PRESS RELEASE

INTESA SANPAOLO: CONSOLIDATED RESULTS AS AT 31 DECEMBER 2016

NET INCOME FOR 2016 WAS €3.1 BILLION. EXCLUDING CONTRIBUTIONS AND OTHER CHARGES CONCERNING THE BANKING INDUSTRY, NET INCOME WAS €3.7 BILLION.

PROPOSED CASH DIVIDENDS AMOUNT TO €3 BILLION.

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

THE CREDIT TREND IMPROVED, WITH BOTH THE NPL STOCK AND NPL INFLOW FROM PERFORMING LOANS DIMINISHING (NPL YEARLY INFLOW WAS AT ITS LOWEST SINCE THE CREATION OF INTESA SANPAOLO).

INTESA SANPAOLO CONTINUES TO OPERATE AS AN ACCELERATOR FOR GROWTH IN THE REAL ECONOMY IN ITALY. IN 2016, MEDIUM/LONG-TERM NEW LENDING GRANTED BY THE GROUP TO ITALIAN HOUSEHOLDS AND BUSINESSES AMOUNTED TO €48 BILLION (UP 16% VS 2015). IN 2016, THE BANK FACILITATED THE RETURN TO PERFORMING STATUS OF AROUND 24,000 COMPANIES – BRINGING THE TOTAL TO OVER 52,000 SINCE 2014.

- **€3BN CASH DIVIDENDS PROPOSED FOR 2016: 17.8 EURO CENTS PER ORDINARY SHARE AND 18.9 EURO CENTS PER SAVINGS SHARE. DIVIDEND YIELD (*) OF 8.2% PER ORDINARY SHARE AND 9.2% PER SAVINGS SHARE**

- **ROBUST NET INCOME:**
  - **€3,111M IN 2016 VS €2,739M IN 2015; €3,670M VS €3,091M EXCLUDING LEVIES AND OTHER CHARGES CONCERNIG THE BANKING INDUSTRY (°)**
  - **€776M IN Q4 2016 VS €628M IN Q3 2016 AND €13M IN Q4 2015; €1,153M VS €697M AND €261M, EXCLUDING LEVIES AND OTHER CHARGES CONCERNING THE BANKING INDUSTRY**

- **OPERATING PERFORMANCE GAINING MOMENTUM:**
  - **OPERATING MARGIN UP 19.4% IN Q4 2016 VS Q4 2015 (PREVIOUSLY, UP 8.8% IN Q3 2016 VS Q3 2015, DOWN 7% IN Q2 2016 VS Q2 2015, AND DOWN 18.6% IN Q1 2016 VS Q1 2015)**

- **OPERATING INCOME GROWING IN Q4 2016 VS Q3 2016:**
  - **UP 4.5% VS Q4 2015**
  - **UP 0.8% VS Q3 2016**

- **GROSS INCOME GROWING IN Q4 2016, WITH CONSERVATIVE LOAN ADJUSTMENTS NOTWITHSTANDING THE IMPROVING CREDIT TREND:**
  - **GROSS INCOME OF €1,556M IN Q4 2016 VS €1,067M IN Q3 2016 AND €508M IN Q4 2015**
  - **LOAN ADJUSTMENTS OF €1,174M IN Q4 2016 VS €917M IN Q3 2016 AND €923M IN Q4 2015**

- **IMPROVING CREDIT TREND:**
  - **DECREASING NPL INFLOW FROM PERFORMING LOANS**
    - **LOWEST YEARLY INFLOW SINCE THE CREATION OF INTESA SANPAOLO: €5.8BN OF GROSS INFLOW, DOWN 34% VS 2015, AND €3.1BN OF NET INFLOW, DOWN 46% VS 2015**
  - **DECREASING NLP STOCK**
    - **DOWN 4.1% NET VS Q3 2016 AND DOWN 10% NET VS Q4 2015**
    - **DOWN 2.6% GROSS VS Q3 2016 AND DOWN 7.9% GROSS VS Q4 2015**

- **STRONG CAPITAL BASE, WELL ABOVE REGULATORY REQUIREMENTS EVEN UNDER THE ADVERSE SCENARIO OF THE STRESS TEST:**
  - **COMMON EQUITY RATIO AS AT 31 DECEMBER 2016, NET OF €3BN DIVIDENDS PROPOSED FOR 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**

(*) At the reference price recorded by the Intesa Sanpaolo stock on 2 February 2017.

(°) Ordinary and extraordinary contributions to the resolution fund, ordinary contributions to the deposit guarantee scheme, and charges in relation to impairment losses regarding the *Atlante* fund and the National Interbank Deposit Guarantee Fund voluntary scheme.

(1) Estimated by applying the fully loaded parameters to the financial statements as at 31 December 2016, considering the total absorption of deferred tax assets (DTAs) related to goodwill realignment and loan adjustments, the expected absorption of DTAs on losses carried forward 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) Net of proposed dividends for 2016 and coupons accrued on the Additional Tier 1 issues.

HIGHLIGHTS:

OPERATING INCOME:	FY 2016	-1.5%	€16,929M VS €17,186M IN 2015
	Q4 2016	+0.8%	€4,172M VS €4,139M IN Q3 2016
OPERATING COSTS:	FY 2016	-0.7%	€8,674M VS €8,734M IN 2015
	Q4 2016	+11.3%	€2,356M VS €2,117M IN Q3 2016
OPERATING MARGIN:	FY 2016	-2.3%	€8,255M VS €8,452M IN 2015
	Q4 2016	-10.2%	€1,816M VS €2,022M IN Q3 2016
GROSS INCOME:	FY 2016	€5,432M	VS €5,015M IN 2015;
	Q4 2016	€1,556M	VS €1,067M IN Q3 2016;
NET INCOME:	FY 2016	€3,111M	VS €2,739M IN 2015;
		€3,670M	VS €3,091M IN 2015, EXCLUDING LEVIES AND OTHER CHARGES CONCERNING THE BANKING INDUSTRY [°]
	Q4 2016	€776M	VS €628M IN Q3 2016;
		€1,153M	VS €697M IN Q3 2016, ESCLUDING LEVIES AND OTHER CHARGES CONCERNING THE BANKING INDUSTRY [°]
CAPITAL RATIOS:		COMMON EQUITY RATIO AFTER PROPOSED DIVIDENDS: 12.9% PRO-FORMA FULLY LOADED [3] [4]; 12.7% PHASED IN [4]	

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(°) Ordinary and extraordinary contributions to the resolution fund, ordinary contributions to the deposit guarantee scheme, and charges in relation to impairment losses regarding the *Atlante* fund and the National Interbank Deposit Guarantee Fund voluntary scheme.

(3) Estimated by applying the fully loaded parameters to the financial statements as at 31 December 2016, considering the total absorption of deferred tax assets (DTAs) related to goodwill realignment and loan adjustments, the expected absorption of DTAs on losses carried forward 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) Net of proposed dividends for 2016 and coupons accrued on the Additional Tier 1 issues.

Turin - Milan, 3 February 2017 – At its meeting today, the Board of Directors of Intesa Sanpaolo approved both the parent company and the consolidated results for the year ended 31 December 2016 (5).

In Q4 2016, the Group's income statement remained solid. **Operating margin grew significantly versus Q4 2015 and showed a marked improvement in comparison with its year-on-year trend in the previous quarters of 2016.** Its balance sheet also remained solid, **with the stock of NPLs decreasing further**:

- **<u>net income</u> to €776m in Q4 2016** versus €628m in Q3 2016 and €13m in Q4 2015. Excluding levies and other charges concerning the banking industry, net income for Q4 2016 was €1,153m versus €697m in Q3 2016 and €261m in Q4 2015. Levies and other charges consist of ordinary and extraordinary contributions to the resolution fund, ordinary contributions to the deposit guarantee scheme, and charges in relation to the impairment losses regarding both the *Atlante* fund and the National Interbank Deposit Guarantee Fund voluntary scheme. **Net income for 2016 was €3,111m** versus €2,739m in 2015. Excluding levies and other charges concerning the banking industry, net income for 2016 was €3,670m versus €3,091m in 2015.

- **<u>operating margin</u> to €1,816m** in Q4 2016, **up 19.4% versus Q4 2015, showing a markedly improving trend in comparison with its year-on-year trend in the previous quarters of 2016** (an 8.8% increase in Q3, a 7% decrease in Q2 and an 18.6% decrease in Q1 versus the corresponding quarters of 2015);

- **<u>operating income</u> to €4,172m** in Q4 2016, **up 4.5% versus Q4 2015 and up 0.8% versus Q3 2016**;

- **<u>net fee and commission income</u> to €2,018m** in Q4 2016, **up 15.6% versus Q3 2016 and up 7.5% versus Q4 2015, showing a marked improvement in comparison with its year-on-year trend in the previous quarters of 2016** (stable in Q3, a 4.8% decrease in Q2 and a 5.6% decrease in Q1 versus the corresponding quarters of 2015);

- **<u>high efficiency</u>**, highlighted by a **cost/income ratio of 51.2%** in 2016 – **a figure that places Intesa Sanpaolo in the top tier of its European peers**;

- **<u>reduced operating costs</u>**, down to €8,674m in 2016 with a 0.7% decrease versus 2015, due to decreasing administrative expenses (down 3.7%) and basically stable personnel expenses;

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

- **<u>gross income</u> to €1,556m** in Q4 2016 versus €1,067m in Q3 2016 and €508m in Q4 2015. This figure reflects on one hand, the capital gain deriving from the sale of Setefi and Intesa Sanpaolo Card and, on the other, loan adjustments that increased, up to €1,174m in Q4 2016 from €917m in Q3 2016 and €923m in Q4 2015, notwithstanding the improving credit trend.

- **<u>improving credit trend</u>**, due to an **effective proactive credit management approach** in an improving economic environment:
  - **inflow of new NPLs from performing loans diminished significantly in 2016, the lowest figure since the creation of Intesa Sanpaolo.** Gross inflow was €5.8bn in 2016, down 34% from €8.7bn in 2015, and net inflow was €3.1bn, down 46% from €5.7bn in 2015.
  - **NPL stock decreased** 4.1% net versus September 2016 and 10% net versus December 2015. The decrease was 2.6% gross and 7.9% gross versus September 2016 and December 2015, respectively.
  - specifically, the **stock of unlikely to pay loans was down** 6.8% net versus September 2016 and 15.5% net versus December 2015. The decrease was 5.9% gross and 13.1% gross versus September 2016 and December 2015, respectively.
  - **bad loan stock was down** 0.8% net versus September 2016 and 0.5% net versus December 2015. The decrease was 0.5% gross and 3.4% gross versus September 2016 and December 2015, respectively.

- **<u>sizeable NPL coverage</u>**:
  - **NPL cash coverage ratio of 48.8%** at the end of December 2016 versus 47.6% at year-end 2015 (average for Italian peers 44% in Q3 2016), **with a cash coverage ratio of 60.6%** at the end of December 2016 **for the bad loan component** (61.8% at year-end 2015);
  - **total NPL coverage ratio of 149% including collateral,** at the end of December 2016 (139% at year-end 2015), and **157% when personal guarantees are added** (146% at year-end 2015). The total coverage ratio for the **bad loan component was 153%** (140% at year-end 2015) and **160%** when personal guarantees are added (147% at year-end 2015).
  - **robust reserve buffer on performing loans** amounting to 0.5% at the end of December 2016 (0.7% at year-end 2015);

- **<u>support to the real economy</u>**, with around **€56bn of medium/long-term new lending** in 2016. **Loans** amounting to around **€48bn** were granted **in Italy (up 16% versus 2015) of which** around **€40bn was granted to households and SMEs,** an **increase of 19%** versus 2015. **In 2016, the Bank facilitated the return** from non-performing **to performing status of around 24,000 Italian companies**, bringing the total to over **52,000 since 2014**.

- **very solid capital base**, with capital ratios well above regulatory requirements, even under the adverse scenario of the stress test. As at 31 December 2016, taking €3bn of proposed dividends into consideration, the **pro-forma fully loaded Common Equity ratio** was **12.9%** [(6)(7)] – **one of the highest levels amongst major European banks** – and the phased-in Common Equity ratio was 12.7% [(7)]. The Common Equity ratio resulting from the stress test under the adverse scenario for 2018 was 10.2%.
- **strong liquidity position and funding capability**, with **liquid assets of €150bn** and **available unencumbered liquid assets of €96bn at the end of December 2016. The Basel 3 Liquidity Coverage Ratio and Net Stable Funding Ratio requirements have already been complied with**, well ahead of the implementation timeline (2018). The Group's refinancing operations with the ECB to optimise the cost of funding and to support businesses in their investment amounted to an average of €41.5bn in Q4 2016 (an average of €27.6bn in Q1 2016, €27.7bn in Q2 2016, €36.4bn in Q3 2016 and €23.2bn in 2015). These refinancing operations consisted entirely of the TLTRO with a four-year maturity: the Group borrowed around €3.5bn under the third TLTRO II at mid-December 2016, after borrowing around €36bn (end of June 2016) under the first TLTRO II – repaying in full the take-up of €27.6bn borrowed under the TLTRO I programme – and around €5bn (end of September 2016) under the second TLTRO II.
- **cash dividends of €3bn**. The Board of Directors, at its meeting today, has adopted a proposal, to be submitted at the next Ordinary Shareholders' Meeting, regarding **the distribution of 17.8 euro cents on ordinary shares and 18.9 euro cents on savings shares,** before tax. Specifically, the proposal envisages the distribution of €2,999,282,728.16 [(8)], deriving from 17.8 euro cents on each of the 15,859,786,585 ordinary shares and 18.9 euro cents on each of the 932,490,561 savings shares. No distribution will be made to own shares held by the Bank at the record date. The dividend payment, if approved at the Shareholders' Meeting, will take place from 24 May 2017 (with coupon presentation on 22 May and record date on 23 May). The dividend yield is 8.2% per ordinary share and 9.2% per savings share, and is based on the reference price recorded by the Intesa Sanpaolo stock on 2 February 2017.

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(6) Estimated by applying the fully loaded parameters to the financial statements as at 31 December 2016, considering the total absorption of deferred tax assets (DTAs) related to goodwill realignment and loan adjustments, the expected absorption of DTAs on losses carried forward 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) Net of proposed dividends for 2016 and coupons accrued on the Additional Tier 1 issues.

(8) On the basis of a consolidated net income for the Group of €3,111m and a net income for the Parent Company of €1,760m, the proposal envisages a cash distribution of €1,655,900,556.48 as dividends on the net income for the year (corresponding to 9.8 euro cents on each ordinary share and 10.9 euro cents on each savings share) and of €1,343,382,171.68 as reserve assignment from the Share premium reserve (corresponding to 8 euro cents on each ordinary share and savings share). The reserve assignment will be subject to the same tax rate as the dividend distribution.

- <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 €119
      - the "**Intesa Sanpaolo Casa**" real estate project, focused on real estate sale and brokerage, is being implemented with **32 real estate agencies already opened** in the most important cities
      - **Banca ITB has been acquired** to create **the first "proximity bank" in Italy**, focused on **instant banking** through a **lean network of around 20,000 points of sale representing around 25 million potential customers**, of which around 12 million are already Banca ITB customers
    - **Multichannel Bank**
      - **new multichannel processes have been successfully launched:**
        - **around 1.6 million additional multichannel clients since the beginning of 2014, raising the total to around 6.4 million clients**
        - 4.1 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 26,000 products sold in 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)
      - **a targeted service model for High Net Worth Individual clientele** has been implemented:
        - **five dedicated HNWI boutiques** have been opened
        - **new advisory services** have been launched for clients with sophisticated financial needs
      - **the advisory tool "View" has been launched 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 into the **Banca dei Territori Division** (e.g., Eurizon Evolution Target), the **Private Banking Division** (e.g., Eurizon High Income) and the **Insurance Division**, and a new offer has been dedicated to **international clients** (e.g., “Best expertise”) and to **SMEs** (e.g., *GP Unica Imprese*)
- the product range has been enhanced with **moderate risk profile solutions aimed at responding to current market volatility** (e.g., Epsilon Difesa Attiva)
- products have been launched allowing investors to **sustain the real economy** while capturing the evolution of the **European structured credit market** (Eurizon Easy Fund – Securitised Bond Fund)
- the Asset Management Division is **growing in Europe** (e.g., partnership in London, new branch in Paris) **and Asia** (e.g., set up of Yicai, a Wealth Management company, in China)
- **the Group’s Asset Management activities in Eastern Europe are being integrated within Eurizon Capital**

- **Insurance**
  - **the steering** of product mix **towards capital-efficient products is making good progress** (e.g., Unit Linked products represent 66% of the new production, compared with 56% 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
  - **products available to the Private network** (Fideuram Private Mix and Synthesis) have been consolidated **and a new composite product with capital protection has been launched**
  - **the product “Giusto Mix” has been restyled** with the introduction of a **volatility reduction tool**
  - **offer diversification in P&C business** continues, with products in the 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 a pension funds offer dedicated to company employees have been consolidated**
  - **pension fund business has been fully integrated**
  - the new offer for auto insurance, through a system which targets new customers based on the **registration of their license plates** and automatically generates commercial proposals, continues
- **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 innovative **"*Mutuo Up*"**)
    - 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 **162 branch closures since the beginning of 2016 and 727 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 **€20 billion of deleveraging of non-core assets** already achieved
  - a **new performance management system** is fully operational on each asset class
  - **Re.O.Co.** (Real Estate Owned Company) is **fully up and running**, and has generated an estimated **positive impact** for the Group of around **€50 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 12 key processes launched, seven 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 80 branches have been converted to date)
  - more than **190 agreements with labour unions** have been signed
  - more than **5,700 employees** have already adopted "**smart working**" practices
  - the "**Integrated Welfare Programme**" is fully underway.

The income statement for the fourth quarter of 2016

The consolidated income statement for Q4 2016 (9) recorded **operating income** of €4,172m, up 0.8% from €4,139m in Q3 2016 and up 4.5% from €3,991m in Q4 2015.

As part of it, in Q4 2016 **net interest income** amounted to €1,748m, down 6% from €1,859m in Q3 2016 and down 9.2% from €1,926m in Q4 2015.

Net fee and commission income amounted to €2,018m, up 15.6% from €1,745m in Q3 2016. Specifically, commissions on commercial banking activities were up 0.2% and commissions on management, dealing and consultancy activities were up 11.4%. The latter, which include portfolio management, distribution of insurance products, dealing and placement of securities, etc., recorded increases of 8.3% in portfolio management (with contribution from performance fees of €36m in Q4 2016 and €4m in Q3 2016), 8.1% in distribution of insurance products and 4.4% in commissions on dealing and placement of securities. Net fee and commission income for Q4 2016 was up 7.5% from €1,878m in Q4 2015. Specifically, commissions on commercial banking activities were down 1.3%, while those on management, dealing and consultancy activities increased by 7.2% with commissions on dealing and placement of securities up 21.2%, distribution of insurance products up 9%, and portfolio management down 3.2% (performance fees in Q4 2015 amounted to €85m).

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(9) 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 €458m into loans and receivables; the Group also reclassified financial assets available for sale of €5,139m into loans and receivables. If these reclassifications had not been made, profits/losses on trading for Q4 2016 would have recorded a positive pre-tax income of €6m (a negative impact of €9m in 2016, a positive impact of €2m in 2015, €60m in 2014, €94m in 2013 and €135m in 2012, a negative impact of €11m in 2011, a positive impact of €92m in 2010 and €73m in 2009, and a negative impact of €460m in 2008) and the shareholders’ equity as at 31 December 2016 would have included a negative pre-tax direct impact of €894m (with a positive impact of €19m in Q4 2016 and a negative impact of €210m in 2016).

Income from insurance business amounted to €166m from €258m in Q3 2016 and €131m in Q4 2015.

Profits on trading amounted to €247m from €248m in Q3 2016. Profits from customers increased from €96m to €117m. Activities in capital markets and AFS financial assets increased from €15m to €39m. Trading and treasury activities decreased from €130m to €83m. Structured credit products increased from €6m to €8m. Profits of €247m for Q4 2016 compare with profits of €57m in the corresponding period of 2015, which recorded profits from customers of €44m, profits from capital markets and AFS financial assets of €21m, losses from trading and treasury activities of €10m and profits from structured credit products of €2m.

Operating costs amounted to €2,356m, up 11.3% from €2,117m in Q3 2016 with personnel expenses up 6.4% due to incentives to trigger growth, administrative expenses up 21.9% and adjustments up 10.2%. Operating costs for Q4 2016 decreased 4.6% from €2,470m in Q4 2015, due to personnel expenses down 6.1%, administrative expenses down 3.7% and adjustments up 2.5%.

As a result, **operating margin** amounted to €1,816m, down 10.2% from €2,022m in Q3 2016 and up 19.4% from €1,521m in Q4 2015. The cost/income ratio was 56.5% in Q4 2016 versus 51.1% in Q3 2016 and 61.9% in Q4 2015.

Net adjustments to loans amounted to €1,174m from €917m in Q3 2016 and €923m in Q4 2015.

Net provisions and net impairment losses on other assets amounted to €105m from €77m in Q3 2016 and €203m in Q4 2015.

Other income amounted to €138m from €16m in Q3 2016 and €91m in Q4 2015. The figure for Q4 2016 included a positive impact of €314m deriving from a transaction to realise the value of a portfolio of real-estate assets, and a negative impact of €225m deriving from a civil penalty imposed on the Bank by the New York State Department of Financial Services.

Income from discontinued operations amounted to €881m (consisting of the capital gain deriving from the sale of Setefi and Intesa Sanpaolo Card) from €23m in Q3 2016 and €22m in Q4 2015.

Gross income amounted to €1,556m from €1,067m in Q3 2016 and €508m in Q4 2015.

Consolidated net income for the quarter amounted to €776m from €628m in Q3 2016 and €13m in Q4 2015, after accounting:

- taxes on income of €313m;
- charges (net of tax) for integration and exit incentives of €83m;
- effect of purchase price allocation (net of tax) of €30m;
- levies and other charges concerning the banking industry (net of tax) of €377m, deriving from pre-tax charges of €316m in relation to the extraordinary contributions to the resolution fund, €227m in relation to impairment losses regarding the *Atlante* fund, and €15m in relation to impairment losses regarding the National Interbank Deposit Guarantee Fund voluntary scheme. In Q3 2016, levies and other charges were €69m, deriving from pre-tax charges of €103m in relation to the ordinary contributions to the deposit guarantee scheme. In Q4 2015, the figure was €248m, deriving from pre-tax charges of €376m in relation to the extraordinary contributions to the resolution fund.
- losses pertaining to minority interests of €23m.

Excluding levies and other charges concerning the banking industry, net income was €1,153m in Q4 2016 from €697m in Q3 2016 and €261m in Q4 2015.

The income statement for 2016

The consolidated income statement for 2016 recorded **operating income** of €16,929m, down 1.5% from €17,186m in 2015.

As part of it, in 2016 **net interest income** amounted to €7,293m, down 5.5% from €7,717m in 2015.

Net fee and commission income amounted to €7,287m, down 0.7% from €7,342m in 2015. Specifically, commissions on commercial banking activities were down 2% and commissions on management, dealing and consultancy activities were down 2.6%. The latter, which include portfolio management, distribution of insurance products, dealing and placement of securities, etc., recorded a decrease of 20% in commissions on dealing and placement of securities and 7.4% in commissions on portfolio management (performance fees were €43m in 2016 and €202m in 2015), and an increase of 12.5% in commissions on distribution of insurance products.

Income from insurance business amounted to €995m, compared with €997m in 2015.

Profits on trading amounted to €1,190m (including €121m dividends from the Bank of Italy stake) from €1,034m in 2015 (including €144m dividends from the Bank of Italy stake). Profits from customers increased from €321m to €456m and activities in capital markets and AFS financial assets from €152m to €214m, trading and treasury activities (including the aforementioned dividends) declined from €561m to €501m, and structured credit products were positive €19m versus a zero balance.

Operating costs amounted to €8,674m, down 0.7% from €8,734m in 2015, as a result of a 3.7% decrease in administrative expenses and increases of 0.4% and 2.5% in personnel expenses and adjustments, respectively.

As a result, **operating margin** amounted to €8,255m, down 2.3% from €8,452m in 2015. The cost/income ratio was 51.2% in 2016 versus 50.8% in 2015.

Net adjustments to loans amounted to €3,708m from €3,306m in 2015.

Net provisions and net impairment losses on other assets amounted to €422m from €570m in 2015 (the figure for 2015 included €172m due to the enactment of a law in Croatia allowing borrowers to convert Swiss-franc loans into euros).

Other income amounted to €355m and included positive impacts of €170m deriving from the sale of the VISA Europe stake and €314m deriving from a transaction to realise the value of a portfolio of real-estate assets, and a negative impact of €225m deriving from a civil penalty imposed on the Bank by the New York State Department of Financial Services. Other income for 2015 was €352m and included a benefit of €211m deriving from a successful claim.

Income from discontinued operations amounted to €952m (including a capital gain of €881m deriving from the sale of Setefi and Intesa Sanpaolo Card) from €87m in 2015.

Gross income amounted to €5,432m from €5,015m in 2015.

Consolidated net income for 2016 amounted to €3,111m from €2,739m in 2015, after accounting:
- taxes on income of €1,422m
- charges (net of tax) for integration and exit incentives of €150m
- effect of purchase price allocation (net of tax) of €112m
- levies and other charges concerning the banking industry (net of tax) of €559m, deriving from pre-tax charges of: €464m in relation to the ordinary and extraordinary contributions to the resolution fund, €115m in relation to the ordinary contributions to the deposit guarantee scheme, €227m in relation to impairment losses regarding the *Atlante* fund, and €15m in relation to impairment losses regarding the National Interbank Deposit Guarantee Fund voluntary scheme. Levies and other charges for 2015 amounted to €352m, deriving from pre-tax charges of €473m in relation to the ordinary and extraordinary contributions to the resolution fund and €43m in relation to the deposit guarantee scheme.
- minority interests of €78m.

Excluding levies and other charges concerning the banking industry, net income was €3,670m in 2016 and €3,091m in 2015.

Balance sheet as at 31 December 2016

As regards the consolidated balance sheet figures, as at 31 December 2016 **loans to customers** amounted to €365bn, up 5% on year-end 2015 (up 2.8% when taking into account average volumes instead of those at the end of the period). Total **non-performing loans** (bad, unlikely to pay, and past due) - net of adjustments - amounted to €29,767m, down 10% from €33,086m at year-end 2015. In detail, bad loans amounted to €14,895m from €14,973m at year-end 2015, with a ratio of bad loans to total loans of 4.1% (4.3% as at year-end 2015) and a cash coverage ratio of 60.6% (61.8% as at year-end 2015). Taking **collateral and guarantees** into account, the total coverage ratio for the bad loan component was 153% including collateral and 160% when personal guarantees are added. Loans under the unlikely to pay category decreased to €14,435m from €17,091m as at year-end 2015. Past due loans decreased to €437m from €1,022m at year-end 2015.

Customer financial assets amounted to €864bn (net of duplications between direct deposits and indirect customer deposits), up 2.6% on year-end 2015. Under customer financial assets, **direct deposits from banking business** amounted to €394bn, up 5.8% on year-end 2015; **direct deposits from insurance business and technical reserves** amounted to €144bn, up 8.4% on year-end 2015. Indirect customer deposits amounted to €469bn, up 0.1% on year-end 2015. **Assets under management** reached €314bn, up 3.8% on year-end 2015. As for bancassurance, in 2016, the new business for life policies amounted to €23bn (13.8% lower than in 2015). Assets under administration and in custody amounted to €155bn, down 6.7% on year-end 2015.

Capital ratios as at 31 December 2016, calculated by applying the transitional arrangements for 2016 and taking €3bn of dividends proposed for 2016 into consideration, were as follows:

- Common Equity ratio [(10)] at 12.7% (13% at year-end 2015),
- Tier 1 ratio [(10)] at 13.9% (13.8% at year-end 2015),
- total capital ratio [(10)] at 17% (16.6% at year-end 2015).

(10) Net of proposed dividends for 2016 and coupons accrued on the Additional Tier 1 issues.

The estimated pro-forma common equity ratio for the Group on a **fully loaded basis** was 12.9% (13.1% at year-end 2015). It was calculated by applying the fully loaded parameters to the financial statements as at 31 December 2016, considering the total absorption of deferred tax assets (DTAs) related to goodwill realignment and loan adjustments, the expected absorption of DTAs on losses carried forward 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).

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

In particular, as regards the components of the Group's **liquidity**:
- high level of available unencumbered liquid assets (including eligible assets with Central Banks received as collateral and excluding eligible assets currently used as collateral) amounted to €150bn at the end of December 2016 and;
- high level of liquid assets (comprising available unencumbered liquid assets, excluding eligible assets received as collateral, and eligible assets currently used as collateral) amounted €96bn at the end of December 2016;
- refinancing operations with the ECB to optimise the cost of funding and to support businesses in their investment amounted to an average of €41.5bn in Q4 2016 (an average of €27.6bn in Q1 2016, €27.7bn in Q2 2016, €36.4bn in Q3 2016 and €23.2bn in 2015). These refinancing operations consisted entirely of the TLTRO with a four-year maturity: the Group borrowed around €3.5bn under the third TLTRO II at mid-December 2016, after borrowing around €36bn (end of June 2016) under the first TLTRO II – repaying in full the take-up of €27.6bn borrowed under the TLTRO I programme – and around €5bn (end of September 2016) under the second TLTRO II.
- 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 was around €12bn in 2016, around €5bn of which was retail funding;
- medium/long-term wholesale issues in 2016 included 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 31 December 2016 was 6.3% phased in and 6% fully loaded, both best in class among major European banking groups.

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As at 31 December 2016, the Intesa Sanpaolo Group's **operating structure** had a total network of 5,163 branches, of which 3,978 were in Italy and 1,185 abroad, with 89,126 employees.

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Breakdown of results by business area

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

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

In the fourth quarter of 2016, the Banca dei Territori Division recorded:
- operating income of €2,166m, +0.9% versus €2,146m in Q3 2016;
- operating costs of €1,275m, +6.4% versus €1,198m in Q3 2016;
- operating margin of €891m, -6.1% versus €949m in Q3 2016;
- a cost/income ratio of 58.9% versus 55.8% in Q3 2016;
- net provisions and adjustments of €557m versus €579m in Q3 2016;
- gross income of €1,161m, +196.6% versus €392m in Q3 2016;
- net income of €983m versus €211m in Q3 2016.

In 2016, the Banca dei Territori Division recorded:
- operating income of €8,611m, -4.9% versus €9,056m in 2015, contributing approximately 51% of the consolidated operating income (53% in 2015);
- operating costs of €4,902m, -1,1% versus €4,958m in 2015;
- operating margin of €3,709m, -9.5% versus €4,098m in 2015;
- a cost/income ratio of 56.9% versus 54.7% in 2015;
- net provisions and adjustments of €2,096m, versus €2,137m in 2015;
- gross income €2,614m, +27.8% versus €2,045 m in 2015;
- net income of €1,837m, +61.9% versus€1,135m in 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 & chemicals; 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 fourth quarter of 2016, the Corporate and Investment Banking Division recorded:

- operating income of €995 m, +39.8% versus €712m in Q3 2016;
- operating costs of €274m, +22.4% versus €224m in Q3 2016;
- operating margin of €721m, +47.7% versus €488m in Q3 2016;
- a cost/income ratio of 27.5% versus 31.4% in Q3 2016;
- net provisions and adjustments of €146m, versus €72m in Q3 2016;
- gross income €589m, +40.8% versus €418m in Q3 2016;
- net income of €393m, +32% versus €298m in Q3 2016.

In 2016, the Corporate and Investment Banking Division recorded:

- operating income of €3,385m, +8% versus €3,134m in 2015 contributing approximately 20% of the consolidated operating income (18% in 2015)
- operating costs of €957m, +1.5% versus €943m in 2015;
- operating margin of €2,428m, +10.8% versus €2,191m in 2015;
- a cost/income ratio of 28.3% versus 30.1% in 2015;
- net provisions and adjustments of €343m, versus €223m in 2015;
- gross income €2,118m, +7.6% versus €1,968m in 2015;
- net income of €1,448m, +6.8% versus €1,356m in 2015.

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

In the fourth quarter of 2016, the International Subsidiary Banks Division recorded:
- operating income of €468m, -11.3% versus €527m in Q3 2016;
- operating costs of €245m, +2.1% versus €240m in Q3 2016;
- operating margin of €223m, -22.6% versus €287m in Q3 2016;
- a cost/income ratio of 52.4% versus 45.5% in Q3 2016;
- net provisions and adjustments of €97m, versus €44m in Q3 2016;
- gross income €159m, -35% versus €245m in Q3 2016;
- net income of €124m, -34.6% versus €190m in Q3 2016.

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

In 2016, the International Subsidiary Banks Division recorded:
- operating income of €2,002m, -4% versus €2,085m in 2015, contributing approximately 12% of the consolidated operating income (12% in 2015);
- operating costs of €962m, -4.8% versus €1,011m in 2015;
- operating margin of €1,040m, -3.2% versus €1,074m in 2015;
- a cost/income ratio of 48.1% versus 48.5% in 2015;
- net provisions and adjustments of €229m versus €501m in 2015;
- gross income of €913m, +57.7% versus €579m in 2015;
- net income of € 703m, +63.1% versus €431m in 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 fourth quarter of 2016, the Private Banking Division recorded:
- operating income of €450m, +6.7% versus €421m in Q3 2016;
- operating costs of €143m, +6.5% versus €134 m in Q3 2016;
- operating margin of €307m, +6.8% versus €288m in Q3 2016;
- a cost/income ratio of 31.7% versus 31.8% in Q3 2016;
- net provisions and adjustments of €3m, versus €14m in Q3 2016;
- gross income €304m, +11.1% versus €274m in Q3 2016;
- net income of €181m, +9.8% versus €165m in Q3 2016.

In 2016, the Private Banking Division recorded:
- operating income of €1,740m, +3.6% versus €1,680m in 2015, contributing approximately 10% of the consolidated operating income (10% in 2015);
- operating costs of €534m, +0.4% versus €532m in 2015;
- operating margin of €1,206m, +5.1% versus €1,148m in 2015;
- a cost/income ratio of 30.7% versus 31.7% in 2015;
- net provisions and adjustments of €38m, versus €39m in 2015;
- gross income €1,168m, +5.3% versus €1,109m in 2015;
- net income of €710m, +7.1% versus €663m in 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 heads up the Hungarian CIB IFM and the Croatian PBZ Invest (the asset management hub in Eastern Europe). Eurizon Capital also controls Epsilon Associati SGR - a company specialising in active management and, specifically, in quantitative and multi-strategy management with total-return investment aims - which is 51% owned by Eurizon Capital and 49% by Banca IMI. Eurizon Capital owns 49% of the Chinese asset management company Penghua Fund Management. Moreover, Eurizon Capital owns 20% of the Chinese wealth management company Yicai, which is 25% owned by Fideuram and 55% by the Parent Company Intesa Sanpaolo.

In the fourth quarter of 2016, the Asset Management Division recorded:
- operating income of €179m, +6.4% versus €168m in Q3 2016;
- operating costs of €44m, +35.9% versus €32m in Q3 2016;
- operating margin of €135m, -0.5% versus €136m in Q3 2016;
- a cost/income ratio of 24.5% versus 19.2% in Q3 2016;
- no provisions and adjustments, the same as in Q3 2016;
- gross income €136m, -0.6% versus €137m in Q3 2016;
- net income of €74m, -27.6% versus €103m in Q3 2016.

In 2016, the Asset Management Division recorded:
- operating income of €647m, -14.8% versus €759m in 2015, contributing approximately 4% of the consolidated operating income (4% in 2015);
- operating costs of €141m, -0.7% versus €142m in 2015;
- operating margin of €506m, -18% versus €617m in 2015;
- a cost/income ratio of 21.8% versus 18.7% in 2015;
- net release of €1m versus net provisions and adjustments of €3m in 2015;
- gross income of €507m, -17.4% versus €614m in 2015;
- net income of €357m, -23.4% versus €466m in 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 fourth quarter of 2016, the Insurance Division recorded:
- operating income of €202m, -31.8% versus €297m in Q3 2016;
- operating costs of €58m, +48.4% versus €39m in Q3 2016;
- operating margin of €144m, -44% versus €257m in Q3 2016;
- a cost/income ratio of 28.8% versus 13.2% in Q3 2016;
- net provisions and adjustments of €2m, in line with Q3 2016;
- gross income €164m, -35.9% versus €255m in Q3 2016;
- net income of €110m, -34.6% versus €168m in Q3 2016.

In 2016, the Insurance Division recorded:
- operating income of €1,172m, +6.4% versus €1,102m in 2015, contributing approximately 7% of the consolidated operating income (6% in 2015);
- operating costs of €173m, +8.1% versus €160m in 2015;
- operating margin of €999m, +6.1% versus €942m in 2015;
- a cost/income ratio of 14.8% versus 14.5% in 2015;
- net provisions and adjustments of €12m versus €19 m in 2015;
- gross income €1,008m, +9.2% versus €923m in 2015;
- net income of €669m, +6.2% versus €630m in 2015.

<u>The outlook for 2017</u>

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

* * *

The figures of the income statement for the four quarters of 2015 and the first three quarters of 2016 were restated and included under the captions of the new format of the reclassified income statement as shown below. This format was introduced as of Q4 2016 with the aim of improving operating performance visibility:

1. "Other operating income (expenses)" no longer includes:
   - contributions to the resolution fund and the deposit guarantee scheme, which are now included in a new caption "Levies and other charges concerning the banking industry (net of tax)" reported after "Gross Income (Loss)", which replaces the previous caption "Income (Loss) before tax from continuing operations";
   - non-recurring items of a non-operating nature like the income from the sale of VISA Europe (Q2 2016) and the benefit from a claim (Q3 2015), which are now included in the new caption "Other income (expenses)" reported after "Operating margin" and comprising the previous specific caption "Profits (Losses) on investments held to maturity and on other investments" as well;
2. "Other operating income (expenses)" now includes the previous specific caption "Profits (Losses) on investments carried at equity";
3. "Net provisions and net impairment losses on other assets" is a new caption which includes the previous specific captions "Net provisions for risks and charges" and "Net impairment losses on other assets";
4. "Income (Loss) from discontinued operations" is no longer net of tax and is now reported before "Gross Income (Loss)", which replaces the previous caption "Income (Loss) before tax from continuing operations".

In addition, for consistency purpose:

- the income statement 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 31 December 2016, the reclassified consolidated income statement and the reclassified consolidated balance sheet approved by the Board of Directors are attached. Please note that the auditing firm is completing the auditor review of the financial statements. The parent company draft financial statements and the consolidated financial statements as at 31 December 2016 will be submitted for approval at the meeting of the Board of Directors scheduled for 21 February 2017. The parent company draft financial statements and the consolidated financial statements as at 31 December 2016 will be submitted for examination of the auditing firm in charge of auditing the annual report and will be made available for shareholders and the market by 16 March 2017. The parent company financial statements will be submitted for the approval of shareholders at the Ordinary Meeting scheduled for 27 April 2017.

* * *

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

* * *

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

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

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

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Intesa Sanpaolo Group

Reclassified consolidated statement of income

(millions of euro)

	2016	2015	Changes amount	Changes %
Net interest income	7,293	7,717	-424	-5.5
Net fee and commission income	7,287	7,342	-55	-0.7
Income from insurance business	995	997	-2	-0.2
Profits (Losses) on trading	1,190	1,034	156	15.1
Other operating income (expenses)	164	96	68	70.8
Operating income	16,929	17,186	-257	-1.5
Personnel expenses	-5,308	-5,286	22	0.4
Other administrative expenses	-2,620	-2,720	-100	-3.7
Adjustments to property, equipment and intangible assets	-746	-728	18	2.5
Operating costs	-8,674	-8,734	-60	-0.7
Operating margin	8,255	8,452	-197	-2.3
Net adjustments to loans	-3,708	-3,306	402	12.2
Net provisions and net impairment losses on other assets	-422	-570	-148	-26.0
Other income (expenses)	355	352	3	0.9
Income (Loss) from discontinued operations	952	87	865	
Gross income (loss)	5,432	5,015	417	8.3
Taxes on income	-1,422	-1,727	-305	-17.7
Charges (net of tax) for integration and exit incentives	-150	-83	67	80.7
Effect of purchase price allocation (net of tax)	-112	-119	-7	-5.9
Levies and other charges concerning the banking industry (net of tax)	-559	-352	207	58.8
Impairment (net of tax) of goodwill and other intangible assets	-	-	-	-
Minority interests	-78	5	-83	
Net income (loss)	3,111	2,739	372	13.6

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			
	Fourth quarter	Third quarter	Second quarter	First quarter	Fourth quarter	Third quarter	Second quarter	First quarter
Net interest income	1,748	1,859	1,831	1,855	1,926	1,887	1,954	1,950
Net fee and commission income	2,018	1,745	1,848	1,676	1,878	1,748	1,941	1,775
Income from insurance business	166	258	239	332	131	241	282	343
Profits (Losses) on trading	247	248	467	228	57	1	380	596
Other operating income (expenses)	-7	29	67	75	-1	41	20	36
Operating income	4,172	4,139	4,452	4,166	3,991	3,918	4,577	4,700
Personnel expenses	-1,389	-1,306	-1,338	-1,275	-1,479	-1,249	-1,263	-1,295
Other administrative expenses	-762	-625	-638	-595	-791	-632	-668	-629
Adjustments to property, equipment and intangible assets	-205	-186	-178	-177	-200	-178	-176	-174
Operating costs	-2,356	-2,117	-2,154	-2,047	-2,470	-2,059	-2,107	-2,098
Operating margin	1,816	2,022	2,298	2,119	1,521	1,859	2,470	2,602
Net adjustments to loans	-1,174	-917	-923	-694	-923	-769	-847	-767
Net provisions and net impairment losses on other assets	-105	-77	-194	-46	-203	-242	-88	-37
Other income (expenses)	138	16	196	5	91	232	27	2
Income (Loss) from discontinued operations	881	23	28	20	22	22	21	22
Gross income (loss)	1,556	1,067	1,405	1,404	508	1,102	1,583	1,822
Taxes on income	-313	-319	-359	-431	-195	-346	-525	-661
Charges (net of tax) for integration and exit incentives	-83	-16	-38	-13	-37	-15	-25	-6
Effect of purchase price allocation (net of tax)	-30	-26	-27	-29	-33	-27	-33	-26
Levies and other charges concerning the banking industry (net of tax)	-377	-69	-11	-102	-248	-2	-48	-54
Impairment (net of tax) of goodwill and other intangible assets	-	-	-	-	-	-	-	-
Minority interests	23	-9	-69	-23	18	10	-12	-11
Net income (loss)	776	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	31.12.2016	31.12.2015	Changes amount	Changes %
Financial assets held for trading	43,613	51,597	-7,984	-15.5
of which: Insurance Companies	514	728	-214	-29.4
Financial assets designated at fair value through profit and loss	63,865	53,663	10,202	19.0
of which: Insurance Companies	62,743	52,519	10,224	19.5
Financial assets available for sale	146,692	131,334	15,358	11.7
of which: Insurance Companies	79,286	75,646	3,640	4.8
Investments held to maturity	1,241	1,386	-145	-10.5
Due from banks	53,146	34,445	18,701	54.3
Loans to customers	364,713	347,333	17,380	5.0
Investments in associates and companies subject to joint control	1,278	1,383	-105	-7.6
Property, equipment and intangible assets	12,301	12,536	-235	-1.9
Tax assets	14,444	15,007	-563	-3.8
Non-current assets held for sale and discontinued operations	312	3,431	-3,119	-90.9
Other assets	23,495	24,453	-958	-3.9
Total Assets	725,100	676,568	48,532	7.2

Liabilities and Shareholders' Equity	31.12.2016	31.12.2015	Changes amount	Changes %
Due to banks	72,641	59,327	13,314	22.4
Due to customers and securities issued	386,659	365,419	21,240	5.8
of which: Insurance Companies	1,295	1,310	-15	-1.1
Financial liabilities held for trading	44,790	43,522	1,268	2.9
of which: Insurance Companies	86	144	-58	-40.3
Financial liabilities designated at fair value through profit and loss	57,187	47,022	10,165	21.6
of which: Insurance Companies	57,184	47,022	10,162	21.6
Tax liabilities	2,038	2,351	-313	-13.3
Liabilities associated with non-current assets held for sale and discontinued operations	272	116	156	
Other liabilities	21,745	20,773	972	4.7
Technical reserves	85,619	84,616	1,003	1.2
Allowances for specific purpose	4,830	4,829	1	-
Share capital	8,732	8,732	-	-
Reserves	36,805	36,446	359	1.0
Valuation reserves	-1,854	-1,018	836	82.1
Equity instruments	2,117	877	1,240	
Minority interests	408	817	-409	-50.1
Net income (loss)	3,111	2,739	372	13.6
Total Liabilities and Shareholders' Equity	725,100	676,568	48,532	7.2

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			
	31/12	30/9	30/6	31/3	31/12	30/9	30/6	31/3
Financial assets held for trading	43,613	50,232	52,499	54,786	51,597	52,391	51,996	62,257
of which: Insurance Companies	514	524	648	721	728	775	754	823
Financial assets designated at fair value through profit and loss	63,865	61,338	57,948	54,480	53,663	49,998	49,407	48,620
of which: Insurance Companies	62,743	60,187	56,908	53,358	52,519	48,877	48,203	47,361
Financial assets available for sale	146,692	146,885	152,465	142,816	131,334	133,353	135,430	138,066
of which: Insurance Companies	79,286	80,792	80,379	78,393	75,646	72,548	71,463	74,813
Investments held to maturity	1,241	1,231	1,246	1,317	1,386	1,379	1,426	1,470
Due from banks	53,146	37,528	36,879	33,540	34,445	33,994	31,147	34,942
Loans to customers	364,713	364,836	360,240	358,478	347,333	342,509	341,634	343,606
Investments in associates and companies subject to joint control	1,278	1,387	1,400	1,407	1,383	1,448	1,413	1,596
Property, equipment and intangible assets	12,301	12,108	12,116	12,114	12,536	12,112	12,185	12,259
Tax assets	14,444	14,163	14,398	14,583	15,007	14,809	14,946	14,366
Non-current assets held for sale and discontinued operations	312	772	966	3,545	3,431	3,294	3,206	3,134
Other assets	23,495	23,917	27,135	23,297	24,453	23,044	25,720	23,169
Total Assets	725,100	714,397	717,292	700,363	676,568	668,331	668,510	683,485

Liabilities and Shareholders' Equity	2016				2015			
	31/12	30/9	30/6	31/3	31/12	30/9	30/6	31/3
Due to banks	72,641	69,641	67,656	60,343	59,327	64,118	62,493	58,312
Due to customers and securities issued	386,659	372,372	379,643	373,224	365,419	352,998	358,870	364,309
of which: Insurance Companies	1,295	1,320	1,362	1,361	1,310	1,460	1,319	1,303
Financial liabilities held for trading	44,790	48,143	49,340	48,936	43,522	44,189	43,221	54,398
of which: Insurance Companies	86	117	104	95	144	169	138	234
Financial liabilities designated at fair value through profit and loss	57,187	54,373	51,360	48,031	47,022	43,657	43,451	42,088
of which: Insurance Companies	57,184	54,373	51,360	48,031	47,022	43,657	43,451	42,088
Tax liabilities	2,038	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	272	413	336	350	116	101	121	98
Other liabilities	21,745	25,939	26,798	25,181	20,773	25,013	26,825	25,983
Technical reserves	85,619	87,370	86,813	86,664	84,616	81,965	79,645	82,925
Allowances for specific purpose	4,830	5,049	4,987	4,792	4,829	4,698	4,588	5,276
Share capital	8,732	8,732	8,732	8,732	8,732	8,730	8,725	8,725
Reserves	36,805	36,774	36,830	39,184	36,446	36,435	36,415	37,545
Valuation reserves	-1,854	-1,737	-1,860	-1,387	-1,018	-1,183	-1,449	-1,147
Equity instruments	2,117	2,118	2,118	2,118	877	875	-	-
Minority interests	408	640	646	825	817	623	634	555
Net income (loss)	3,111	2,335	1,707	806	2,739	2,726	2,004	1,064
Total Liabilities and Shareholders' Equity	725,100	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

(millions of euro)

Income statement (millions of euro)	Banca dei Territori		Corporate and Investment Banking		International Subsidiary Banks		Private Banking		Asset management		Insurance	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Operating income	8,611	9,056	3,385	3,134	2,002	2,085	1,740	1,680	647	759	1,172	1,102
Operating costs	-4,902	-4,958	-957	-943	-962	-1,011	-534	-532	-141	-142	-173	-160
Operating margin	3,709	4,098	2,428	2,191	1,040	1,074	1,206	1,148	506	617	999	942
Net income (loss)	1,837	1,135	1,448	1,356	703	431	710	663	357	466	669	630

Balance sheet (millions of euro)	Banca dei Territori		Corporate and Investment Banking		International Subsidiary Banks		Private Banking		Asset management		Insurance	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015	31.12.2016	31.12.2015	31.12.2016	31.12.2015	31.12.2016	31.12.2015	31.12.2016	31.12.2015
Loans to customers	187,649	184,522	98,183	89,691	26,492	25,818	9,597	8,971	298	372	26	24
Direct deposits from banking business	173,599	159,854	112,661	109,915	32,978	32,456	27,540	20,922	8	9	-	-

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