31/3
Due to banks	69,641	67,656	60,343	59,327	64,118	62,493	58,312
Due to customers and securities issued	372,372	379,643	373,224	365,419	352,998	358,870	364,309
of which: Insurance Companies	1,320	1,362	1,361	1,310	1,460	1,319	1,303
Financial liabilities held for trading	48,143	49,340	48,936	43,522	44,189	43,221	54,398
of which: Insurance Companies	117	104	95	144	169	138	234
Financial liabilities designated at fair value through profit and loss	54,373	51,360	48,031	47,022	43,657	43,451	42,088
of which: Insurance Companies	54,373	51,360	48,031	47,022	43,657	43,451	42,088
Tax liabilities	2,235	2,186	2,564	2,351	3,386	2,967	3,354
Liabilities associated with non-current assets held for sale and discontinued operations	413	336	350	116	101	121	98
Other liabilities	25,939	26,798	25,181	20,773	25,013	26,825	25,983
Technical reserves	87,370	86,813	86,664	84,616	81,965	79,645	82,925
Allowances for specific purpose	5,049	4,987	4,792	4,829	4,698	4,588	5,276
Share capital	8,732	8,732	8,732	8,732	8,730	8,725	8,725
Reserves	36,774	36,830	39,184	36,446	36,435	36,415	37,545
Valuation reserves	-1,737	-1,860	-1,387	-1,018	-1,183	-1,449	-1,147
Equity instruments	2,118	2,118	2,118	877	875	-	-
Minority interests	640	646	825	817	623	634	555
Net income (loss)	2,335	1,707	806	2,739	2,726	2,004	1,064
Total Liabilities and Shareholders' Equity	714,397	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	
	30.09.2016	30.09.2015	30.09.2016	30.09.2015	30.09.2016	30.09.2015	30.09.2016	30.09.2015	30.09.2016	30.09.2015	30.09.2016	30.09.2015
Operating income	6,555	6,776	2,390	2,381	1,596	1,574	1,290	1,284	468	552	970	931
Operating costs	-3,627	-3,615	-683	-681	-718	-749	-391	-387	-97	-100	-115	-111
Operating margin	2,928	3,161	1,707	1,700	878	825	899	897	371	452	855	820
Net income (loss)	854	946	1,055	1,047	578	313	529	527	282	337	560	544

Balance sheet (millions of euro)	Banca dei Territori		Corporate and Investment Banking		International Subsidiary Banks		Private Banking		Asset management		Insurance	
	30.09.2016	31.12.2015	30.09.2016	31.12.2015	30.09.2016	31.12.2015	30.09.2016	31.12.2015	30.09.2016	31.12.2015	30.09.2016	31.12.2015
Loans to customers	186,454	184,522	97,578	89,691	26,947	25,818	9,338	8,971	264	372	26	24
Direct deposits from banking business	166,744	159,854	109,214	109,915	33,986	32,456	23,798	20,922	9	9	221	196

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