INTESA SANPAOLO

PRESS RELEASE

INTESA SANPAOLO: CONSOLIDATED RESULTS AS AT 30 SEPTEMBER 2017

STATED NET INCOME FOR 9M 2017 WAS €5,888 MILLION AND INCLUDED THE €3.5 BILLION PUBLIC CASH CONTRIBUTION OFFSETTING THE IMPACT ON THE CAPITAL RATIOS DERIVING FROM THE ACQUISITION OF OPERATIONS OF BANCA POPOLARE DI VICENZA AND VENETO BANCA.

NET INCOME WAS €2,469 MILLION EXCLUDING THE AFOREMENTIONED PUBLIC CONTRIBUTION AND THE IMPACT OF THE OPERATIONS ACQUIRED AND €3,108 MILLION EXCLUDING, IN ADDITION, LEVIES AND OTHER CHARGES CONCERNING THE BANKING INDUSTRY.

THE NET CAPITAL GAIN OF AROUND €800 MILLION FROM THE DISPOSAL OF ALLFUNDS, WHICH WAS SIGNED IN Q1, IS TO BE BOOKED IN Q4 2017.

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 13.4%, NET OF ACCRUED DIVIDENDS.

RESULTS WERE IN LINE WITH THE COMMITMENT MADE IN THE BUSINESS PLAN TO DISTRIBUTE €3.4 BILLION CASH DIVIDENDS FOR 2017.

GROSS INCOME INCREASED SIGNIFICANTLY IN 9M 2017 (UP 16.2% ON 9M 2016 EXCLUDING THE AFOREMENTIONED PUBLIC CONTRIBUTION AND THE IMPACT OF THE OPERATIONS ACQUIRED) REFLECTING THE TWIN STRENGTHS OF INTESA SANPAOLO'S BUSINESS MODEL – REVENUE GENERATION ENHANCED BY FEE GROWTH, AND A HIGH LEVEL OF EFFICIENCY – AND THE IMPROVING TREND OF CREDIT QUALITY.

THE CREDIT QUALITY TREND IMPROVED. THE PAST 24 MONTHS RECORDED AN €11 BILLION GROSS NPL STOCK REDUCTION, WHICH WAS ACHIEVED AT NO EXTRAORDINARY COST TO SHAREHOLDERS. IN Q3 2017, GROSS NPL INFLOW FROM PERFORMING LOANS WAS AT ITS LOWEST SINCE THE CREATION OF INTESA SANPAOLO.

INTESA SANPAOLO CONTINUES TO OPERATE AS AN ACCELERATOR FOR GROWTH IN THE REAL ECONOMY IN ITALY. IN 9M 2017, MEDIUM/LONG-TERM NEW LENDING GRANTED BY THE GROUP TO ITALIAN HOUSEHOLDS AND BUSINESSES AMOUNTED TO AROUND €36 BILLION (UP 4.5% ON 9M 2016). IN 9M 2017, THE BANK FACILITATED THE RETURN TO PERFORMING STATUS OF OVER 15,000 COMPANIES – BRINGING THE TOTAL TO OVER 67,000 SINCE 2014.

- **ROBUST NET INCOME:**
  - **STATED INCOME:**
    - **€650M IN Q3 2017**
    - **€5,888M IN 9M 2017 INCLUDING THE €3.5BN PUBLIC CONTRIBUTION (*)**
  - **EXCLUDING THE PUBLIC CONTRIBUTION (*) AND THE OPERATIONS ACQUIRED:**
    - **€731M IN Q3 2017 VS €837M IN Q2 2017 AND €628M IN Q3 2016**
    - **€2,469M IN 9M 2017 VS €2,335M IN 9M 2016**
  - **EXCLUDING, IN ADDITION, LEVIES AND OTHER CHARGES CONCERNING THE BANKING INDUSTRY (**):**
    - **€910M IN Q3 2017 VS €1,015M IN Q2 2017 AND €697M IN Q3 2016**
    - **€3,108M IN 9M 2017 VS €2,517M IN 9M 2016**

- **GROWING OPERATING MARGIN:**
  - **UP 1.5% IN 9M 2017 ON 9M 2016 EXCLUDING THE IMPACT OF THE DEVALUATION OF THE EGYPTIAN CURRENCY AND THE DIVIDENDS FROM THE STAKE IN THE BANK OF ITALY**

- **INCREASING OPERATING INCOME:**
  - **UP 1.4% IN 9M 2017 ON 9M 2016 EXCLUDING THE IMPACT OF THE DEVALUATION OF THE EGYPTIAN CURRENCY AND THE DIVIDENDS FROM THE STAKE IN THE BANK OF ITALY**

- **IMPROVING CREDIT QUALITY TREND:**
  - **DECREASING QUARTERLY GROSS NPL INFLOW FROM PERFORMING LOANS**
    - **€990M (AT ITS LOWEST SINCE THE CREATION OF INTESA SANPAOLO), DOWN 3% ON Q2 2017**
  - **DECREASING NLP STOCK**
    - **AN €11BN GROSS REDUCTION IN THE PAST 24 MONTHS, ACHIEVED AT NO EXTRAORDINARY COST TO SHAREHOLDERS**
    - **DOWN 7.8% GROSS ON DECEMBER 2016**
    - **DOWN 9.1% NET ON DECEMBER 2016**

- **STRONG CAPITAL BASE, WELL ABOVE REGULATORY REQUIREMENTS EVEN UNDER THE ADVERSE SCENARIO OF THE STRESS TEST:**
  - **COMMON EQUITY RATIO AS AT 30 SEPTEMBER 2017, AFTER THE DEDUCTION OF AROUND €2.2BN OF DIVIDENDS ACCRUED IN 9M 2017, OF**
    - **13.4% PRO-FORMA FULLY LOADED (1) (2)**
    - **13% ON A TRANSITIONAL BASIS FOR 2017 (2)**
  - **COMMON EQUITY RATIO UNDER STRESS TEST**
    - **10.2% UNDER THE ADVERSE SCENARIO FOR 2018**

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

(**) Mainly contributions to the resolution fund and the deposit guarantee scheme, and charges in relation to impairment losses regarding the *Atlante* fund and the National Interbank Deposit Guarantee Fund Voluntary Scheme.

(1) Estimated by applying the fully loaded parameters to the financial statements as at 30 September 2017, considering the total absorption of deferred tax assets (DTAs) related to goodwill realignment, loan adjustments, as well as to the non-taxable public cash contribution of €1,285m covering the integration and rationalisation charges relating to the acquisition of operations of Banca Popolare di Vicenza and Veneto Banca, the expected absorption of DTAs on losses carried forward, the announced reserve distribution by insurance companies, and the effect of the Danish compromise (under which insurance investments are risk weighted instead of being deducted from capital, with no benefit as at 30 September 2017).

(2) After the deduction of accrued dividends, assumed equal to the net income for the first nine months of the year minus the coupons accrued on the Additional Tier 1 issues and the non-taxable public cash contribution of €3.5bn offsetting the impact on the capital ratios of the acquisition of operations of Banca Popolare di Vicenza and Veneto Banca.

HIGHLIGHTS:

OPERATING INCOME (•):	Q3 2017	-6.2%	€4,077M FROM €4,348M IN Q2 2017
	9M 2017	-1.2%	€12,634M FROM €12,791M IN 9M 2016
OPERATING COSTS (•):	Q3 2017	-1.7%	€2,122M FROM €2,159M IN Q2 2017
	9M 2017	0%	€6,336M FROM €6,338M IN 9M 2016
OPERATING MARGIN (•):	Q3 2017	-10.7%	€1,955M FROM €2,189M IN Q2 2017
	9M 2017	-2.4%	€6,298M FROM €6,453M IN 9M 2016
GROSS INCOME (•):	Q3 2017	€1,356M	FROM €1,512M IN Q2 2017, EXCLUDING THE PUBLIC CONTRIBUTION (*)
	9M 2017	€4,520M	FROM €3,890M IN 9M 2016, EXCLUDING THE PUBLIC CONTRIBUTION (*)
NET INCOME:	Q3 2017	€650M	
		€731M	FROM €837M IN Q2 2017, EXCLUDING THE PUBLIC CONTRIBUTION (*) AND THE OPERATIONS ACQUIRED
		€910M	FROM €1,015M IN Q2 2017, EXCLUDING, IN ADDITION, LEVIES AND OTHER CHARGES CONCERNING THE BANKING INDUSTRY (**)
	9M 2017	€5,888M	
		€2,469M	FROM €2,335M IN 9M 2016, EXCLUDING THE PUBBLIC CONTRIBUTION (*) AND THE OPERATIONS ACQUIRED
		€3,108M	FROM €2,517M IN 9M 2016, EXCLUDING, IN ADDITION, LEVIES AND OTHER CHARGES CONCERNING THE BANKING INDUSTRY (**)

CAPITAL RATIOS: COMMON EQUITY RATIO AFTER ACCRUED DIVIDENDS:
13.4% PRO-FORMA FULLY LOADED (3) (4);
13% ON A TRANSITIONAL BASIS FOR 2017 ("PHASED IN") (4)

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

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

(**) Mainly contributions to the resolution fund and the deposit guarantee scheme, and charges in relation to impairment losses regarding the *Atlante* fund and the National Interbank Deposit Guarantee Fund Voluntary Scheme.

(3) Estimated by applying the fully loaded parameters to the financial statements as at 30 September 2017, considering the total absorption of deferred tax assets (DTAs) related to goodwill realignment, loan adjustments, as well as to the non-taxable public cash contribution of €1,285m covering the integration and rationalisation charges relating to the acquisition of operations of Banca Popolare di Vicenza and Veneto Banca, the expected absorption of DTAs on losses carried forward, the announced reserve distribution by insurance companies, and the effect of the Danish compromise (under which insurance investments are risk weighted instead of being deducted from capital, with no benefit as at 30 September 2017).

(4) After the deduction of accrued dividends, assumed equal to the net income for the first nine months of the year minus the coupons accrued on the Additional Tier 1 issues and the non-taxable public cash contribution of €3.5bn offsetting the impact on the capital ratios of the acquisition of operations of Banca Popolare di Vicenza and Veneto Banca.

Turin - Milan, 7 November 2017 – At its meeting today, the Board of Directors of Intesa Sanpaolo approved the consolidated interim statement as at 30 September 2017 [°] [5].

The results for the first nine months of 2017 reflect **the twin strengths of Intesa Sanpaolo's business model – revenue generation enhanced by fee growth** combined **with high efficiency –** as well as **the improving trend of credit quality** and are **in line with the commitment to distribute €3.4 billion cash dividends for 2017:**

- **net income:**
  - **stated net income at €650m in Q3 2017 and €5,888m in 9M 2017 including the** non-taxable **public cash contribution of €3.5bn**, booked in Q2 2017, **to offset the impact on the capital ratios deriving from the acquisition of assets and liabilities of Banca Popolare di Vicenza and Veneto Banca**;
  - **excluding the aforementioned public contribution and the contribution of the operations of Banca Popolare di Vicenza and Veneto Banca**, consolidated in the income statement from Q3 2017, net income was **€731m in Q3 2017** versus €837m in Q2 2017 and €628m in Q3 2016, and **€2,469m in 9M 2017** versus €2,335m in 9M 2016;
  - **excluding, in addition, levies and other charges concerning the banking industry** (mainly made up of contributions to the resolution fund and the deposit guarantee scheme, and charges in relation to impairment losses regarding the *Atlante* fund and the National Interbank Deposit Guarantee Fund Voluntary Scheme), net income was **€910m in Q3 2017** versus €1,015m in Q2 2017 and €697m in Q3 2016, and **€3,108m in 9M 2017** versus €2,517m in 9M 2016;
  - **in the fourth quarter of 2017**, **the net capital gain of around €800m** on the disposal of Allfunds, signed in the first quarter of the year, **is to be booked**.

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

(5) Methodological note on the scope of consolidation on page 27.

- **gross income** (•)**, excluding the public contribution**, **up 16.2% in 9M 2017** on 9M 2016;

- **operating margin** (•) **in 9M 2017 up 1.5%** on 9M 2016 when excluding the impact of the devaluation of the Egyptian currency and the dividends from the stake in the Bank of Italy (€10m in 9M 2017, compared with the €121m of the corresponding period of 2016);

- **operating income** (•) **in 9M 2017 up 1.4%** on 9M 2016 when excluding the impact of the devaluation of the Egyptian currency and the dividends from the stake in the Bank of Italy;

- **net interest income** (•) **in 9M 2017 up 0.2%** on 9M 2016 when excluding the impact of the devaluation of the Egyptian currency;

- **net fee and commission income** (•) **up 6.4% in 9M 2017** on 9M 2016, **as a result of the strong rebound in assets under management, which, in the first nine months, recorded a stock increase of more than €17bn and net inflow of around €15bn**;

- **high efficiency**, highlighted by a **cost/income ratio of 50.2%** (•) in 9M 2017 – **a figure that places Intesa Sanpaolo in the top tier of its European peers**;

- **continuous cost management** (•), with operating costs in 9M 2017 in line with 9M 2016;

- **improving trend of credit quality** due to an **effective proactive credit management approach** in an improving economic environment:
  - **gross inflow of new NPLs from performing loans diminished further** and in the third quarter of 2017 was **at its lowest since the creation of Intesa Sanpaolo**, equal to €990m, down 3% from €1bn in Q2 2017;
  - **NPL stock decreased** marking an **€11bn gross reduction in the past 24 months**, which was **achieved at no extraordinary cost to shareholders**. The stock was down 7.8% gross and 9.1% net on December 2016.
  - specifically, **bad loan stock was down** 7.9% gross and 8.4% net on December 2016;
  - the **stock of unlikely-to-pay loans was down** 7.2% gross and 9.5% net on December 2016.

- **sizeable NPL coverage**:
  - **NPL cash coverage ratio of 49.5%** at the end of September 2017 versus 48.8% at year-end 2016, **with a cash coverage ratio of 60.8%** at the end of September 2017 **for the bad loan component** (60.6% at year-end 2016);
  - **robust reserve buffer on performing loans** equal to 0.5% at the end of September 2017 (the same as at year-end 2016);

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

- **<u>support to the real economy</u>**, with over **€47bn of medium/long-term new lending** in 9M 2017. **Loans** amounting to around **€36bn** were granted **in Italy, up 4.5% on 9M 2016,** of which around **€31bn was granted to households and SMEs, an increase of 5.2%** on 9M 2016. **In the first nine months of 2017, the Bank facilitated the return** from non-performing **to performing status of** over **15,000 Italian companies**, bringing the total to over **67,000 since 2014**.

- **<u>very solid capital base</u>**, with capital ratios well above regulatory requirements, even under the adverse scenario of the stress test. As at 30 September 2017, the **pro-forma fully loaded Common Equity ratio** came in at **13.4%** (6) (7) – **one of the highest levels amongst major European banks** – and the phased-in Common Equity ratio at 13% (7) after the deduction of around €2.2bn of dividends accrued in the first nine months. These dividends have been assumed equal to net income for the first nine months minus the coupons accrued on the Additional Tier 1 issues and the non-taxable public cash contribution of €3.5bn offsetting the impact on the capital ratios of the acquisition of operations of Banca Popolare di Vicenza and Veneto Banca. The aforementioned ratios compare with a SREP requirement which has set the fully loaded Common Equity ratio at 9.25% and the phased-in Common Equity ratio at 7.25%, comprising Capital Conservation Buffer and O-SII Buffer. The Common Equity ratio resulting from the stress test under the adverse scenario for 2018 was 10.2%.

- **<u>strong liquidity position and funding capability</u>**, with **liquid assets of €170bn** and **available unencumbered liquid assets of €93bn at the end of September 2017. The Basel 3 Liquidity Coverage Ratio and Net Stable Funding Ratio requirements have already been complied with**, well ahead of the implementation timeline (2018). The Group's refinancing operations with the ECB to optimise the cost of funding and to support businesses in their investment amounted to an average of €63.8bn in Q3 2017 (an average of €56.7bn in Q2 2017, €44.8bn in Q1 2017 and €33.3bn in 2016). These refinancing operations consisted entirely of the TLTRO with a four-year maturity. At the end of March 2017, the Group borrowed €12bn under the fourth and final TLTRO II bringing its total funding to around €57bn, the maximum borrowing allowance under the TLTROs II, after borrowing around €36bn (end of June 2016) under the first TLTRO II – repaying in full the take-up of €27.6bn under the TLTRO I programme – around €5bn (end of September 2016) under the second TLTRO II and around €3.5bn (mid-December 2016) under the third TLTRO II. As at the end of June 2017, the Group's refinancing operations with the ECB included components deriving from the acquisition of operations of Banca Popolare di Vicenza and Veneto Banca which comprised around €7.1bn borrowed under TLTROs II.

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(6) Estimated by applying the fully loaded parameters to the financial statements as at 30 September 2017, considering the total absorption of deferred tax assets (DTAs) related to goodwill realignment, loan adjustments, as well as to the non-taxable public cash contribution of €1,285m covering the integration and rationalisation charges relating to the acquisition of operations of Banca Popolare di Vicenza and Veneto Banca, the expected absorption of DTAs on losses carried forward, the announced reserve distribution by insurance companies, and the effect of the Danish compromise (under which insurance investments are risk weighted instead of being deducted from capital, with no benefit as at 30 September 2017).

(7) After the deduction of accrued dividends, assumed equal to the net income for the first nine months of the year minus the coupons accrued on the Additional Tier 1 issues and the non-taxable public cash contribution of €3.5bn offsetting the impact on the capital ratios of the acquisition of operations of Banca Popolare di Vicenza and Veneto Banca.

- **<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 3,500 dedicated relationship managers. Revenues per client have increased by 80% from €70 to €127.
      - the "**Intesa Sanpaolo Casa**" real estate project, focused on real estate sale and brokerage, is being implemented with **40 real estate agencies already opened** in the most important cities;
      - **Banca ITB** (rebranded Banca 5) **has been acquired** to create **the first "proximity bank" in Italy**, focused on **instant banking** through a **lean network of around 22,000 points of sale representing around 25 million potential customers**. Of these around 12 million are already Banca ITB customers.
    - **Multichannel Bank**
      - **new multichannel processes have been successfully launched:**
        - **around 2 million additional multichannel clients since the beginning of 2014, raising the total to around 6.9 million**;
        - around 5.3 million mobile Apps for smartphone/tablet have been downloaded by customers;
        - Intesa Sanpaolo ranks number one in Italy in multichannel banking with around 85% of products available via multichannel platforms;
        - **digitisation involves all branches, with around 100% paperless transactions for all priority products** (around 11.4 million transactions completed in 9M 2017 and around 20 million since the start of the initiative);
        - **the "Online Branch" is fully operational for the "Service To Sale"**, with around 28,200 products sold in 9M 2017;
        - **new digital marketing capabilities** have been built to fully exploit search engines and social media presence;
        - the **new Intesa Sanpaolo digital experience** has been launched, with new internet banking site, new website and new Apps;
        - **new digital channels** are being developed in **Croatia, Hungary** and **Egypt**;
    - **Private Banking**
      - **Fideuram - Intesa Sanpaolo Private Banking has been successfully operational since 1 July 2015**;
      - **the international presence has been strengthened with the acquisition of the Morval Vonwiller Group (a Swiss boutique with around €3bn of assets under management), the Private Banking branch in London fully up and running, the strengthening of Intesa Sanpaolo Private Bank (Suisse)** and the set up of **Yicai in China** (a Wealth Management Company);
      - **new products have been launched for the entire Division** (e.g., Fideuram Private Mix, *Piano Investimento Italia - PIR, Obiettivo 2022, Obiettivo 2023 Piano Investimento Italia*, creation of a dedicated SICAV);
      - **a targeted service model for High Net Worth Individual clientele** has been implemented:
        - **seven dedicated HNWI boutiques** have been opened
        - **new advisory services** have been launched for clients with sophisticated financial needs;
      - **the advisory tool "View" continues to expand on the Intesa Sanpaolo Private Banking network** with around **€6bn** of assets under advisory;
      - **the new digital office for private bankers is fully up and running**;
      - **advisory services are being broadened** across different client segments;

- **Asset Management**
  - the digital platform has been enriched (e.g., “model portfolio” and “scenario analysis” have been added);
  - a **new product range** has been introduced into the **Banca dei Territori Division** (e.g., Eurizon Evolution Target, Eurizon *Difesa 100*, Epsilon *Soluzione Obbligazionaria x 4*, Top Selection), the **Private Banking Division** (e.g., Eurizon High Income, Eurizon ESG Target 40, Eurizon Global Inflation Strategy, Eurizon Global Multiasset Selection), the **Insurance Division** and for clients of the **Corporate and Investment Banking Division** (e.g., EF Sustainable Global Equity) and new offers have been dedicated to **international clients** (e.g., “Best expertise”), **SMEs** (e.g., *GP Unica Imprese*), and institutional and wholesale clients (e.g., Eurizon Fund SLJ Emerging Local Market Debt, Eurizon Fund Equity Small Mid Cap Italy, European Leveraged Loan Fund, Real Estate Debt Opportunity Fund);
  - the product range has been enhanced with **moderate risk profile solutions aimed at responding to current market volatility** (e.g., Epsilon *Difesa Attiva*);
  - products have been launched allowing investors to **sustain the real economy** while capturing the evolution of the **European structured credit market** (Eurizon Easy Fund – Securitised Bond Fund);
  - **PIR compliant investment solutions** (i.e. individual saving plans) have been launched with the aim of sustaining Italian enterprises’ long-term growth (e.g., Eurizon *Progetto Italia*), with around €2bn net inflow since its launch;
  - the Asset Management Division is **growing in Europe** (e.g., partnership in London, new branch in Paris) **and Asia**;
  - **the Group’s Asset Management activities in Eastern Europe are being integrated within Eurizon Capital**;
  - the offering of wealth management products “Eurizon *GP Unica*” and “Eurizon *GP Unica Facile*” is being strengthened with the option for clients to subscribe to a service for **individual protection**;
- **Insurance**
  - **the steering** of product mix **towards capital-efficient products is making good progress** (e.g., Unit Linked products account for 72% of the new production, compared with 66% at year-end 2016);
  - **new Unit Linked products with capital protection** have been launched (Exclusive Insurance, *LaTuaScelta*, *InFondiStabilità*);
  - **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;
  - **a new product has been launched** (*Progetta Stabilità*) aimed at capital creation through investments in Unit Linked internal funds and in Class I products **to mitigate the risk**;
  - **products available to the Private Banking Division** (Fideuram Private Mix and Synthesis) have been consolidated **and a new composite product with capital protection and a new Unit Linked** (“*Selezione* Private”) **providing access to 50 “best in class” external funds have been launched**;
  - **the restyling of the “*Giusto* Mix” product has been completed** with the introduction of a **volatility reduction tool**;

- ▫ **offer diversification in P&C business** continues, with products in the healthcare sector (a new product dedicated to surgery, prevention and treatment of "Dread Diseases"), in the corporate sector (a new product dedicated to agriculture) and in injuries;
  - ▫ **activities for the development of a pension fund offer dedicated to company employees have been consolidated**;
  - ▫ **pension fund business has been fully integrated**;
  - ▫ **remote offering of healthcare products** has been completed;
  - ▫ **pilot initiatives have been launched to support P&C business growth** through **expert relationship managers and over the phone** (online branches);
  - ▫ **a partnership has been launched** with insurance broker AON to develop the business with **SMEs**;
  - ▫ the offer for **auto insurance** continues through a system which targets new customers based on the **registration of their license plates**, automatically generating commercial proposals, and through the **deployment of remote offerings for vehicle insurance products**;
- **Banca 360° for corporate clients**
  - ▫ a **new Transaction Banking Group unit has been set up** and **new commercial initiatives** are ongoing;
  - ▫ **a new commercial model and a product offering for SMEs have been developed**
  - ▫ the **SME Finance hub** is fully operational (new Mediocredito Italiano);
  - ▫ the **international presence of the Corporate and Investment Banking Division has been strengthened** (e.g., Washington Office up and running, strengthening of Intesa Sanpaolo Bank Luxembourg);

- **Core Growth Bank**
  - **capturing untapped revenue potential**
    - ▫ the "**cash desk service evolution**" project is in progress with around **1,900 branches already having cash desks closing at 1pm** and **extended hours only available for advisory**, and around **230 branches fully dedicated to advisory services**;
    - ▫ the new **e-commerce portal** will continue seizing **business potential after EXPO 2015**;
    - ▫ the offer aimed at **growth in lending to the private sector** has been enhanced (e.g., new innovative **"*Mutuo Up*"**);
    - ▫ a **new service model** has been introduced at **the Banca dei Territori Division**, with the introduction of three specialised commercial value chains, the creation of around 1,200 management roles and the innovation of the SME service model;
    - ▫ **new advanced analytics / machine learning models** have been adopted to identify high potential clients;
    - ▫ the ***Programma Filiere*** has been launched with important initiatives in relevant economic sectors (Agriculture);
    - ▫ **consumer finance has been integrated into the branch network of the Banca dei Territori Division**;
    - ▫ the **Asset Light model of the Corporate and Investment Banking Division is fully operational**, with benefits in terms of cross-selling. Distribution capabilities have been enhanced.

    - a **front-line excellence programme** is ongoing at the Corporate and Investment Banking Division;
    - a new **organisation** is in place within the Corporate and Investment Banking Division to reinforce the "industry driven" client service model and the international growth. A new **international strategy for the Corporate and Investment Banking Division** has been launched, with focus on further growth in core selected products, clients and geographies.
    - **branches have been opened in Doha and Abu Dhabi**;
    - a **new segmentation** and a **new service model** have been launched **for affluent clients of the International Subsidiary Banks Division**;
    - the **CRM system has been extended to Slovakia** and a **new advisory model** for **investment products is under implementation** in Slovakia, Croatia, Hungary and Slovenia;
    - **the integration of the subsidiary bank in Bosnia** into the subsidiary bank in Croatia is close to being completed. The authorisation process concerning the integration of the subsidiary bank in Slovenia into the subsidiary bank in Croatia has been concluded and the transfer of the controlling stake from Intesa Sanpaolo to the Croatian subsidiary completed.
    - 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 **the closure of 68 branches in 9M 2017, bringing the total to around 800 closures since 2014**;
    - the **simplification of legal entities is ongoing**: the rationalisation of **seven product factories**, performing leasing, factoring, specialised finance and advisory activities, **into one** (new Mediocredito Italiano) **has been finalised**, and **nine local banks have been merged** into the Parent Company;
  - **dynamic credit and risk management**
    - the **proactive credit management value chain** has been empowered across **all Divisions**;
    - **integrated management of substandard loans** is in place;
    - **the Chief Lending Officer Governance area has been reorganised** and structured by business units;
    - **separate Risk Management and Compliance functions are in place**, with a Chief Risk Officer and a Chief Compliance Officer **reporting directly to the CEO**;

- **Capital Light Bank**
  - Capital Light Bank is **fully operational** with around **790** dedicated **people** and around **€25bn of deleveraging of non-core assets already achieved**;
  - **Re.O.Co.** (Real Estate Owned Company) is **fully up and running**, and has generated an estimated **positive impact** for the Group of around **€63m** since 2014;
  - **the partnership with KKR-Pillarstone is fully operational**;
  - **a new performance management system** is fully operational on each asset class;

- **people and investments as key enablers**:
  - **around 4,500 people have already been reallocated** to high priority initiatives
  - the **Investment Plan for Group employees** has been finalised, **registering the highest number of participants** in the Group's history;
  - the "**Big Financial Data**" programme is fully in line with targets (around 500 employees involved);
  - the **Chief Innovation Officer** is established in role, and the "**Innovation Centre**", created to train staff and develop new products, processes and "ideal branches", is located in the **new ISP Tower** in Turin;
  - a **large-scale digitisation programme** has been launched with the aim of improving efficiency and service level in top priority operating processes; the **Digital Factory is fully operational**, with digitisation of 17 key processes launched, 13 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 100 branches have been converted up to now);
  - more than **210 agreements with labour unions** have been signed;
  - around **8,000 employees** have already adopted "**smart working**" practices and a "**smart learning**" plan has been launched that allows around 29,000 employees to access training courses from home;
  - the "**Integrated Welfare Programme**" is fully underway and has been further improved;
  - the "**Lavoro Misto**" pilot programme has been launched, with two parallel contracts in place for the same person (one part-time contract as a bank employee and one as a financial advisor). First activations took place at the end of July.

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

The consolidated income statement for Q3 2017 (8) recorded **operating income** of €4,077m (excluding €96m deriving from the acquisition of operations of Banca Popolare di Vicenza and Veneto Banca), down 6.2% from €4,348m in Q2 2017 and down 1.8% from €4,150m in Q3 2016, but up 0.1% on Q3 2016 excluding the impact of the devaluation of the Egyptian currency.

As part of it, in Q3 2017 **net interest income** amounted to €1,749m (excluding €58m deriving from the operations acquired), down 3.6% from €1,815m in Q2 2017 and down 5.9% from €1,859m in Q3 2016, but down 2.3% on Q3 2016 excluding the impact of the devaluation of the Egyptian currency.

Net fee and commission income amounted to €1,889m (excluding €57m deriving from the operations acquired), in line with €1,896m in Q2 2017. Specifically, commissions on commercial banking activities were up 2.1% and commissions on management, dealing and consultancy activities were down 1.4%. The latter, which include portfolio management, distribution of insurance products, dealing and placement of securities, etc., recorded a 3.8% increase in distribution of insurance products, a 1.4% increase in portfolio management (performance fees contributed €11m in Q3 2017 and €7m in Q2 2017), and a 22% decrease in dealing and placement of securities. Net fee and commission income for Q3 2017 was up 7.6% from €1,756m in Q3 2016. Specifically, commissions on commercial banking activities were down 0.2%, while those on management, dealing and consultancy activities were up 10.6% with increases of 13.4% in distribution of insurance products, 12.7% in portfolio management (performance fees in Q3 2016 contributed €4m), and 3.6% in dealing and placement of securities.

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

(8) During the preparation of the interim statement at 30 September 2008, certain amendments to international accounting standards were introduced in the wake of the global financial crisis, adopted by the European Commission. In short, in accordance with these amendments it is possible to reclassify - in specific circumstances considered to be rare - unquoted financial instruments, or no longer quoted, in an active market and no longer held for trading or available for sale: in particular, out of the category "fair value through profit and loss" into the categories "available-for-sale" or the "held-to-maturity" or "loans and receivables", and out of the category "available-for-sale" into the category "loans and receivables". The Group, largely basing on the prices at 1 July 2008, in previous years reclassified financial assets held for trading of €184m into loans and receivables; the Group also reclassified financial assets available for sale of €4,786m into loans and receivables. If these reclassifications had not been made, there would have been a positive impact of €5m on profits/losses on trading for Q3 2017 (a positive impact of €11m in 9M 2017, a negative impact of €9m in 2016, a positive impact of €2m in 2015, €60m in 2014, €94m in 2013 and €135m in 2012, a negative impact of €11m in 2011, a positive impact of €92m in 2010 and €73m in 2009, and a negative impact of €460m in 2008) and the shareholders' equity as at 30 September 2017 would have included a negative pre-tax direct impact of €770m (with a positive impact of €30m in Q3 2017 and €124m in 9M 2017).

Income from insurance business amounted to €227m from €240m in Q2 2017 and €258m in Q3 2016.

Profits on trading amounted to €208m (excluding the negative balance of €26m deriving from the operations acquired) from €365m in Q2 2017. Profits from customers decreased from €139m to €118m. Activities in capital markets and AFS financial assets increased from €20m to €22m. Trading and treasury activities decreased from €194m to €63m (the Q2 figure included €10m of dividends from the stake in the Bank of Italy). Structured credit products decreased from €12m to €5m. Profits of €208m for Q3 2017 compare with profits of €248m in Q3 2016, which recorded profits from customers of €96m, profits from capital markets and AFS financial assets of €15m, profits from trading and treasury activities of €130m, and profits from structured credit products of €6m.

Operating costs amounted to €2,122m (excluding €200m deriving from the operations acquired), down 1.7% from the €2,159m of Q2 2017, with both personnel expenses and administrative expenses down 2.1% and adjustments up 2.1%. Operating costs for Q3 2017 were in line with the €2,123m of the corresponding quarter of 2016, with administrative expenses down 1.1%, personnel expenses stable and adjustments up 3.2%.

As a result, **operating margin** amounted to €1,955m (excluding a negative balance of €104m deriving from the operations acquired), down 10.7% from the €2,189m of Q2 2017 and down 3.6% from the €2,027m of Q3 2016, but down 1.1% on Q3 2016 excluding the impact of the devaluation of the Egyptian currency. The cost/income ratio for Q3 2017 was 52% (excluding the operations acquired) versus 49.7% in Q2 2017 and 51.2% in Q3 2016.

Net adjustments to loans amounted to €646m (excluding net recoveries for €3m deriving from the operations acquired) from €737m in Q2 2017 and €917m in Q3 2016.

Net provisions and net impairment losses on other assets amounted to €25m (excluding net recoveries for €2m deriving from the operations acquired) from €57m in Q2 2017 and €77m in Q3 2016.

Other income amounted to €72m versus €3,617m in Q2 2017. The figure for Q2 2017 included the public cash contribution of €3.5bn offsetting the impact on the capital ratios of the acquisition of operations of Banca Popolare di Vicenza and Veneto Banca, and an income of €109m deriving from the disposal of a stake in NTV and the fair value measurement following the reclassification of the remaining equity investment, which is no longer included among companies subject to significant influence. The "Other income" caption amounted to €16m in Q3 2016.

Income (loss) from discontinued operations was null, the same as in Q2 2017. The figure for Q3 2016 was €23m.

Gross income amounted to €1,356m (excluding the negative balance of €99m deriving from the operations acquired) versus €5,012m in Q2 2017 (€1,512m excluding the public cash contribution of €3.5bn offsetting the impact on the capital ratios of the acquisition of assets and liabilities of Banca Popolare di Vicenza and Veneto Banca) and €1,072m in Q3 2016.

Consolidated net income for the quarter amounted to €731m (excluding net loss of €81m deriving from the operations acquired), after accounting:
- taxes on income of €374m (excluding tax credits of €31m deriving from the operations acquired);
- charges (net of tax) for integration and exit incentives of €20m;
- effect of purchase price allocation (net of tax) of €26m;
- levies and other charges concerning the banking industry (net of tax) of €179m (excluding €13m relating to the operations acquired). This derived from pre-tax charges of €113m as contributions, estimated for the full year, to the Italian deposit guarantee scheme, €3m in relation to contributions to the deposit guarantee scheme concerning the international network, and €150m in relation to impairment losses regarding the National Interbank Deposit Guarantee Fund Voluntary Scheme. In Q2 2017, levies and other charges amounted to €178m (deriving from pre-tax charges of €13m as further charges in relation to the full-year ordinary contribution to the resolution fund which were added to those estimated in Q1 2017, €8m in relation to contributions to the deposit guarantee scheme concerning the international network, €188m in relation to impairment losses on the *Atlante* fund, and €48m in relation to impairment losses following the compulsory administrative liquidation of Banca Popolare di Vicenza and Veneto Banca). In Q3 2016, levies and other charges amounted to €69m (deriving from pre-tax charges of €103m in relation to contributions to the deposit guarantee scheme).
- minority interests of €26m.

Net income of €731m in Q3 2017 compares to €4,337m in Q2 2017, €837m excluding the public cash contribution of €3.5bn, and €628m in Q3 2016. Furthermore, excluding levies and other charges concerning the banking industry, net income was €910m in Q3 2017, €1,015m in Q2 2017 and €697m in Q3 2016.

The income statement for the first nine months of 2017 (••)

The consolidated income statement for 9M 2017 recorded **operating income** of €12,634m (excluding the €96m contributed in Q3 2017 by the operations acquired), down 1.2% from €12,791m in 9M 2016, but up 1.4% excluding the impact of the devaluation of the Egyptian currency and the dividends from the stake in the Bank of Italy (equal to €10m in 2017 and €121m in 2016).

As part of it, in 9M 2017 **net interest income** amounted to €5,369m (excluding €58m deriving from the operations acquired), down 3.2% from €5,546m in 9M 2016, but up 0.2% excluding the impact of the devaluation of the Egyptian currency.

Net fee and commission income amounted to €5,640m (excluding €57m deriving from the operations acquired), up 6.4% from €5,301m in 9M 2016. Specifically, commissions on commercial banking activities were down 0.7% and commissions on management, dealing and consultancy activities were up 12%. The latter recorded increases of 31.2% in dealing and placement of securities, 10.5% in portfolio management (performance fees contributed €21m, compared with €7m in 9M 2016), and 9.3% in distribution of insurance products.

Income from insurance business amounted to €750m from €829m in 9M 2016.

Profits on trading amounted to €799m from €943m in 9M 2016. Profits from customers increased from €339m to €386m. Activities in capital markets and AFS financial assets decreased from €174m to €59m. Trading and treasury activities decreased from €418m (including €121m of dividends from the stake in the bank of Italy) to €329m (including €10m of dividends from the stake in the Bank of Italy). Profits from structured credit products increased from €11m to €25m.

Operating costs amounted to €6,336m (excluding €200m from the operations acquired), in line with the €6,338m of 9M 2016, with administrative expenses down 1.6%, personnel expenses up 0.1% and adjustments up 4.2%.

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

As a result, **operating margin** amounted to €6,298m (excluding the negative balance of €104m from the operations acquired), down 2.4% from €6,453m in 9M 2016, but up 1.5% excluding the impact of the devaluation of the Egyptian currency and the dividends from the stake in the Bank of Italy. The cost/income ratio was 50.2% in 9M 2017 (excluding the operations acquired) versus 49.6% in 9M 2016.

Net adjustments to loans amounted to €2,078m from €2,534m in 9M 2016.

Net provisions and net impairment losses on other assets amounted to €85m from €317m in 9M 2016.

Other income amounted to €3,885m and included the public cash contribution of €3.5bn offsetting the impact on the capital ratios of the acquisition of assets and liabilities of Banca Popolare di Vicenza and Veneto Banca. In addition, it included an income of €299m deriving from the disposal of a stake in NTV and the fair value measurement following the reclassification of both the remaining investment in NTV and the investment in Bank of Qingdao, which are no longer included among companies subject to significant influence. In the corresponding period of 2016, the "Other income" caption recorded €217m and included an income of €170m from the disposal of the stake in VISA Europe.

Income (loss) from discontinued operations was null, versus €71m in 9M 2016.

Gross income amounted to €8,020m (excluding the negative balance of €99m from the operations acquired). Gross income was €4,520m excluding the public cash contribution of €3.5bn offsetting the impact on the capital ratios of the acquisition of assets and liabilities of Banca Popolare di Vicenza and Veneto Banca, up 16.2% from €3,890m in 9M 2016.

Consolidated net income for the first nine months of the year amounted to €5,969m (excluding net loss of €81m deriving from the operations acquired), after accounting:
- taxes on income of €1,263m;
- charges (net of tax) for integration and exit incentives of €73m. This included the non-taxable public cash contribution of €1,285m covering integration and rationalisation charges relating to the acquisition of operations of Banca Popolare di Vicenza and Veneto Banca and related provisions for risks and charges of €1,285m, net of taxation.
- effect of purchase price allocation (net of tax) of €37m;

- levies and other charges concerning the banking industry (net of tax) of €639m (excluding €13m relating to the operations acquired). This derived from pre-tax charges of €163m in relation to the full-year ordinary contribution to the resolution fund, €113m as contributions, estimated for the full year, to the Italian deposit guarantee scheme, €15m in relation to contributions to the deposit guarantee scheme concerning the international network, €449m in relation to impairment losses on the *Atlante* fund, €150m in relation to impairment losses regarding the National Interbank Deposit Guarantee Fund Voluntary Scheme, and €48m in relation to impairment losses following the compulsory administrative liquidation of Banca Popolare di Vicenza and Veneto Banca. In 9M 2016, levies and other charges amounted to €182m, deriving from pre-tax charges of €148m in relation to contributions to the resolution fund, €99m in relation to the contribution to the Italian deposit guarantee scheme, and €16m in relation to contributions to the deposit guarantee scheme concerning the international network.
- minority interests of €39m.

Excluding the public cash contribution of €3.5bn (as well as the net loss deriving from the operations acquired), net income for 9M 2017 was €2,469m from €2,335m in 9M 2016. Furthermore, excluding levies and other charges concerning the banking industry, net income was €3,108m in 9M 2017 and €2,517m in 9M 2016.

<u>Balance sheet as at 30 September 2017</u> (•••)

As regards the consolidated balance sheet figures, as at 30 September 2017 **loans to customers** amounted to €364bn, excluding €27bn deriving from the acquisition of operations of Banca Popolare di Vicenza and Veneto Banca, down 0.2% on year-end 2016 and down 0.3% on 30 September 2016 (up 0.3% in Q3 2017 on Q2 2017 and up 3.4% in 9M 2017 on 9M 2016 when taking into account average volumes instead of those at the end of the period). Total **non-performing loans** (bad, unlikely-to-pay, and past due) - net of adjustments - amounted to €27,066m (excluding €424m securitised net NPLs relating to the companies acquired Banca Nuova and Banca Apulia, that shall be given back to the banks in compulsory administrative liquidation), down 9.1% from €29,767m at year-end 2016. In detail, bad loans decreased from €14,895m at year-end 2016 to €13,651m, with a bad loan to total loan ratio of 3.5% including operations acquired in the performing loans, 3.8% excluding them (4.1% as at year-end 2016), and a cash coverage ratio of 60.8% (60.6% as at year-end 2016). Unlikely-to-pay loans decreased from €14,435m as at year-end 2016 to €13,067m. Past due loans decreased from €437m at year-end 2016 to €348m.

Customer financial assets amounted to €885bn (net of duplications between direct deposits and indirect customer deposits), excluding €53bn deriving from the acquisition of operations of Banca Popolare di Vicenza and Veneto Banca, up 2.5% on year-end 2016 and up 4.8% on 30 September 2016. Under customer financial assets, **direct deposits from banking business** amounted to €387bn (excluding €31bn deriving from the operations acquired), down 1.6% on year-end 2016 and up 2.1% on 30 September 2016. **Direct deposits from insurance business and technical reserves** amounted to €150bn (not affected by the operations acquired), up 4.1% on year-end 2016 and up 4.8% on 30 September 2016. Indirect customer deposits amounted to €497bn (excluding €22bn deriving from the operations acquired), up 5.9% on year-end 2016 and up 7% on 30 September 2016. **Assets under management** reached €331bn (excluding €0.5bn deriving from the operations acquired), up 5.5% on year-end 2016 and up 7.1% on 30 September 2016. As for bancassurance, in 9M 2017 the new business for life policies (not affected by the operations acquired) amounted to €16.2bn (7% lower than in 9M 2016). Assets held under administration and in custody amounted to €165bn (excluding €22bn deriving from the operations acquired), up 6.8% on year-end 2016 and up 7% on 30 September 2016.

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

Capital ratios as at 30 September 2017, calculated by applying the transitional arrangements for 2017 and after the deduction of around €2.2bn of dividends accrued in the first nine months of the year, were as follows:
- Common Equity ratio [(9)] at 13% (12.7% at year-end 2016),
- Tier 1 ratio [(9)] at 14.9% (13.9% at year-end 2016),
- total capital ratio [(9)] at 17.6% (17% at year-end 2016).

The estimated pro-forma common equity ratio for the Group on a **fully loaded basis** was 13.4% (12.9% at year-end 2016). It was calculated by applying the fully loaded parameters to the financial statements as at 30 September 2017, considering the total absorption of deferred tax assets (DTAs) related to goodwill realignment, loan adjustments, and the non-taxable public cash contribution of €1,285m covering the integration and rationalisation charges relating to the acquisition of operations of Banca Popolare di Vicenza and Veneto Banca, the expected absorption of DTAs on losses carried forward, the announced reserve distribution by insurance companies, and the effect of the Danish compromise (under which insurance investments are risk weighted instead of being deducted from capital, with no benefit as at 30 September 2017).

* * *

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 €93bn at the end of September 2017;
- high level of liquid assets (comprising available unencumbered liquid assets, excluding eligible assets received as collateral, and eligible assets currently used as collateral) amounted to €170bn at the end of September 2017;

(9) After the deduction of accrued dividends, assumed equal to the net income for the first nine months of the year minus the coupons accrued on the Additional Tier 1 issues and the non-taxable public cash contribution of €3.5bn offsetting the impact on the capital ratios of the acquisition of operations of Banca Popolare di Vicenza and Veneto Banca.

- refinancing operations with the ECB to optimise the cost of funding and to support businesses in their investment amounted to an average of €63.8bn in Q3 2017 (an average of €56.7bn in Q2 2017, €44.8bn in Q1 2017 and €33.3bn in 2016). These refinancing operations consisted entirely of the TLTRO with a four-year maturity. At the end of March 2017, the Group borrowed €12bn under the fourth and final TLTRO II bringing its total funding to around €57bn, the maximum borrowing allowance under the TLTROs II, after borrowing around €36bn (end of June 2016) under the first TLTRO II – repaying in full the take-up of €27.6bn under the TLTRO I programme – around €5bn (end of September 2016) under the second TLTRO II and around €3.5bn (mid-December 2016) under the third TLTRO II. As at the end of June 2017, the Group's refinancing operations with the ECB included components deriving from the acquisition of operations of Banca Popolare di Vicenza and Veneto Banca which comprised around €7.1bn borrowed under TLTROs II.
- the sources of funding were stable and well diversified, with retail funding representing 74% of direct deposits from banking business (including securities issued);
- medium/long-term funding was around €15bn in the first nine months of 2017, around €12bn of which was wholesale funding;
- medium/long-term wholesale issues in the first nine months of 2017 included benchmark transactions of €2bn Additional Tier 1, covered bonds of €1bn, senior bonds of €2.5bn and U.S.$2.5bn and a green bond of €500m (of these, around 83% were placed with foreign investors).

The Group's **leverage ratio** as at 30 September 2017 was 6.4% applying the transitional arrangements for 2017 and 6.1% fully loaded, both best in class among major European banking groups.

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As at 30 September 2017, the Intesa Sanpaolo Group's **operating structure** had a total network of 5,968 branches (954 of which were part of the operations of Banca Popolare di Vicenza and Veneto Banca acquired). The total network consists of 4,825 branches in Italy (929 branches from the operations acquired) and 1,143 abroad (25 branches from the operations acquired). Employees were 96,478 (7,869 of these were part of the operations acquired).

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Breakdown of results by business area (••••)

The **Banca dei Territori** Division comprises:

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

The division includes Banca 5, a "proximity bank" linked with a non-captive network of points of sale, focused on instant banking and targeting categories of customers who rarely use banking products and services. Moreover, the division includes Banca Prossima operating at the service of non-profit entities through the Group's branches with regional centres and a team of specialists, and Mediocredito Italiano which is the SME Finance Hub.

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

- operating income of €2,203m, +0.3% versus €2,196m in Q2 2017;
- operating costs of €1,201m, -2.4% versus €1,230m in Q2 2017;
- operating margin of €1,002m, +3.7% versus €966m in Q2 2017;
- a cost/income ratio of 54.5% versus 56% in Q2 2017;
- net provisions and adjustments of €405m versus €367m in Q2 2017;
- gross income of €598m, -0.2% versus €599m in Q2 2017;
- net income of €362m, +5.5% versus €343m in Q2 2017.

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

- operating income of €6,578m, +1.9% versus €6,457m in 9M 2016, contributing approximately 52% of the consolidated operating income (50% in 9M 2016);
- operating costs of €3,615m, -1.2% versus €3,659m in 9M 2016;
- operating margin of €2,963m, +5.9% versus €2,798m in 9M 2016;
- a cost/income ratio of 55% versus 56.7% in 9M 2016;
- net provisions and adjustments of €1,185m, versus €1,539m in 9M 2016;
- gross income of €1,778m, +23.7% versus €1,437m in 9M 2016;
- net income of €1,055m, +25.6% versus €840m in 9M 2016.

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

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

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

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

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

- operating income of €745m, -11.8% versus €845m in Q2 2017;
- operating costs of €233m, -3.1% versus €241m in Q2 2017;
- operating margin of €512m, -15.3% versus €604m in Q2 2017;
- a cost/income ratio of 31.3% versus 28.5% in Q2 2017;
- net recoveries of €12m, versus net provisions and adjustments of €99m in Q2 2017;
- gross income of €503m, -18% versus €614m in Q2 2017;
- net income of €350m, -21.5% versus €447m in Q2 2017.

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

- operating income of €2,394m, +0.2% versus €2,390m in 9M 2016, contributing approximately 19% of the consolidated operating income (19% in 9M 2016 as well);
- operating costs of €700m, +2.5% versus €683m in 9M 2016;
- operating margin of €1,694m, -0.8% versus €1,707m in 9M 2016;
- a cost/income ratio of 29.2% versus 28.6% in 9M 2016;
- net provisions and adjustments of €175m versus €198m in 9M 2016;
- gross income of €1,608m, +5.2% versus €1,529m in 9M 2016;
- net income of €1,148m, +8.8% versus €1,055m in 9M 2016.

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

In the third quarter of 2017, the International Subsidiary Banks Division recorded:
- operating income of €492m, +1.2% versus €486m in Q2 2017;
- operating costs of €228m, -0.4% versus €229m in Q2 2017;
- operating margin of €264m, +2.7% versus €257m in Q2 2017;
- a cost/income ratio of 46.4% versus 47.1% in Q2 2017;
- net provisions and adjustments of €45m, versus €66m in Q2 2017;
- gross income of €220m, +14.1% versus €192m in Q2 2017;
- net income of €176m, +17.3% versus €150m in Q2 2017.

In the first nine months of 2017, the International Subsidiary Banks Division recorded:
- operating income of €1,451m, -5.5% versus €1,535m in 9M 2016 (+9%, excluding the impact from the Egyptian currency devaluation), contributing approximately 11% of the consolidated operating income (12% in 9M 2016);
- operating costs of €682m, -5% versus €718m in 9M 2016;
- operating margin of €769m, -5.9% versus €817m in 9M 2016 (+11%, excluding the impact from the Egyptian currency devaluation);
- a cost/income ratio of 47% versus 46.8% in 9M 2016;
- net provisions and adjustments of €143m versus €132m in 9M 2016;
- gross income of €821m, +8.9% versus €754m in 9M 2016 (+1%, excluding the impact from the Egyptian currency devaluation and the Bank of Qingdao reclassification);
- net income of €677m, +16.9% versus €579m in 9M 2016 (+1%, excluding the impact from the Egyptian currency devaluation and the Bank of Qingdao reclassification).

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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 banks are placed in a reporting line to the Capital Light Bank business unit.

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

In the third quarter of 2017, the Private Banking Division recorded:
- operating income of €470m, +0.4% versus €468m in Q2 2017;
- operating costs of €132m, -5.4% versus €140m in Q2 2017;
- operating margin of €338m, +2.9% versus €328m in Q2 2017;
- a cost/income ratio of 28.2% versus 29.9% in Q2 2017;
- net provisions and adjustments of €1m versus €8m in Q2 2017;
- gross income of €345m, +7.7% versus €320m in Q2 2017;
- net income of €232m, +6.4% versus €218m in Q2 2017.

In the first nine months of 2017, the Private Banking Division recorded:
- operating income of €1,402m, +8.7% versus €1,290m in 9M 2016, contributing approximately 11% of the consolidated operating income (10% in 9M 2016);
- operating costs of €401m, +2.6% versus €391m in 9M 2016;
- operating margin of €1,001m, +11.3% versus €899m in 9M 2016;
- a cost/income ratio of 28.6% versus 30.3% in 9M 2016;
- net provisions and adjustments of €19m, versus €35m in 9M 2016;
- gross income of €990m, +14.6% versus €864m in 9M 2016;
- net income of €677m, +28% versus €529m in 9M 2016.

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

In the third quarter of 2017, the Asset Management Division recorded:
- operating income of €186m, -2.5% versus €191m in Q2 2017;
- operating costs of €35m, -6.6% versus €37m in Q2 2017;
- operating margin of €151m, -1.5% versus €154m in Q2 2017;
- a cost/income ratio of 18.7% versus 19.5% in Q2 2017;
- gross income of €151m, -1.5% versus €154m in Q2 2017;
- net income of €117m, -3.1% versus €121m in Q2 2017.

In the first nine months of 2017, the Asset Management Division recorded:
- operating income of €555m, +18.6% versus €468m in 9M 2016, contributing approximately 4% of the consolidated operating income (4% in 9M 2016 as well);
- operating costs of €107m, +10.3% versus €97m in 9M 2016;
- operating margin of €448m, +20.8% versus €371m in 9M 2016;
- a cost/income ratio of 19.3% versus 20.7% in 9M 2016;
- gross income of €448m, +20.8% versus €371m in 9M 2016;
- net income of €352m, +24.8% versus €282m in 9M 2016.

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

In the third quarter of 2017, the Insurance Division recorded:
- operating income of €262m, -4.7% versus €275m in Q2 2017;
- operating costs of €42m, -5.1% versus €45m in Q2 2017;
- operating margin of €220m, -4.7% versus €231m in Q2 2017;
- a cost/income ratio of 16.1% versus 16.2% in Q2 2017;
- net provisions and adjustments of €1m versus no net provisions and adjustments in Q2 2017;
- gross income of €219m, -5.2% versus €231m in Q2 2017;
- net income of €152m, -7.7% versus €165m in Q2 2017.

In the first nine months of 2017, the Insurance Division recorded:
- operating income of €857m, -11.6% versus €970m in 9M 2016, contributing approximately 7% of the consolidated operating income (8% in 9M 2016);
- operating costs of €127m, +10.4% versus €115m in 9M 2016;
- operating margin of €730m, -14.6% versus €855m in 9M 2016;
- a cost/income ratio of 14.8% versus 11.9% in 9M 2016;
- net provisions and adjustments of €1m, versus €11m in 9M 2016;
- gross income of €729m, -13.6% versus €844m in 9M 2016;
- net income of €512m, -8.6% versus €560m in 9M 2016.

The outlook for 2017

The commitment made in the Business Plan to distribute €10 billion of cumulative cash dividends in four years (2014-2017) is confirmed, taking into account an expected growth in consolidated net income in 2017 on 2016 even excluding the public cash contribution of €3.5bn to offset the impact on the capital ratios deriving from the acquisition of operations of Banca Popolare di Vicenza and Veneto Banca and independently of the inclusion of 2017 second-half results of the operations acquired.

* * *

Balance sheet figures as at 30 September 2017 included items deriving from the acquisition, effective 26 June 2017, of certain assets and liabilities of Banca Popolare di Vicenza and Veneto Banca consolidated line by line with regard to the parent companies (already consolidated line by line as at 30 June 2017) and subsidiaries Banca Nuova, Banca Apulia, SEC Servizi, Servizi Bancari and Veneto Banca DD - Croatia (recognised under “investments in associates and companies subject to joint control” as at 30 June 2017), while the other subsidiaries included in the operations acquired were recognised under “investments in associates and companies subject to joint control” (the same recognition as at 30 June 2017). Starting from the third quarter of 2017, and only with regard to the parent companies, income statement figures include items deriving from the aforementioned acquisition.

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

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

In addition, for consistency purpose:

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

* * *

In order to present more complete information on the results generated as at 30 September 2017, the reclassified consolidated income statement and the reclassified consolidated balance sheet included in the interim statement approved by the Board of Directors are attached. Please note that the auditing firm is completing the activities for the issue of a statement in accordance with Article 26 (2) of Regulation EU no. 575/2013 and ECB Decision no. 2015/656.

* * *

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

* * *

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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.

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)

	30.09.2017			30.09.2016	Changes	
	Consolidated figure (a)	Of which: figure of the assets acquired (b)	Consolidated figure net of the assets acquired (c) = (a) - (b)	Consolidated figure (d)	**amount** (e) = (c) - (d)	**%** (e) / (d)
Net interest income	5,427	58	5,369	5,546	-177	-3.2
Net fee and commission income	5,697	57	5,640	5,301	339	6.4
Income from insurance business	750	-	750	829	-79	-9.5
Profits (Losses) on trading	773	-26	799	943	-144	-15.3
Other operating income (expenses)	83	7	76	172	-96	-55.8
Operating income	**12,730**	**96**	**12,634**	**12,791**	**-157**	**-1.2**
Personnel expenses	-4,064	-130	-3,934	-3,930	4	0.1
Other administrative expenses	-1,896	-60	-1,836	-1,865	-29	-1.6
Adjustments to property, equipment and intangible assets	-576	-10	-566	-543	23	4.2
Operating costs	**-6,536**	**-200**	**-6,336**	**-6,338**	**-2**	**-**
Operating margin	**6,194**	**-104**	**6,298**	**6,453**	**-155**	**-2.4**
Net adjustments to loans	-2,075	3	-2,078	-2,534	-456	-18.0
Net provisions and net impairment losses on other assets	-83	2	-85	-317	-232	-73.2
Other income (expenses)	3,885	-	3,885	217	3,668	
Income (Loss) from discontinued operations	-	-	-	71	-71	
Gross income (loss)	**7,921**	**-99**	**8,020**	**3,890**	**4,130**	
Taxes on income	-1,232	31	-1,263	-1,114	149	13.4
Charges (net of tax) for integration and exit incentives	-73	-	-73	-67	6	9.0
Effect of purchase price allocation (net of tax)	-37	-	-37	-82	-45	-54.9
Levies and other charges concerning the banking industry (net of tax)	-652	-13	-639	-182	457	
Impairment (net of tax) of goodwill and other intangible assets	-	-	-	-	-	-
Minority interests	-39	-	-39	-110	-71	-64.5
Net income (loss)	**5,888**	**-81**	**5,969**	**2,335**	**3,634**	

Figures restated, where necessary, considering the changes in the scope of consolidation. The figures concerning assets and liabilities in relation to the acquired operations of Banca Popolare di Vicenza and Veneto Banca have not been restated.

Intesa Sanpaolo Group

Quarterly development of the reclassified consolidated statement of income

(millions of euro)

	2017					2016			
	Third quarter			Second quarter	First quarter	Fourth quarter	Third quarter	Second quarter	First quarter
	Consolidated figure (a)	Of which: figure of the assets acquired (b)	Consolidated figure net of the assets acquired (c) = (a) - (b)						
Net interest income	1,807	58	1,749	1,815	1,805	1,748	1,859	1,832	1,855
Net fee and commission income	1,946	57	1,889	1,896	1,855	2,030	1,756	1,858	1,687
Income from insurance business	227	-	227	240	283	166	258	239	332
Profits (Losses) on trading	182	-26	208	365	226	247	248	467	228
Other operating income (expenses)	11	7	4	32	40	-7	29	68	75
Operating income	**4,173**	**96**	**4,077**	**4,348**	**4,209**	**4,184**	**4,150**	**4,464**	**4,177**
Personnel expenses	-1,440	-130	-1,310	-1,338	-1,286	-1,393	-1,310	-1,341	-1,279
Other administrative expenses	-680	-60	-620	-633	-583	-765	-627	-641	-597
Adjustments to property, equipment and intangible assets	-202	-10	-192	-188	-186	-206	-186	-179	-178
Operating costs	**-2,322**	**-200**	**-2,122**	**-2,159**	**-2,055**	**-2,364**	**-2,123**	**-2,161**	**-2,054**
Operating margin	**1,851**	**-104**	**1,955**	**2,189**	**2,154**	**1,820**	**2,027**	**2,303**	**2,123**
Net adjustments to loans	-643	3	-646	-737	-695	-1,174	-917	-923	-694
Net provisions and net impairment losses on other assets	-23	2	-25	-57	-3	-105	-77	-194	-46
Other income (expenses)	72	-	72	3,617	196	138	16	196	5
Income (Loss) from discontinued operations	-	-	-	-	-	881	23	28	20
Gross income (loss)	**1,257**	**-99**	**1,356**	**5,012**	**1,652**	**1,560**	**1,072**	**1,410**	**1,408**
Taxes on income	-343	31	-374	-444	-445	-314	-321	-361	-432
Charges (net of tax) for integration and exit incentives	-20	-	-20	-41	-12	-83	-16	-38	-13
Effect of purchase price allocation (net of tax)	-26	-	-26	-5	-6	-30	-26	-27	-29
Levies and other charges concerning the banking industry (net of tax)	-192	-13	-179	-178	-282	-377	-69	-11	-102
Impairment (net of tax) of goodwill and other intangible assets	-	-	-	-	-	-	-	-	-
Minority interests	-26	-	-26	-7	-6	20	-12	-72	-26
Net income (loss)	**650**	**-81**	**731**	**4,337**	**901**	**776**	**628**	**901**	**806**

Figures restated, w here necessary, considering the changes in the scope of consolidation. The figures concerning assets and liabilities in relation to the acquired operations of Banca Popolare di Vicenza and Veneto Banca have not been restated.

Intesa Sanpaolo Group

Reclassified consolidated balance sheet

(millions of euro)

Assets	30.09.2017 Consolidated figure (a)	30.09.2017 Of which: figure of the assets acquired (b)	30.09.2017 Consolidated figure net of the assets acquired (c) = (a) - (b)	31.12.2016 Consolidated figure (d)	Changes amount (e) = (c) - (d)	Changes % (e) / (d)
Financial assets held for trading	41,762	1,807	39,955	43,613	-3,658	-8.4
of which: Insurance Companies	*485*	-	*485*	*514*	*-29*	*-5.6*
Financial assets designated at fair value through profit and loss	72,805	3	72,802	63,865	8,937	14.0
of which: Insurance Companies	*71,806*	-	*71,806*	*62,743*	*9,063*	*14.4*
Financial assets available for sale	143,906	2,993	140,913	146,692	-5,779	-3.9
of which: Insurance Companies	*78,098*	-	*78,098*	*79,286*	*-1,188*	*-1.5*
Investments held to maturity	2,267	1,092	1,175	1,241	-66	-5.3
Due from banks	79,381	3,203	76,178	53,146	23,032	43.3
Loans to customers	390,818	26,940	363,878	364,713	-835	-0.2
Investments in associates and companies subject to joint control	716	94	622	1,167	-545	-46.7
Property, equipment and intangible assets	12,331	276	12,055	12,294	-239	-1.9
Tax assets	15,707	1,449	14,258	14,442	-184	-1.3
Non-current assets held for sale and discontinued operations	493	-	493	478	15	3.1
Other assets	25,173	7,517	17,656	23,487	-5,831	-24.8
Total Assets	**785,359**	**45,374**	**739,985**	**725,138**	**14,847**	**2.0**

Liabilities and Shareholders' Equity	30.09.2017 Consolidated figure (a)	30.09.2017 Of which: figure of the liabilities acquired (b)	30.09.2017 Consolidated figure net of the liabilities acquired (c) = (a) - (b)	31.12.2016 Consolidated figure (d)	Changes amount (e) = (c) - (d)	Changes % (e) / (d)
Due to banks	99,281	9,680	89,601	72,641	16,960	23.3
Due to customers and securities issued	412,279	30,769	381,510	386,666	-5,156	-1.3
of which: Insurance Companies	*1,376*	-	*1,376*	*1,295*	*81*	*6.3*
Financial liabilities held for trading	41,476	1,234	40,242	44,790	-4,548	-10.2
of which: Insurance Companies	*68*	-	*68*	*86*	*-18*	*-20.9*
Financial liabilities designated at fair value through profit and loss	65,567	166	65,401	57,187	8,214	14.4
of which: Insurance Companies	*65,398*	-	*65,398*	*57,184*	*8,214*	*14.4*
Tax liabilities	1,927	-34	1,961	2,038	-77	-3.8
Liabilities associated with non-current assets held for sale and discontinued operations	296	-	296	300	-4	-1.3
Other liabilities	20,588	3,438	17,150	21,754	-4,604	-21.2
Technical reserves	83,211	-	83,211	85,619	-2,408	-2.8
Allowances for specific purpose	6,695	216	6,479	4,824	1,655	34.3
Share capital	8,732	-	8,732	8,732	-	-
Reserves	36,834	-16	36,850	36,805	45	0.1
Valuation reserves	-1,908	2	-1,910	-1,854	56	3.0
Equity instruments	4,102	-	4,102	2,117	1,985	93.8
Minority interests	391	-	391	408	-17	-4.2
Net income (loss)	5,888	-81	5,969	3,111	2,858	91.9
Total Liabilities and Shareholders' Equity	**785,359**	**45,374**	**739,985**	**725,138**	**14,847**	**2.0**

Figures restated, where necessary, considering the changes in the scope of consolidation and discontinued operations. The figures concerning assets and liabilities in relation to the acquired operations of Banca Popolare di Vicenza and Veneto Banca have not been restated.

Intesa Sanpaolo Group

Quarterly development of the reclassified consolidated balance sheet

(millions of euro)

Assets	30.09.2017			2017		2016			
	Consolidated figure (a)	Of which: figure of the assets acquired (b)	Consolidated figure net of the assets acquired (c) = (a) - (b)	30/6	31/3	31/12	30/9	30/6	31/3
Financial assets held for trading	41,762	1,807	39,955	42,350	44,484	43,613	50,232	52,499	54,786
of which: Insurance Companies	*485*	-	*485*	*486*	*498*	*514*	*524*	*648*	*721*
Financial assets designated at fair value through profit and loss	72,805	3	72,802	70,012	67,438	63,865	61,338	57,948	54,480
of which: Insurance Companies	*71,806*	-	*71,806*	*68,961*	*66,330*	*62,743*	*60,187*	*56,908*	*53,358*
Financial assets available for sale	143,906	2,993	140,913	140,098	150,000	146,692	146,885	152,465	142,816
of which: Insurance Companies	*78,098*	-	*78,098*	*78,174*	*78,916*	*79,286*	*80,792*	*80,379*	*78,393*
Investments held to maturity	2,267	1,092	1,175	1,202	1,229	1,241	1,231	1,246	1,317
Due from banks	79,381	3,203	76,178	72,082	58,897	53,146	37,528	36,879	33,540
Loans to customers	390,818	26,940	363,878	369,089	366,648	364,713	364,836	360,240	358,478
Investments in associates and companies subject to joint control	716	94	622	699	736	1,167	1,253	1,266	1,281
Property, equipment and intangible assets	12,331	276	12,055	12,178	12,198	12,294	12,102	12,109	12,107
Tax assets	15,707	1,449	14,258	14,480	14,341	14,442	14,161	14,396	14,581
Non-current assets held for sale and discontinued operations	493	-	493	483	488	478	961	1,154	3,721
Other assets	25,173	7,517	17,656	19,318	23,028	23,487	23,909	27,126	23,289
Total Assets	**785,359**	**45,374**	**739,985**	**741,991**	**739,487**	**725,138**	**714,436**	**717,328**	**700,396**

Liabilities and Shareholders' Equity	30.09.2017			2017		2016			
	Consolidated figure (a)	Of which: figure of the liabilities acquired (b)	Consolidated figure net of the liabilities acquired (c) = (a) - (b)	30/6	31/3	31/12	30/9	30/6	31/3
Due to banks	99,281	9,680	89,601	89,410	92,584	72,641	69,641	67,656	60,343
Due to customers and securities issued	412,279	30,769	381,510	376,310	377,374	386,666	372,383	379,655	373,239
of which: Insurance Companies	*1,376*	-	*1,376*	*1,339*	*1,331*	*1,295*	*1,320*	*1,362*	*1,361*
Financial liabilities held for trading	41,476	1,234	40,242	41,080	43,360	44,790	48,143	49,340	48,936
of which: Insurance Companies	*68*	-	*68*	*68*	*78*	*86*	*117*	*104*	*95*
Financial liabilities designated at fair value through profit and loss	65,567	166	65,401	62,827	60,562	57,187	54,373	51,360	48,031
of which: Insurance Companies	*65,398*	-	*65,398*	*62,823*	*60,559*	*57,184*	*54,373*	*51,360*	*48,031*
Tax liabilities	1,927	-34	1,961	1,872	2,084	2,038	2,235	2,186	2,564
Liabilities associated with non-current assets held for sale and discontinued operations	296	-	296	295	302	300	442	364	375
Other liabilities	20,588	3,438	17,150	26,670	22,994	21,754	25,945	26,800	25,180
Technical reserves	83,211	-	83,211	83,593	84,405	85,619	87,370	86,813	86,664
Allowances for specific purpose	6,695	216	6,479	6,413	4,731	4,824	5,042	4,981	4,786
Share capital	8,732	-	8,732	8,732	8,732	8,732	8,732	8,732	8,732
Reserves	36,834	-16	36,850	36,930	39,903	36,805	36,774	36,830	39,184
Valuation reserves	-1,908	2	-1,910	-1,838	-2,159	-1,854	-1,737	-1,860	-1,387
Equity instruments	4,102	-	4,102	4,102	3,358	2,117	2,118	2,118	2,118
Minority interests	391	-	391	357	356	408	640	646	825
Net income (loss)	5,888	-81	5,969	5,238	901	3,111	2,335	1,707	806
Total Liabilities and Shareholders' Equity	**785,359**	**45,374**	**739,985**	**741,991**	**739,487**	**725,138**	**714,436**	**717,328**	**700,396**

Figures restated, where necessary, considering the changes in the scope of consolidation and discontinued operations. The figures concerning assets and liabilities in relation to the acquired operations of Banca Popolare di Vicenza and Veneto Banca have not been restated.

Intesa Sanpaolo Group

Breakdown of financial highlights by business area

Income statement (millions of euro)	Banca dei Territori		Corporate and Investment Banking		International Subsidiary Banks		Private Banking		Asset management		Insurance	
	30.09.2017	30.09.2016	30.09.2017	30.09.2016	30.09.2017	30.09.2016	30.09.2017	30.09.2016	30.09.2017	30.09.2016	30.09.2017	30.09.2016
Operating income	6,578	6,457	2,394	2,390	1,451	1,535	1,402	1,290	555	468	857	970
Operating costs	-3,615	-3,659	-700	-683	-682	-718	-401	-391	-107	-97	-127	-115
Operating margin	2,963	2,798	1,694	1,707	769	817	1,001	899	448	371	730	855
Net income (loss)	1,055	840	1,148	1,055	677	579	677	529	352	282	512	560

Balance sheet (millions of euro)	Banca dei Territori		Corporate and Investment Banking		International Subsidiary Banks		Private Banking		Asset management		Insurance	
	30.09.2017	31.12.2016	30.09.2017	31.12.2016	30.09.2017	31.12.2016	30.09.2017	31.12.2016	30.09.2017	31.12.2016	30.09.2017	31.12.2016
Loans to customers	192,538	188,317	101,872	98,183	28,085	26,492	9,350	9,597	265	298	22	26
Direct deposits from banking business	173,766	173,599	107,378	112,661	35,329	32,978	29,167	27,540	6	8	-	-

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