



Interim Statement
as at 31 March 2017

This is an English translation from the original "Resoconto Intermedio al 31 marzo 2017" and was prepared solely for the convenience of the reader. The Italian original "Resoconto Intermedio al 31 marzo 2017" was approved by the Board of Directors of Intesa Sanpaolo on 5 May 2017 and is available on group.intesasanpaolo.com

This document 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 statement, 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.

Interim Statement as at 31 March 2017

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THE INTESA SANPAOLO GROUP



The Intesa Sanpaolo Group: presence in Italy

Banks

INTESA SANPAOLO



NORTH WEST

INTESA SANPAOLO		Subsidiaries	
Branches	Company	Branches	
1,141	Fideuram	89	
	Banca Prossima	29	
	Mediocredito Italiano	2	
	Banca IMI	1	

NORTH EAST

INTESA SANPAOLO		Subsidiaries	
Branches	Company	Branches	
197	CR del Veneto	304	
	CR in Bologna	155	
	CR del Friuli Venezia Giulia	92	
	CR di Forlì e della Romagna	78	
	Fideuram	58	
	Banca Prossima	16	
	Mediocredito Italiano	2	

CENTRE

INTESA SANPAOLO		Subsidiaries	
Branches	Company	Branches	
485	Banca CR Firenze	299	
	Fideuram	41	
	Banca Prossima	9	
	Banco di Napoli	4	
	Mediocredito Italiano	2	
	Banca IMI	1	

SOUTH

INTESA SANPAOLO		Subsidiaries	
Branches	Company	Branches	
93	Banco di Napoli	555	
	Fideuram	27	
	Banca Prossima	20	
	Mediocredito Italiano	2	

ISLANDS

INTESA SANPAOLO		Subsidiaries	
Branches	Company	Branches	
215	Fideuram	10	
	Banca Prossima	9	
	Mediocredito Italiano	1	



Figures as at 31 March 2017

Product Companies



Bancassurance and Pension Funds



Asset Management



Industrial credit, Factoring and Leasing



Fiduciary Services

The Intesa Sanpaolo Group: international presence

Banks, Branches and Representative Offices

INTESA SANPAOLO



AMERICA

Direct Branches	Representative Offices
George Town	Santiago
New York	Washington D.C.

Country	Subsidiaries	Branches
Brazil	Intesa Sanpaolo Brasil	1

OCEANIA

Representative Offices
Sydney

ASIA

Direct Branches	Representative Offices
Abu Dhabi	Beijing
Doha	Beirut
Dubai	Ho Chi Minh City
Hong Kong	Jakarta
Shanghai	Mumbai
Singapore	Seoul
Tokyo	

EUROPE

Direct Branches	Representative Offices
Frankfurt	Brussels ⁽¹⁾
Istanbul	Istanbul
London	Moscow
Madrid	
Paris	
Warsaw	



Country	Subsidiaries	Branches
Albania	Intesa Sanpaolo Bank Albania	31
Bosnia and Herzegovina	Intesa Sanpaolo Banka Bosna i Hercegovina	53
Croatia	Privredna Banka Zagreb	195
Czech Republic	VUB Banka	1
Hungary	CIB Bank	82
Ireland	Intesa Sanpaolo Bank Ireland	1
Luxembourg	Fideuram	1
	Intesa Sanpaolo Bank Luxembourg	1
Romania	Intesa Sanpaolo Bank Romania	35
Russian Federation	Banca Intesa	37
Serbia	Banca Intesa Beograd	165
Slovakia	VUB Banka	232
Slovenia	Intesa Sanpaolo Bank	52
Switzerland	Intesa Sanpaolo Private Bank (Suisse)	1
The Netherlands	Intesa Sanpaolo Bank Luxembourg	1
Ukraine	Pravex-Bank	60
United Kingdom	Banca IMI	1
	Intesa Sanpaolo Private Banking	1

Figures as at 31 March 2017
(1) International and Regulatory Affairs

AFRICA

Representative Offices	Country	Subsidiaries	Branches
Cairo	Egypt	Bank of Alexandria	172
Tunis			

Product Companies



Consumer Credit, E-money and Payment Systems



Leasing



Insurance



Asset Management



Factoring

Board of Directors, Manager responsible for preparing the Company's financial reports and Independent Auditors

Board of Directors

Chairman	Gian Maria GROS-PIETRO
Deputy Chairperson	Paolo Andrea COLOMBO
Managing Director and Chief Executive Officer	Carlo MESSINA ^(a)
Directors	Gianfranco CARBONATO Franco CERUTI Francesca CORNELLI Giovanni COSTA Edoardo GAFFEO ^(*) Giorgina GALLO Giovanni GORNO TEMPINI Rossella LOCATELLI Marco MANGIAGALLI ^(**) Maria MAZZARELLA Milena Teresa MOTTA ^(*) Bruno PICCA Alberto Maria PISANI ^(*) Livia POMODORO Daniele ZAMBONI Maria Cristina ZOPPO ^(*)

Manager responsible for preparing the company's financial reports

Fabrizio DABBENE

Independent Auditors

KPMG S.p.A.

(a) General Manager

(*) Member of the Management Control Committee

(**) Chairman of the Management Control Committee

Introduction

Legislative Decree 25 of 15 February 2016, implementing the new Transparency Directive (2013/50/EU) removed the obligation to publish interim statements, as previously required under paragraph 5 of Article 154-ter of the Consolidated Law on Finance. The Decree also gave Consob the option of requiring disclosures in addition to the annual report and the half-yearly report. By Resolution 19770 dated 26 October 2016, Consob, pursuant to regulatory delegation provided for in said Decree, approved the changes to the Issuers' Regulation on periodic additional financial disclosure, which applies from 2 January 2017, introducing a new Article 82-ter.

Based on the new regulations, listed companies have the right to select whether or not to publish periodic additional financial disclosure. If companies choose to publish this information on a voluntary basis, they shall:

- announce their intention to publish additional periodic financial information and specify the information to be disclosed. The decision to suspend publication must also be made public and justified and will be effective from the year after the announcement;
- specify the schedule for the approval and publication of the additional periodic financial information by the competent body;
- guarantee the consistency and correctness of the additional periodic financial information to be disclosed and its comparability with previous financial reports;
- ensure rapid, non-discriminatory access, guaranteeing, within reason, the effective dissemination of the information across the entire European Union.

In consideration of the foregoing, in announcing to the market the 2017 financial calendar, Intesa Sanpaolo specified that, pursuant to Art. 65-Bis and Art. 82-Ter of the Issuers' Regulation, it intends to disclose – on a voluntary basis – financial information as at 31 March and 30 September of each financial year, in addition to the annual report and half-yearly report. This information consists of interim statements on operations approved by the Board of Directors, basically providing continuity with the interim statements published in the past.

As illustrated in detail in the chapter "Criteria for the preparation of the Interim Statement", the Interim Statement as at 31 March 2017" has been prepared, in consolidated form, in compliance with the recognition and valuation criteria required by the IAS/IFRS accounting standards issued by the International Accounting Standards Board (IASB) and the relative interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and endorsed by the European Commission as provided for by Community Regulation 1606 of 19 July 2002.

The report contains the Balance sheet, the Income statement, the Statement of comprehensive income for the period, the Changes in shareholders' equity, and the Report on operations. It is also complemented by information on significant events which occurred during the period.

In support of the comments on the results, the Report on operations also presents and illustrates reclassified income statement and balance sheet schedules. The reconciliation with the financial statements, as required by Consob in its communication 6064293 of 28 July 2006, is included in the Attachments.

The consolidated financial statements are subject to a limited review by the Independent Auditors KPMG for the sole purpose of issuing the certification required by Art. 26 (2) of the European Union Regulation no. 575/2013 and the European Central Bank Decision no. 2015/656.

**Overview of the
first quarter 2017**

Income statement figures and alternative performance measures

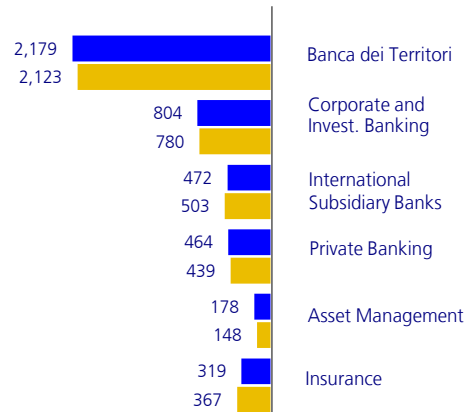
Consolidated income statement figures (millions of euro)		Changes	
		amount	%
Net interest income		-50	-2.7
Net fee and commission income		168	10.0
Income from insurance business		-49	-14.8
Profits (Losses) on trading		-2	-0.9
Operating income		32	0.8
Operating costs		1	-
Operating margin		31	1.5
Net adjustments to loans		1	0.1
Income (Loss) from discontinued operations		-20	
Net income (loss)		95	11.8

31.03.2017

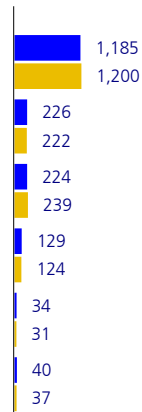
31.03.2016

Main income statement figures by business area (millions of euro)

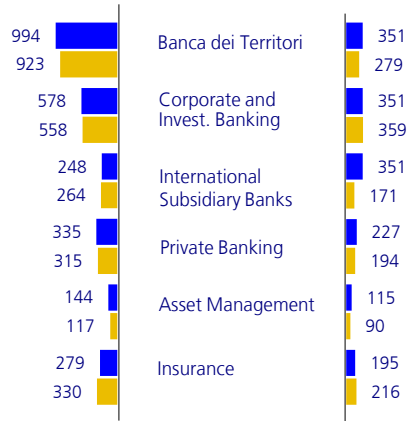
Operating income



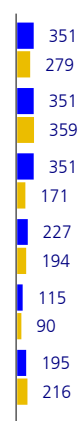
Operating costs



Operating margin



Net income (loss)



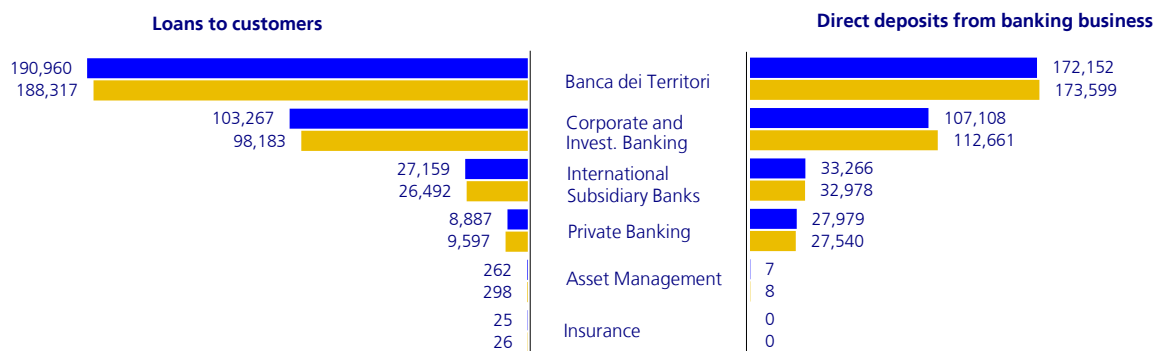
Figures restated, where necessary, considering the changes in the scope of consolidation and in business unit constituents.

31.03.2017 
 31.03.2016 

Balance sheet figures and alternative performance measures

Consolidated balance sheet figures (millions of euro)		Changes amount %	
Financial assets	263,151 255,411	7,740	3.0
of which: Insurance Companies	145,744 142,543	3,201	2.2
Loans to customers	366,648 364,713	1,935	0.5
Total assets	739,453 725,100	14,353	2.0
Direct deposits from banking business	383,822 393,798	-9,976	-2.5
Direct deposits from insurance business and technical reserves	146,295 144,098	2,197	1.5
Indirect deposits:	479,659 468,855	10,804	2.3
of which: Assets under management	320,075 314,081	5,994	1.9
Shareholders' equity	50,735 48,911	1,824	3.7

Main balance sheet figures by business area (millions of euro)



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

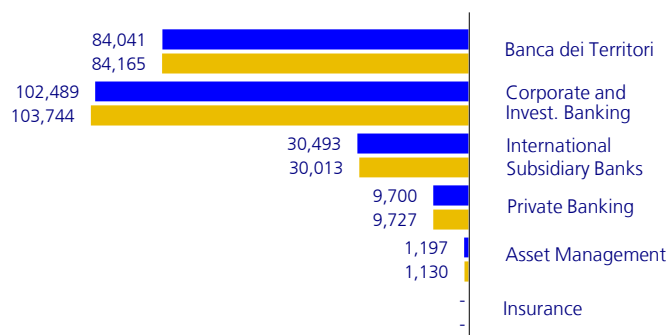
31.03.2017

31.12.2016

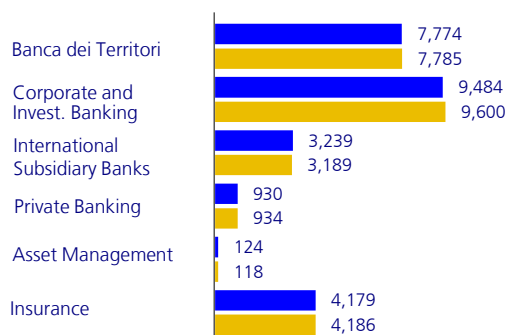
Other alternative performance measures

Consolidated capital ratios (%)	
Common Equity Tier 1 capital (CET1) net of regulatory adjustments/Risk-weighted assets (Common Equity Tier 1 capital ratio)	
TIER 1 Capital / Risk-weighted assets	
Total own funds / Risk-weighted assets	
Risk-weighted assets (millions of euro)	
Absorbed capital (millions of euro)	

Risk-weighted assets by sector (millions of euro)



Absorbed capital by sector (millions of euro)



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

31.03.2017

31.12.2016

Consolidated profitability ratios (%)

Cost / Income	48.8	49.2
Net income / Average shareholders' equity (ROE) ^(a)	6.1	7.2
Net income / Total assets (ROA) ^(b)	0.4	0.5

Earnings per share (euro)

Basic earnings per share (basic EPS) ^(c)	0.05	0.05
Diluted earnings per share (diluted EPS) ^(d)	0.05	0.05

Consolidated risk ratios (%)

Net bad loans / Loans to customers	4.0	4.1
Cumulated adjustments on bad loans / Gross bad loans to customers	60.4	60.6

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

^(a) Ratio between net income and average of share capital, share premium reserve, reserves and valuation reserves. The figure for the period with the exception of non-recurring components, has been annualised.

^(b) The figure for the period has been annualised.

^(c) Net income (loss) attributable to holders of ordinary shares compared to the weighted average number of outstanding ordinary shares. The figure for comparison is not restated.

^(d) The dilutive effect is calculated with reference to the programmed issues of new ordinary shares.

Operating structure	31.03.2017	31.12.2016	Changes amount
Number of employees	89,135	89,367	-232
Italy	64,688	64,563	125
Abroad	24,447	24,804	-357
Number of financial advisors	5,045	5,032	13
Number of branches ^(e)	5,075	5,163	-88
Italy	3,937	3,978	-41
Abroad	1,138	1,185	-47

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

^(e) Including Retail Branches, SME Branches and Corporate Branches.

31.03.2017 
31.12.2016 

Executive summary

Intesa Sanpaolo in the first three months of 2017

Consolidated results

In the first quarter of 2017, despite the continued modest economic growth, especially affected by political factors in the Eurozone, the Intesa Sanpaolo Group closed the income statement with net income of 901 million euro, around 12% more than that of the first quarter of the previous year, despite the negative impact of the significant charges concerning the banking industry (415 million euro before taxes), only partly offset by the positive effect of the fair value measurement of the investment in Bank of Qingdao as a result of the reclassification of the equity investment (190 million euro), which is no longer included under entities subject to significant influence.

The operating income grew slightly compared to the first three months of 2016, thanks to the significant contribution of net fee and commission income, which absorbed not only the downturn in net interest income and income from insurance business, but also the lower profits on investments carried at equity, with substantially stable profits on trading.

A detailed breakdown of the components of operating income shows that the income statement for the first quarter recorded net interest income of 1,805 million euro, down on the first three months of 2016 (-2.7%), also due to the reduced contribution of interest from financial assets, with interest on customer dealing increasing. If the effect of the depreciation of the Egyptian currency is excluded, net interest income would be up by 0.6%.

The contribution of net fee and commission income, which makes up almost 45% of operating income, increased significantly (roughly +10% to 1,855 million euro), due to the positive trend in management, dealing and consultancy activities (approximately +18%), primarily attributable to assets under management and insurance products.

Income from insurance business, which includes the cost and revenue captions of the insurance business of the Group's life and non-life companies, showed a decrease (approximately -15% to 283 million euro), due to a lower contribution from the technical margin.

Trading activities yielded a profit that was down slightly (-0.9% to 226 million euro) compared to the first three months of 2016, when capital gains were realised on portfolios of financial assets available for sale.

Other operating income and expenses – a caption which comprises profits on investments carried at equity and other income and expenses from continuing operations – were down (40 million euro compared to 75 million euro in the first quarter of 2016) due to the smaller contribution of companies consolidated at equity.

In relation to the above dynamics, operating income in the first quarter of 2017 amounted to 4,209 million euro, up 0.8% on the first three months of 2016.

Operating costs (2,055 million euro) were stable, as a result of a slight increase in personnel expenses (+0.5%) and a reduction in administrative expenses (-2.3%), due to the savings achieved on property management expenses, general structure costs, advertising and other costs.

Conversely, amortisation and depreciation increased (+4.5%), due to amortisation of intangible assets as a result of investments made.

The cost/income ratio for the period came to 48.8%, an improvement compared to 49.2% in the first quarter of 2016.

As a result of the revenue and cost trends, the operating margin amounted to a 2,154 million euro, up by 1.5% compared to that of the first three months of the previous year.

Net adjustments to loans remained stable overall (at 695 million euro). Also the cost of credit - expressed as the ratio of net adjustments to net loans - remained at the levels of the first quarter 2016 (76 bps compared to 77 bps), but much lower than the value at the end of 2016 (102 bps).

Net provisions and net impairment losses on other assets decreased overall compared to the first three months of 2016 (3 million euro compared to 46 million euro). More specifically, provisions decreased (1 million euro compared to 16 million euro), along with net impairment losses on other assets (2 million euro compared to 30 million euro).

Other income (expenses), which include realised profits (losses) on investments and income and expenses not strictly linked to operations, comprise the previously mentioned positive effect (190 million euro) of the fair value measurement of the investment in Bank of Qingdao as a result of the reclassification of the equity investment, which is no longer included under entities subject to significant influence.

In the first quarter of 2017 there was no profit or loss from discontinued operations, compared to profit of 20 million euro in the first three months of 2016.

As a result of the trends illustrated above, gross income amounted to 1,652 million euro (+17.3%).

Income taxes came to 445 million euro, with a tax rate of 26.9%. Charges for integration and exit incentives were recorded for 12 million euro as well as effect of purchase price allocation for 6 million euro.

As previously indicated, in the first quarter of 2017 the charges aimed at maintaining the stability of the banking system had an extensive impact. These amounted to 282 million euro, net of taxes (102 million euro in the first quarter of 2016) and were almost completely represented by estimated charges for the entire year 2017 for ordinary contributions to resolution funds (104 million euro net of taxes, equal to 150 million euro before tax) and the charges deriving from the further impairment losses regarding the participation in the Atlante Fund (175 million euro net of taxes, equal to 261 million euro before tax).

After recording minority interests of 6 million euro, the income statement for the first quarter of 2017 closed, as stated, with net income of 901 million euro, compared to 806 million euro in the first quarter of 2016.

As to balance sheet aggregates, loans to customers increased on 31 December 2016 (+0.5% to 367 billion euro). The positive trend in commercial banking loans, up 2% overall, due to the positive performance of advances, loans, mortgages and current accounts, was offset by the lower amount of loans represented by securities (approximately -7%) and, above all, of short-term financial loans represented by outstanding repurchase agreements (approximately -8%).

With regard to funding, direct deposits from banking business showed a decreasing trend on the end of 2016 (-2.5% to approximately 384 billion euro). The downturn in current accounts and deposits (approximately -3%) and funding through bonds (approximately -6%) and certificates of deposit (-13%), with subordinated liabilities substantially stable, was offset by the positive trend in other types of funding (approximately +2%), in addition to the increase (approximately +12%) in repurchase agreements.

Direct deposits from insurance business, which include technical reserves, recorded an increase (+1.5%, to over 146 billion euro): the overall increase was almost completely attributable to the higher value of financial liabilities of the insurance segment designated at fair value (approximately +6%), with technical reserves – which represent the amounts owed to customers subscribing to traditional policies – down slightly (-1.4%). The new business of Intesa Sanpaolo Vita, Intesa Sanpaolo Life and Fideuram Vita, including pension products, amounted to over 6 billion euro for the period.

Indirect deposits amounted to approximately 480 billion euro at the end of the quarter (+2.3% compared to the end of 2016). Given the favourable conditions of the financial markets, the positive performance was determined by the increase in both assets under management, driven by the products of the insurance segment and mutual funds, and assets under administration.

In detail, assets under management grew (+6 billion euro to over 320 billion euro), due to the increase in deposits from insurance business (+3 billion euro) and assets under management for mutual funds (+2 billion euro) and portfolio management (+1 billion euro).

Assets under administration also recorded an increase (+4.8 billion euro to almost 160 billion euro) attributable to the securities and third-party products in the customer dossier.

For an illustration of the income statement results and the balance sheet aggregates broken down by Group business segment, please refer to the specific chapter.

Highlights

Highlights in the quarter

In January 2017, Intesa Sanpaolo launched a 1.25 billion euro Additional Tier 1 issue targeted at professional investors and international financial intermediaries, with characteristics in line with the CRD IV regulation. It is listed on the Luxembourg Stock Exchange as well as the usual Over-the-Counter market.

The Additional Tier 1 issue is perpetual (with a maturity date tied to the duration of Intesa Sanpaolo, as set in its articles of association) and may be early redeemed by the issuer after ten years from the issue date and on every interest payment date thereafter. The issuer will pay a fixed rate coupon of 7.75% per annum, payable semi-annually in arrears on every 11 January and 11 July of each year, with the first coupon payment on 11 July 2017. The compounded yield to maturity is 7.90% per annum, equivalent to the 5-year Mid Swap Rate in Euro reckoned at the moment of issuance plus a spread equal to 719.2 basis points. In the event that the early redemption rights are not utilised on 11 January 2027, a new coupon at fixed rate will be determined by adding the original spread to the 5-year Mid Swap Rate reckoned at the reset date. Such new annual coupon will be fixed for the following 5 years (until the next reset date). In accordance with the regulations applicable to Additional Tier 1, coupon payment is discretionary and subject to certain limitations. The trigger of 5.125% of Common Equity Tier 1 (CET1) provides that, if the CET1 ratio of the Intesa Sanpaolo Group or Intesa Sanpaolo S.p.A. falls below such trigger, the nominal value of AT1 will be temporarily reduced for the amount needed to restore the trigger level, taking into account also the other instruments with similar characteristics.

Also in January, based on the ranking created by Corporate Knights, a Canadian magazine specialising in sustainable capitalism, Intesa Sanpaolo was ranked among the top 20 most sustainable companies in the world and the only Italian banking group in the classification, thanks to the implementation and further development of the best strategies for managing risks and opportunities in the environmental, social and governance areas. This recognition is the result of Intesa Sanpaolo's now consolidated commitment in the field of sustainability, which obtained further significant confirmation with the share's inclusion in the leading sustainability indices, including the Dow Jones Sustainability Indices (World and Europe), the CDP A-List and the FTSE4Good (Global and Europe).

As regards the stake in the Bank of Italy's share capital, in 2017 further stakes equal to a total of approximately 5.34% of the capital of the Bank of Italy were sold - at nominal value, coinciding with the carrying value - for a price of approximately 401 million euro. Following the completion of the transaction, the Group's stake in the Bank of Italy's share capital decreased to 27.50%.

On 7 March 2017 the Intesa Sanpaolo Group announced that it signed an agreement in respect of the sale of its entire stake in Allfunds Bank, for a cash consideration of 900 million euro. The finalisation of the transaction is expected by the end of the year and is subject to the customary regulatory authorisations being received.

Allfunds Bank is a multimanager distribution platform for asset management products targeted at institutional investors and is 50%-held by Eurizon Capital SGR (in turn, 100%-owned by Intesa Sanpaolo) and 50% by AFB SAM Holding (Santander Group). In the consolidated financial statements of the Intesa Sanpaolo Group the investment is considered a joint venture pursuant to IFRS 11 and is consolidated at equity (IAS 28).

Considering the above-mentioned disposal transaction, the investment in Allfunds Bank was reclassified under discontinued operations starting from the Interim Statement as at 31 March 2017.

For some time Intesa Sanpaolo has held an investment of 15.33% of the capital of the Chinese Bank of Qingdao (BQD). This is Intesa Sanpaolo's first investment on the Chinese market (2007), which was followed by additional investments in asset management through Eurizon Capital, which owns 49% of Penghua Fund Management, and the establishment in 2016 of its

own operating company in wealth management, Qingdao Yicai Wealth Management Co. Ltd. (Yi-Tsai), whose shareholders are the Parent Company, Fideuram – Intesa Sanpaolo Private Banking and Eurizon Capital.

Intesa Sanpaolo has strongly contributed to developing the Chinese bank's business through a Framework Agreement and a Co-operation Agreement concerning reciprocal consulting and coordination on matters pertaining to appointments of managers, transactions on capital and/or extraordinary transactions, strategic plans and limits to investments by Intesa Sanpaolo in other Chinese commercial banks, while granting an exclusive as foreign banking investor in the capital of BQD. Cooperation has also been developed through direct appointment by Intesa Sanpaolo of several top managers of the bank.

In 2015 the Chinese bank began the process for listing on the Hong Kong stock exchange, which was completed with the IPO reserved for new shareholders, carried out in December 2015.

Following the listing, Intesa Sanpaolo and BQD had to significantly revise the previous Co-operation Agreements and align them with the limits permitted by local laws on listed companies. In March the two banks signed a new Co-operation Agreement which, different to the previous one, which had set out precise commitments for the counterparties, exclusively envisages a type of commercial co-operation, without binding obligations of the parties, mainly between BQD and the recently established newco set up by Intesa Sanpaolo (Yi-Tsai). The managers appointed by Intesa Sanpaolo, in the meantime, were also re-assigned to other positions as part of the Group's business relating to the Chinese market.

As a result of this changed relationship between Intesa Sanpaolo and BQD, the investment, which was previously classified under investments subject to significant influence, was reclassified to financial instruments available for sale, as the requirements of IAS 28 to classify the investment under associates ceased to exist. As a result of that reclassification, the investment was designated at fair value (equal to the stock exchange price) at the time of the reclassification, resulting in the recognition of a positive effect on the income statement of 131 million euro gross (128 million euro net of taxes), to which the release of reserves for foreign exchange differences accrued since the start of the investment (equal to 58 million euro) and AFS reserves for 1 million euro must be added.

Intesa Sanpaolo holds 19.89% of the Atlante Fund, a closed-end alternative investment fund managed by the asset management company (SGR) Quaestio Capital Management. The purpose of the fund is to invest in banks with capital ratios lower than the minimums set by the SREP which, thus, on request by the Supervisory Authorities, carry out capital strengthening measures through capital increases and enhancement of Non-Performing Loans (NPL), mainly by subscribing junior tranches and possibly mezzanine tranches of securitisations of said NPL.

For more information on the characteristics of the Atlante Fund, the logics guiding its classification and payments made in 2016, refer to the 2016 Financial Statements. In that regard, it is merely noted that the Fund collected commitments totalling 4.249 billion euro, 845 million euro of which refers to Intesa Sanpaolo. The current investments carried out by the Atlante Fund consist of the investments in 99.33% of the capital of Banca Popolare di Vicenza and 97.44% of the capital of Veneto Banca. These investments were acquired through the subscription to the share capital increases of said banks, for approximately 1.5 billion euro and 1 billion euro, respectively.

As at 31 December 2016, the Atlante Fund had called up a total of approximately 2.5 billion euro, equal to 59.6% of the subscription commitments undertaken, to make the investments in the two Veneto-based banks. Intesa Sanpaolo contributed a total of approximately 503 million euro, with a residual commitment of 341 million euro.

On 19 December 2016, Quaestio made an additional request for payment from subscribers of a total of 915 million euro, of which 182 million euro from Intesa Sanpaolo, which made a payment on 3 January 2017. The amount was called up by the asset management company for future capital increases of the two Veneto-based banks. The asset management company made a payment of 310 million euro to BP Vicenza and 628 million euro to Veneto Banca. The payments were made in two instalments: the first in 2016 (164 million euro for BP Vicenza and 332 million euro for Veneto Banca) and the second in 2017 (146 million euro for BP Vicenza and 296 million euro for Veneto Banca). These payments were made, as indicated, for future capital increases, in order to strengthen their capital ratios. Following this additional payment, 81.2% of the initial resources of the Fund were called up. Therefore, as at 31 March 2017, Intesa Sanpaolo paid in a total of 686 million euro and had a commitment for an additional 159 million euro.

For valuation purposes, as the fund is classified under investments available for sale, it must be designated at fair value. In the 2016 Financial Statements, based on the information published by the asset management company, the value of the investment was adjusted by 227 million euro overall to take account of the value arising from the appraisal by the independent expert appointed by the asset management company.

For the Interim Statement as at 31 March 2017 no new values were published by the asset management company. However, several new elements came to light regarding the two Veneto-based banks, namely, the 2016 financial statements which closed with a loss of 1.5 billion euro by Veneto Banca and a loss of 1.9 billion euro by Banca Popolare di Vicenza, and the finalisation of a settlement agreement with the former shareholders to compensate them, in part, for the impairment of their shares. Furthermore, lacking a clear intention by the controlling shareholder to make new investments beyond the additional resources made available at the end of 2016 and start of 2017, for the purpose of keeping the regulatory ratios within the limits set by regulations, the two banks notified the competent authorities of their intention to access "precautionary recapitalisation" pursuant to Law 15/2017. The intervention should be carried out based on a new business plan that requires a reduction in the risk profile, recovery in operating efficiency and commercial development.

Pending a clearer definition of the scenario, for the purposes of this Interim Statement the investment was prudently adjusted further, to take account of the events that occurred, reducing the value of the capital increases subscribed by Atlante in the two banks in 2016 to zero and thus aligning the value of the fund (and, likewise, the value of the stakes held by Intesa Sanpaolo) to the value of the payments for future capital increase, made at the end of 2016 and the start of 2017, to which the residual liquidity held by the fund is added. Lacking sufficient information to make new assessments, the adjustment of the value of the investment is based on the assumption that the "precautionary recapitalisation" will be effectively approved, and that the coverage of the losses of the Veneto-based banks will not include the payments made at the beginning of the year by the Atlante Fund (to date not yet used for share capital increases of the banks) with a view to the overall capital strengthening envisaged by Law 15/2017, which permits measures to preserve financial stability.

As a result, in the income statement of the 1st quarter 2017, additional impairment of the stake of 261 million euro was posted (175 million euro net of tax), which decreased the value of the investment to 198 million euro.

Moreover, in July 2016 the asset management company Quaestio Capital Management launched a new closed-end alternative investment fund named "Atlante II", reserved exclusively for professional investors for the purpose of investing in NPL transactions

made by Italian banks. The Atlante Fund subscribed a total commitment in the Atlante II Fund of 800 million euro, for a stake of 37.1%. Intesa Sanpaolo has also directly invested in the Atlante II Fund, with a commitment to pay 154 million euro (7.2% of the Fund). Also considering the stake indirectly held through the Atlante Fund, Intesa Sanpaolo holds a total of 14.6% of Atlante II. In 2016, the Atlante Fund assessed a possible investment in a securitisation transaction of NPLs of Banca Monte dei Paschi di Siena, which, however, was not executed. As the transaction was not finalised, the Atlante Fund returned the payments called up from unitholders for that investment, net of 1 million euro posted as charges to the income statement, as this amount was used to structure the transaction.

Lastly, on 13 April 2017, the Atlante Fund made a request for payment from subscribers of a total of 265 million euro, of which 53 million euro from Intesa Sanpaolo. The request was made to finance investments by the Atlante II Fund relating to "Project Cube" on the so-called "good banks", i.e. Nuova Banca delle Marche S.p.A., Nuova Banca dell'Etruria e del Lazio S.p.A. and Nuova Cassa di Risparmio di Chieti S.p.A. Intesa Sanpaolo fulfilled that request with a payment on 2 May 2017.

Also calculating this request, subscribers have been requested to pay in a total of 87.4% of their commitment. Intesa Sanpaolo has paid in a total of 738 million euro and has a residual commitment to the Atlante Fund of 106 million euro.

At the same time, and for the transaction mentioned above, the Atlante II Fund called up a total of 715 million euro, of which 51 million euro from Intesa Sanpaolo. Overall, Intesa Sanpaolo's investment in the Atlante II Fund amounts to 52 million euro, while its residual commitment amounts to 102 million euro.

The transactions referring to "good banks" have not yet been finalised.

**Consolidated
financial statements**

Consolidated balance sheet

Assets	31.03.2017	31.12.2016	(millions of euro)	
			CHANGES amount	%
10. Cash and cash equivalents	9,148	8,686	462	5.3
20. Financial assets held for trading	44,524	43,613	911	2.1
30. Financial assets designated at fair value through profit and loss	67,438	63,865	3,573	5.6
40. Financial assets available for sale	150,000	146,692	3,308	2.3
50. Investments held to maturity	1,229	1,241	-12	-1.0
60. Due from banks	58,897	53,146	5,751	10.8
70. Loans to customers	366,619	364,713	1,906	0.5
80. Hedging derivatives	5,618	6,234	-616	-9.9
90. Fair value change of financial assets in hedged portfolios (+/-)	91	321	-230	-71.7
100. Investments in associates and companies subject to joint control	736	1,278	-542	-42.4
110. Technical insurance reserves reassured with third parties	17	17	-	-
120. Property and equipment	4,837	4,908	-71	-1.4
130. Intangible assets	7,368	7,393	-25	-0.3
<i>of which</i>				
- <i>goodwill</i>	4,059	4,059	-	-
140. Tax assets	14,343	14,444	-101	-0.7
<i>a) current</i>	3,325	3,313	12	0.4
<i>b) deferred</i>	11,018	11,131	-113	-1.0
- <i>of which convertible into tax credit (Law no. 214/2011)</i>	8,341	8,491	-150	-1.8
150. Non-current assets held for sale and discontinued operations	431	312	119	38.1
160. Other assets	8,168	8,237	-69	-0.8
Total Assets	739,464	725,100	14,364	2.0

Consolidated balance sheet

(millions of euro)

Liabilities and Shareholders' Equity	31.03.2017	31.12.2016	CHANGES	
			amount	%
10. Due to banks	92,584	72,641	19,943	27.5
20. Due to customers	287,020	291,876	-4,856	-1.7
30. Securities issued	90,336	94,783	-4,447	-4.7
40. Financial liabilities held for trading	43,371	44,790	-1,419	-3.2
50. Financial liabilities designated at fair value through profit and loss	60,562	57,187	3,375	5.9
60. Hedging derivatives	8,361	9,028	-667	-7.4
70. Fair value change of financial liabilities in hedged portfolios (+/-)	686	773	-87	-11.3
80. Tax liabilities	2,084	2,038	46	2.3
<i>a) current</i>	570	497	73	14.7
<i>b) deferred</i>	1,514	1,541	-27	-1.8
90. Liabilities associated with non-current assets held for sale and discontinued operations	273	272	1	0.4
100. Other liabilities	13,954	11,944	2,010	16.8
110. Employee termination indemnities	1,393	1,403	-10	-0.7
120. Allowances for risks and charges	3,344	3,427	-83	-2.4
<i>a) post employment benefits</i>	1,037	1,025	12	1.2
<i>b) other allowances</i>	2,307	2,402	-95	-4.0
130. Technical reserves	84,405	85,619	-1,214	-1.4
140. Valuation reserves	-2,159	-1,854	305	16.5
150. Redeemable shares	-	-	-	-
160. Equity instruments	3,358	2,117	1,241	58.6
170. Reserves	12,626	9,528	3,098	32.5
180. Share premium reserve	27,349	27,349	-	-
190. Share capital	8,732	8,732	-	-
200. Treasury shares (-)	-72	-72	-	-
210. Minority interests (+/-)	356	408	-52	-12.7
220. Net income (loss)	901	3,111	-2,210	-71.0
Total Liabilities and Shareholders' Equity	739,464	725,100	14,364	2.0

Consolidated income statement

(millions of euro)

	31.03.2017	31.03.2016	CHANGES	
			amount	%
10. Interest and similar income	3,085	3,293	-208	-6.3
20. Interest and similar expense	-963	-1,105	-142	-12.9
30. Interest margin	2,122	2,188	-66	-3.0
40. Fee and commission income	2,216	1,932	284	14.7
50. Fee and commission expense	-480	-385	95	24.7
60. Net fee and commission income	1,736	1,547	189	12.2
70. Dividend and similar income	50	47	3	6.4
80. Profits (Losses) on trading	150	60	90	
90. Fair value adjustments in hedge accounting	-4	-39	-35	-89.7
100. Profits (Losses) on disposal or repurchase of	181	445	-264	-59.3
<i>a) loans</i>	7	6	1	16.7
<i>b) financial assets available for sale</i>	190	425	-235	-55.3
<i>c) investments held to maturity</i>	1	-	1	
<i>d) financial liabilities</i>	-17	14	-31	
110. Profits (Losses) on financial assets and liabilities designated at fair value	311	161	150	93.2
120. Net interest and other banking income	4,546	4,409	137	3.1
130. Net losses / recoveries on impairment	-768	-555	213	38.4
<i>a) loans</i>	-503	-556	-53	-9.5
<i>b) financial assets available for sale</i>	-264	-31	233	
<i>c) investments held to maturity</i>	-	-	-	
<i>d) other financial activities</i>	-1	32	-33	
140. Net income from banking activities	3,778	3,854	-76	-2.0
150. Net insurance premiums	1,799	3,098	-1,299	-41.9
160. Other net insurance income (expense)	-2,346	-3,526	-1,180	-33.5
170. Net income from banking and insurance activities	3,231	3,426	-195	-5.7
180. Administrative expenses	-2,222	-2,220	2	0.1
<i>a) personnel expenses</i>	-1,302	-1,298	4	0.3
<i>b) other administrative expenses</i>	-920	-922	-2	-0.2
190. Net provisions for risks and charges	-1	-16	-15	-93.8
200. Net adjustments to / recoveries on property and equipment	-84	-85	-1	-1.2
210. Net adjustments to / recoveries on intangible assets	-115	-135	-20	-14.8
220. Other operating expenses (income)	178	168	10	6.0
230. Operating expenses	-2,244	-2,288	-44	-1.9
240. Profits (Losses) on investments in associates and companies subject to joint control	221	61	160	
250. Valuation differences on property, equipment and intangible assets measured at fair value	-	-	-	
260. Goodwill impairment	-	-	-	
270. Profits (Losses) on disposal of investments	2	6	-4	-66.7
280. Income (Loss) before tax from continuing operations	1,210	1,205	5	0.4
290. Taxes on income from continuing operations	-303	-372	-69	-18.5
300. Income (Loss) after tax from continuing operations	907	833	74	8.9
310. Income (Loss) after tax from discontinued operations	-	13	-13	
320. Net income (loss)	907	846	61	7.2
330. Minority interests	-6	-40	-34	-85.0
340. Parent Company's net income (loss)	901	806	95	11.8
Basic EPS - Euro	0.05	0.05		
Diluted EPS - Euro	0.05	0.05		

Statement of consolidated comprehensive income

	(millions of euro)			
	31.03.2017	31.03.2016	Changes amount	%
10. NET INCOME (LOSS)	907	846	61	7.2
Other comprehensive income (net of tax) that may not be reclassified to the income statement	3	-53	56	
20. Property and equipment	-	-	-	
30. Intangible assets	-	-	-	
40. Defined benefit plans	3	-53	56	
50. Non-current assets held for sale	-	-	-	
60. Share of valuation reserves connected with investments carried at equity	-	-	-	
Other comprehensive income (net of tax) that may be reclassified to the income statement	-308	-330	-22	-6.7
70. Hedges of foreign investments	-	-	-	
80. Foreign exchange differences	38	-79	117	
90. Cash flow hedges	80	-168	248	
100. Financial assets available for sale	-347	-67	280	
110. Non-current assets held for sale	-	-	-	
120. Share of valuation reserves connected with investments carried at equity	-79	-16	63	
130. Total other comprehensive income (net of tax)	-305	-383	-78	-20.4
140. TOTAL COMPREHENSIVE INCOME (CAPTIONS 10 +130)	602	463	139	30.0
150. Total consolidated comprehensive income pertaining to minority interests	6	26	-20	-76.9
160. Total consolidated comprehensive income pertaining to the Parent Company	596	437	159	36.4

Statement of changes in consolidated shareholders' equity as at 31 March 2017

(millions of euro)

	31.03.2017											
	Share capital		Share premium reserve	Reserves		Valuation reserves	Equity instruments	Treasury shares	Net income (loss)	Shareholders' equity	Group shareholders' equity	Minority interests
	ordinary shares	savings shares		retained earnings	other							
AMOUNTS AS AT 1.1.2017	8,621	485	27,375	8,947	578	-1,930	2,117	-74	3,200	49,319	48,911	408
ALLOCATION OF NET INCOME OF THE PREVIOUS YEAR ^(a)												
Reserves										-	-	-
Dividends and other allocations				3,200					-3,200	-	-	-
CHANGES IN THE PERIOD												
Changes in reserves										-	-	-
Operations on shareholders' equity												
Issue of new shares										-	-	-
Purchase of treasury shares										-	-	-
Extraordinary dividends										-	-	-
Changes in equity instruments							1,241			1,241	1,241	-
Derivatives on treasury shares										-	-	-
Stock options										-	-	-
Changes in equity investments										-	-	-
Other	-94			23						-71	-13	-58
Total comprehensive income for the period						-305			907	602	596	6
SHAREHOLDERS' EQUITY AS AT 31.03.2017	8,527	485	27,375	12,170	578	-2,235	3,358	-74	907	51,091	50,735	356
- Group	8,247	485	27,349	12,048	578	-2,159	3,358	-72	901	50,735		
- minority interests	280	-	26	122	-	-76	-	-2	6	356		

^(a) Includes dividends and amounts allocated to the charity fund of the Parent Company, as well as those relating to consolidated companies, pertaining to minorities.

Statement of changes in consolidated shareholders' equity as at 31 March 2016

(millions of euro)

	31.03.2016											
	Share capital		Share premium reserve	Reserves		Valuation reserves	Equity instruments	Treasury shares	Net income (loss)	Shareholders' equity	Group shareholders' equity	Minority interests
	ordinary shares	savings shares		retained earnings	other							
AMOUNTS AS AT 1.1.2016	8,804	485	27,521	8,544	578	-950	877	-72	2,806	48,593	47,776	817
ALLOCATION OF NET INCOME OF THE PREVIOUS YEAR ^(a)												
Reserves				2,786					-2,786	-	-	-
Dividends and other allocations									-20	-20	-	-20
CHANGES IN THE PERIOD												
Changes in reserves										-	-	-
Operations on shareholders' equity												
Issue of new shares										-	-	-
Purchase of treasury shares								-1		-1	-1	-
Extraordinary dividends										-	-	-
Changes in equity instruments							1,241			1,241	1,241	-
Derivatives on treasury shares										-	-	-
Stock options										-	-	-
Changes in equity investments										-	-	-
Other				2						2	-	2
Total comprehensive income for the period						-383			846	463	437	26
SHAREHOLDERS' EQUITY AS AT 31.03.2016	8,804	485	27,521	11,332	578	-1,333	2,118	-73	846	50,278	49,453	825
- Group	8,247	485	27,349	11,328	578	-1,387	2,118	-71	806	49,453		
- minority interests	557	-	172	4	-	54	-	-2	40	825		

^(a) Includes dividends and amounts allocated to the charity fund of the Parent Company, as well as those relating to consolidated companies, pertaining to minorities.

Report on operations

Economic results

General aspects

A condensed reclassified income statement has been prepared to give a more immediate understanding of results. To enable consistent comparison, the figures for previous periods are restated, where necessary, to account for changes in the scope of consolidation.

The restated financial statements are obtained by making appropriate adjustments to historical data to reflect the significant effects of such changes retroactively. Any differences due to the possibility of choosing between different options provided for by IAS/IFRS or arising from the use of different methods or parameters to measure assets and liabilities are not considered, as they are deemed irrelevant. Last, please note that no intragroup relations are netted where their amount is not significant.

Breakdowns of restatements and reclassifications made in accordance with the layout established in Bank of Italy Circular 262 are provided in separate tables included in the attachments, as also required by Consob in its Communication 6064293 of 28 July 2006.

In summary, the reclassifications and aggregations are as follows:

- dividends on shares classified as assets available for sale and as assets held for trading have been reallocated to Profits (Losses) on trading;
- the portions of Net interest income, Dividend and similar income, Net fee and commission income and Profits (Losses) on trading related to the insurance business have been recorded under a specific caption, and the effect of the adjustment of the technical reserve – with respect to the component attributable to policyholders – associated with the impairment of securities available for sale held in the portfolios of the Group's insurance companies was also attributed to this caption;
- differentials on derivatives, classified to the trading portfolio and contracted to hedge transactions in foreign currencies, have been allocated among Net interest income owing to the close correlation;
- fair value adjustments in hedge accounting (caption 90) have been reallocated to Profits (Losses) on trading;
- profits and losses on disposal or repurchase of financial assets available for sale and of financial liabilities have been reallocated to Profits (Losses) on trading;
- profits (Losses) on financial assets and liabilities designated at fair value are recorded in Profits (Losses) on trading;
- the recoveries of expenses, taxes and duties have been subtracted from Administrative expenses, instead of being included among Other income;
- profits and losses on disposal or repurchase of loans are posted in Net adjustments to loans;
- net impairment losses on other financial activities, related to guarantees, commitments and credit derivatives, have been recognised under Net adjustments to loans;
- the reversal in time value on loans is recorded in Net interest income instead of being allocated to Net adjustments to loans, since the phenomenon derives directly from the application of the amortised cost criterion in the absence of changes in expected future flows. A consistent approach is used for the time value of Employee termination indemnities and Allowances for risks and charges;
- Net impairment losses on financial assets available for sale, held to maturity, on investments, as well as property and equipment and intangible assets (including property and other assets resulting from the enforcement of guarantees or purchase at auction and intended for sale on the market in the near future), which have been reclassified to Net impairment losses on other assets, which consequently includes – in addition to the provisions for risks and charges – the valuation effects of the assets other than loans, with the sole exception of impairment losses on intangible assets that have been reclassified, after tax, to Impairment of goodwill and other intangible assets;
- realised profits (losses) on investments held to maturity, on equity investments and on other investments have been reallocated to Other income (expenses). Accordingly, in addition to the income and expenses not strictly related to operations, this caption represents the summary of the effects from the realisation of assets other than loans.
- charges (net of tax) for integration and exit incentives, which have been reclassified from Personnel expenses, Administrative expenses and, to a lesser extent, other captions of the income statement to a separate caption;
- the effects of purchase price allocation, net of the tax effect, are indicated in a specific caption. They represent adjustments to and any impairment losses on financial assets and liabilities and property, equipment and intangible assets which were measured at fair value as provided for by IFRS 3;
- levies and other charges aimed at maintaining the stability of the banking system, which have been reclassified, after tax, to the specific caption;
- goodwill impairment and impairment losses on other intangible assets, as mentioned above, are shown, net of tax, in a specific caption amongst "non-current" income components.

Reclassified income statement

	31.03.2017	31.03.2016	Changes	
			amount	%
Net interest income	1,805	1,855	-50	-2.7
Net fee and commission income	1,855	1,687	168	10.0
Income from insurance business	283	332	-49	-14.8
Profits (Losses) on trading	226	228	-2	-0.9
Other operating income (expenses)	40	75	-35	-46.7
Operating income	4,209	4,177	32	0.8
Personnel expenses	-1,286	-1,279	7	0.5
Other administrative expenses	-583	-597	-14	-2.3
Adjustments to property, equipment and intangible assets	-186	-178	8	4.5
Operating costs	-2,055	-2,054	1	-
Operating margin	2,154	2,123	31	1.5
Net adjustments to loans	-695	-694	1	0.1
Net provisions and net impairment losses on other assets	-3	-46	-43	-93.5
Other income (expenses)	196	5	191	
Income (Loss) from discontinued operations	-	20	-20	
Gross income (loss)	1,652	1,408	244	17.3
Taxes on income	-445	-432	13	3.0
Charges (net of tax) for integration and exit incentives	-12	-13	-1	-7.7
Effect of purchase price allocation (net of tax)	-6	-29	-23	-79.3
Levies and other charges concerning the banking industry (net of tax)	-282	-102	180	
Impairment (net of tax) of goodwill and other intangible assets	-	-	-	-
Minority interests	-6	-26	-20	-76.9
Net income (loss)	901	806	95	11.8

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

Quarterly development of the reclassified income statement

(millions of euro)

	2017		2016		
	First quarter	Fourth quarter	Third quarter	Second quarter	First quarter
Net interest income	1,805	1,748	1,859	1,832	1,855
Net fee and commission income	1,855	2,030	1,756	1,858	1,687
Income from insurance business	283	166	258	239	332
Profits (Losses) on trading	226	247	248	467	228
Other operating income (expenses)	40	-7	29	68	75
Operating income	4,209	4,184	4,150	4,464	4,177
Personnel expenses	-1,286	-1,393	-1,310	-1,341	-1,279
Other administrative expenses	-583	-765	-627	-641	-597
Adjustments to property, equipment and intangible assets	-186	-206	-186	-179	-178
Operating costs	-2,055	-2,364	-2,123	-2,161	-2,054
Operating margin	2,154	1,820	2,027	2,303	2,123
Net adjustments to loans	-695	-1,174	-917	-923	-694
Net provisions and net impairment losses on other assets	-3	-105	-77	-194	-46
Other income (expenses)	196	138	16	196	5
Income (Loss) from discontinued operations	-	881	23	28	20
Gross income (loss)	1,652	1,560	1,072	1,410	1,408
Taxes on income	-445	-314	-321	-361	-432
Charges (net of tax) for integration and exit incentives	-12	-83	-16	-38	-13
Effect of purchase price allocation (net of tax)	-6	-30	-26	-27	-29
Levies and other charges concerning the banking industry (net of tax)	-282	-377	-69	-11	-102
Impairment (net of tax) of goodwill and other intangible assets	-	-	-	-	-
Minority interests	-6	20	-12	-72	-26
Net income (loss)	901	776	628	901	806

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

Despite the continued modest economic growth, especially affected by political factors in the Eurozone, the Intesa Sanpaolo Group ended the first quarter of 2017 with net income of 901 million euro. This result was achieved thanks to growth in revenues, albeit limited, an attentive management of operating costs and the containment of adjustments and provisions. Net income is higher (+11.8%) than in the same period of the previous year: the negative impact of the heavier charges concerning the banking system was offset by the development of fees and commissions and the positive effect deriving from the measurement at fair value of the investment in Bank of Qingdao as a consequence of the reclassification of the investment, no longer included among the entities subject to significant influence.

Operating income

Operating income came to 4,209 million euro, up 0.8% compared to the figure in the first quarter of 2016, due to the good performance of net fee and commission income (+10%), which offset both the drop in interest (-2.7%) and the result of the insurance business (-14.8%) and the lower income recorded on investments carried at equity.

Net interest income

	31.03.2017	31.03.2016	(millions of euro)		Quarterly development Net interest income
			Changes amount	%	
Relations with customers	1,823	1,891	-68	-3.6	
Securities issued	-694	-840	-146	-17.4	
Customer dealing	1,129	1,051	78	7.4	
Financial assets held for trading	23	42	-19	-45.2	
Investments held to maturity	11	14	-3	-21.4	
Financial assets available for sale	162	201	-39	-19.4	
Financial assets	196	257	-61	-23.7	
Relations with banks	42	11	31		
Differentials on hedging derivatives	38	138	-100	-72.5	
Non-performing assets	379	410	-31	-7.6	
Other net interest income	21	-12	33		
Net interest income	1,805	1,855	-50	-2.7	

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

Net interest income came to 1,805 million euro, down 2.7% on the first three months of 2016. With a spread at historically low levels, the result was influenced by the gradual depreciation of the Egyptian pound since November 2016, which penalised the contribution of the International Subsidiary Banks, by the more limited contribution from the hedging of core deposits and by the lower interest on non-performing assets as a consequence of the proactive management of NPLs. Despite fewer days in the quarter compared to the first quarter of 2016, the commercial component of the margin showed a positive performance, benefiting from a recovery in volumes with regard to assets.

Income from customers dealing amounted to 1,129 million euro, higher than the 1,051 million euro recorded in the corresponding period of 2016.

Interest on financial assets fell by 23.7%, due to the decline in interest on assets available for sale (-39 million euro) and interest on trading activities (-19 million euro).

Net interest income on the interbank market came to 42 million euro compared to the 11 million euro recorded in the first three months of 2016, due to the reduction in interest expense on interbank funding. Differentials on hedging derivatives amounted 38 million euro, compared to 138 million euro in the first quarter of 2016, in particular following the lower contribution from hedging of core deposits.

Other net interest income include interest income accrued on the deposit at TLTRO II negative rates signed with the Bank of Italy - regarding an exposure that amounted on average to about 45 billion euro in the first quarter of 2017 - equal to 44 million.

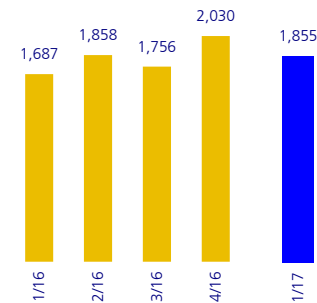
	31.03.2017	31.03.2016	(millions of euro)		Business areas
			Changes amount	%	
Banca dei Territori	1,131	1,155	-24	-2.1	
Corporate and Investment Banking	379	346	33	9.5	
International Subsidiary Banks	332	368	-36	-9.8	
Private Banking	43	46	-3	-6.5	
Asset Management	-	-	-	-	
Insurance	-	-	-	-	
Total business areas	1,885	1,915	-30	-1.6	
Corporate Centre	-80	-60	20	33.3	
Intesa Sanpaolo Group	1,805	1,855	-50	-2.7	

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

The Banca dei Territori Division, which accounts for 60% of business area results, recorded a decline of 2.1% in net interest income, affected by the more limited contribution of the hedging of core deposits. The net interest income of the Corporate and Investment Banking Division is up (+9.5%) in relation to the greater contribution from customer dealing. The net interest income of the International Subsidiary Banks decreased by 9.8%, due to the gradual depreciation of the Egyptian pound since November 2016, whereas that of private banking - which has a smaller relative impact on consolidated net income - declined by 6.5%.

Net fee and commission income

	31.03.2017	31.03.2016	(millions of euro)	
			Changes amount	%
Guarantees given / received	81	83	-2	-2.4
Collection and payment services	95	92	3	3.3
Current accounts	252	251	1	0.4
Credit and debit cards	83	90	-7	-7.8
Commercial banking activities	511	516	-5	-1.0
Dealing and placement of securities	176	91	85	93.4
Currency dealing	10	10	-	-
Portfolio management	539	493	46	9.3
Distribution of insurance products	373	327	46	14.1
Other	40	41	-1	-2.4
Management, dealing and consultancy activities	1,138	962	176	18.3
Other net fee and commission income	206	209	-3	-1.4
Net fee and commission income	1,855	1,687	168	10.0

Quarterly development
Net fee and commission income

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

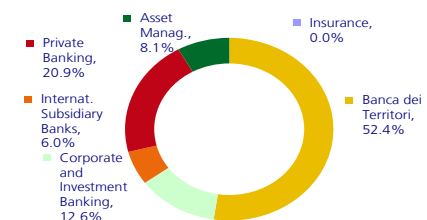
Net fee and commission income for the first three months of 2017, which makes up almost 45% of operating income, came to 1,855 million euro, up 10% compared to the same period of 2016, mainly as a result of the positive performance of the management and dealing activity, which benefited from a partial recovery in prices and an increase in volumes traded.

Fee and commission income on commercial banking activities amounted to 511 million euro, compared to the 516 million euro obtained in the first quarter of 2016 essentially in relation to the limited reduction in the fees and commissions on debit card and credit card services. Management, dealing and financial consultancy activities, which provided the greatest contribution, generated net fee and commission income of 1,138 million euro, up 18.3%.

The significant commercial effort devoted by the Group's distribution network to asset management products, accompanied by an improvement in the situation on the stock markets and the volumes of securities traded, produced notable growth in fee and commission income on portfolio management and securities dealing and placement in the first three months of 2017. In addition, a considerable increase was recorded in fees and commissions on insurance products (+14.1%), while other management and dealing commissions and other net fee and commission income remained substantially stable.

	31.03.2017	31.03.2016	(millions of euro)	
			Changes amount	%
Banca dei Territori	1,017	950	67	7.1
Corporate and Investment Banking	245	218	27	12.4
International Subsidiary Banks	116	115	1	0.9
Private Banking	405	380	25	6.6
Asset Management	157	126	31	24.6
Insurance	-	-	-	-
Total business areas	1,940	1,789	151	8.4
Corporate Centre	-85	-102	-17	-16.7
Intesa Sanpaolo Group	1,855	1,687	168	10.0

Business areas

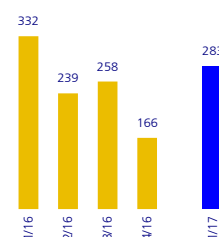


Figures restated, where necessary, considering the changes in the scope of consolidation and in business unit constituents.

As regards the business areas, all the business units contributed positively: the Banca dei Territori Division, which represents more than half the result of the business units, showed an increase in fee and commission income (+7.1%, or +67 million euro), mostly coming from the asset management segment and the bancassurance and protection products; the Asset Management Division recorded a 24.6% increase, thanks to the positive performance of management fees related to the development of average assets under management; the Corporate and Investment Banking Division recorded a 12.4% increase due to greater fee and commission income, especially in the capital markets sector; the Private Banking Division posted a 6.6% increase, confirming the good performance of assets under management.

Income from insurance business

Captions (a)	31.03.2017			31.03.2016			Changes		Quarterly development Income from insurance business
	Life	Non-life	Total	Life	Non-life	Total	amount	%	
Technical margin	-46	21	-25	13	17	30	-55		
Net insurance premiums (b)	1,715	84	1,799	3,029	71	3,100	-1,301	-42.0	
Net charges for insurance claims and surrenders (c)	-2,205	-22	-2,227	-2,035	-21	-2,056	171	8.3	
Net charges for changes in technical reserves (d)	173	-	173	-1,254	-	-1,254	1,427		
Gains (Losses) on investments pertaining to insured parties on insurance products (e)	333	-	333	352	-	352	-19	-5.4	
Net fees on investment contracts (f)	75	-	75	59	-	59	16	27.1	
Commission expenses on insurance contracts (g)	-133	-28	-161	-140	-22	-162	-1	-0.6	
Other technical income and expense (h)	-4	-13	-17	2	-11	-9	8	88.9	
Net investment result	341	4	345	326	12	338	7	2.1	
Operating income from investments	1,619	4	1,623	78	12	90	1,533		
<i>Net interest income</i>	<i>488</i>	<i>1</i>	<i>489</i>	<i>481</i>	<i>2</i>	<i>483</i>	<i>6</i>	<i>1.2</i>	
<i>Dividends</i>	<i>43</i>	<i>1</i>	<i>44</i>	<i>41</i>	<i>-</i>	<i>41</i>	<i>3</i>	<i>7.3</i>	
<i>Gains/losses on disposal</i>	<i>397</i>	<i>2</i>	<i>399</i>	<i>137</i>	<i>10</i>	<i>147</i>	<i>252</i>		
<i>Valuation gains/losses</i>	<i>710</i>	<i>-</i>	<i>710</i>	<i>-562</i>	<i>-</i>	<i>-562</i>	<i>1,272</i>		
<i>Portfolio management fees paid (i)</i>	<i>-19</i>	<i>-</i>	<i>-19</i>	<i>-19</i>	<i>-</i>	<i>-19</i>	<i>-</i>	<i>-</i>	
Gains (losses) on investments pertaining to insured parties	-1,278	-	-1,278	248	-	248	-1,526		
<i>Insurance products (j)</i>	<i>-316</i>	<i>-</i>	<i>-316</i>	<i>-332</i>	<i>-</i>	<i>-332</i>	<i>-16</i>	<i>-4.8</i>	
<i>Investment's unrealized capital gains/losses pertaining to insured parties on insurance products (k)</i>	<i>-17</i>	<i>-</i>	<i>-17</i>	<i>-20</i>	<i>-</i>	<i>-20</i>	<i>-3</i>	<i>-15.0</i>	
<i>Investment products (l)</i>	<i>-945</i>	<i>-</i>	<i>-945</i>	<i>600</i>	<i>-</i>	<i>600</i>	<i>-1,545</i>		
Income from insurance business gross of consolidation effects	295	25	320	339	29	368	-48	-13.0	
Consolidation effects	-37	-	-37	-34	-2	-36	1	2.8	
Income from insurance business	258	25	283	305	27	332	-49	-14.8	



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

- (a) The table illustrates the economic components of the insurance business broken down into those regarding:
- products considered to be insurance products according to IAS/IFRS, which include contracts where the risk insured is considered significant or in which the decision of the return on the contracts is not market-based but depends on the insurance company's choices;
 - investment products, which include financial products without a significant insurance risk. The latter are accounted for in the consolidated financial statements as financial movements.
- (b) The caption includes premiums issued only for products considered to be insurance products according to IAS/IFRS, net of the portions ceded to reinsurers. For the non-life insurance business, the change in the premiums reserve is also included.
- (c) The caption includes the amounts paid (claims, surrenders and maturities) and the change in claims reserves and reserves for amounts to be paid, net of portions ceded to reinsurers.
- (d) The caption includes the change in technical reserves, net of the portions ceded to reinsurers.
- (e) The caption includes the portion of the profit/loss from investments (for insurance products) pertaining to insured parties, including the impact of shadow accounting.
- (f) The caption includes net fees on investment products; specifically, charges paid by customers, management fees received by the financial units and fee expenses reversed by the insurance companies to the sales network and management companies.
- (g) The caption includes commission expenses on insurance products (including unit and index-linked insurance products and pension funds) paid to the sales network.
- (h) Residual caption comprising fee income on insurance product management fee income (unit and index-linked insurance products and pension funds), rebates, net interest income on current accounts of the insurance company and on subordinated loans and other income and technical charges.
- (i) The caption includes fees paid to management companies for the management of traditional insurance products (separate management) portfolios and pension funds. This also includes fees from consolidated funds underlying insurance units.
- (j) The caption includes the portion of the profit/loss from investments (for insurance products) pertaining to insured parties, without the impact of shadow accounting.
- (k) The caption includes the portion of unrealized capital gains/losses pertaining to insured parties on insurance products (shadow accounting).
- (l) The caption refers to the valuation of financial liabilities designated at fair value which represent the amount payable to insured parties for investment products.

During the first quarter of 2017, income from insurance business, which includes the cost and revenue captions of the insurance business of the Group's life and non-life companies, recorded a drop in revenues, standing at 283 million euro, compared to the 332 million euro recorded in the same period of 2016. The life business was penalised by a drop in the technical margin, due to the decline in premiums on traditional products, against a good net investment result. The non-life business was essentially stable, standing at 25 million euro compared to 27 million euro recorded in the first quarter of 2016; the increase in the technical margin offset the worsening of financial management.

	31.03.2017			31.03.2016	
	Periodic premiums	Single premiums	Total	of which new business	
Life insurance business	48	1,668	1,716	1,668	3,029
Premiums issued on traditional products	43	1,529	1,572	1,529	2,899
Premiums issued on unit-linked products	2	2	4	2	6
Premiums issued on capitalisation products	-	-	-	-	-
Premiums issued on pension funds	3	137	140	137	124
Non-life insurance business	19	67	86	14	71
Premiums issued	24	92	116	64	91
Change in premium reserves	-5	-25	-30	-50	-20
Premiums ceded to reinsurers	-1	-2	-3	-2	-2
Net premiums from insurance products	66	1,733	1,799	1,680	3,098
Business on index-linked contracts	-	-	-	-	-
Business on unit-linked contracts	20	4,301	4,321	4,302	3,250
Total business from investment contracts	20	4,301	4,321	4,302	3,250
Total business	86	6,034	6,120	5,982	6,348

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

In the first three months of 2017, business in the insurance segment remained at high levels (6.1 billion euro), just below the corresponding period in 2016, where premiums of 6.3 billion euro were deposited. The shift towards unit-linked investment contracts compared to traditional life business policies, which had already been observed last year, continued during the period. New business was nearly 6 billion euro, confirming the fact that the premiums of the Group's insurance companies relate almost entirely to new single-premium contracts.

Profits (Losses) on trading

	31.03.2017		31.03.2016		Changes		Quarterly development Profits (Losses) on trading
	amount	%	amount	%	amount	%	
Interest rates	97		34		63		
Equity instruments	58		-24		82		
Currencies	-28		54		-82		
Structured credit products	8		-1		9		
Credit derivatives	20		17	17.6	3		
Commodity derivatives	2		11	-81.8	-9		
Trading result	157		91		66	72.5	
Trading on AFS securities and financial liabilities	69		137		-68	-49.6	
Profits (Losses) on trading	226		228		-2	-0.9	

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

In the first quarter of 2017, trading activities yielded a profit of 226 million euro, slightly down (-0.9%) compared to the same period of the previous year, when greater capital gains were realised on portfolios of financial assets available for sale. The performance on an annual basis is attributable to the drop in trading in AFS securities and financial liabilities, which was almost entirely offset by the results of trading activities, especially those on interest rates and equity instruments. It should be noted that the sub-caption "Trading on AFS securities and financial liabilities" incorporates, in addition to dividends and proceeds on the trading of securities classified as available for sale, the effects of the measurement at fair value of financial liabilities issued associated with an assessment of creditworthiness in accordance with the fair value option.

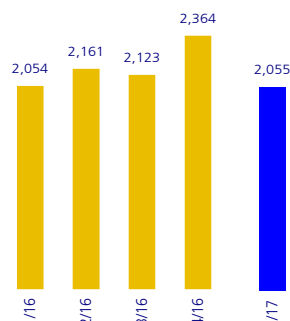
Other operating income (expenses)

In the first quarter of this year, Other operating income and expenses, which totalled 40 million euro (75 million euro in the same period of 2016) include the income and expenses from continuing operations - except for recoveries of expenses, taxes and duties, which are deducted from the sub-captions of administrative expenses - as well as profits on investments carried at equity. For the first three months of 2017, this aggregate recorded a positive balance of 30 million euro, though lower than the 74 million euro posted for the same period of the previous year due to the smaller contribution of companies consolidated at equity.

Operating costs

	31.03.2017	31.03.2016	Changes	
			amount	%
Wages and salaries	880	877	3	0.3
Social security charges	229	219	10	4.6
Other	177	183	-6	-3.3
Personnel expenses	1,286	1,279	7	0.5
Information technology expenses	151	148	3	2.0
Management of real estate assets expenses	131	135	-4	-3.0
General structure costs	98	100	-2	-2.0
Professional and legal expenses	76	77	-1	-1.3
Advertising and promotional expenses	18	20	-2	-10.0
Indirect personnel costs	25	20	5	25.0
Other costs	74	83	-9	-10.8
Indirect taxes and duties	199	211	-12	-5.7
Recovery of expenses and charges	-189	-197	-8	-4.1
Administrative expenses	583	597	-14	-2.3
Property and equipment	81	84	-3	-3.6
Intangible assets	105	94	11	11.7
Adjustments	186	178	8	4.5
Operating costs	2,055	2,054	1	-

Quarterly development Operating costs

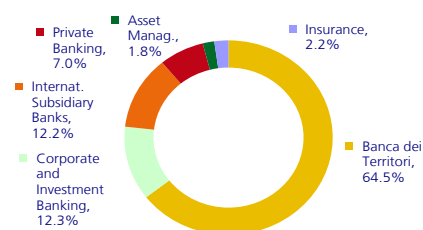


Figures restated, where necessary, considering the changes in the scope of consolidation.

Operating costs amounted to 2,055 million euro and were stable compared to those recorded in the first quarter of 2016. Personnel expenses, at 1,286 million euro, showed a slight increase (+0.5%). Administrative expenses continued their positive performance, which has distinguished the Intesa Sanpaolo Group since its establishment, and stood at 583 million euro, down 2.3% as a result of the savings achieved on property management expenses, general structure costs, advertising and other costs. Adjustments equalled 186 million euro, up 4.5% compared with the first quarter of 2016, mostly due to the incidence of amortisation of intangible assets in relation to the investments made. The cost/income ratio for the period amounted to 48.8%, improving compared to the 49.2% recorded for the same period of 2016 due to the upswing in revenues and the containment of operating costs.

	31.03.2017	31.03.2016	Changes	
			amount	%
Banca dei Territori	1,185	1,200	-15	-1.3
Corporate and Investment Banking	226	222	4	1.8
International Subsidiary Banks	224	239	-15	-6.3
Private Banking	129	124	5	4.0
Asset Management	34	31	3	9.7
Insurance	40	37	3	8.1
Total business areas	1,838	1,853	-15	-0.8
Corporate Centre	217	201	16	8.0
Intesa Sanpaolo Group	2,055	2,054	1	-

Business areas



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

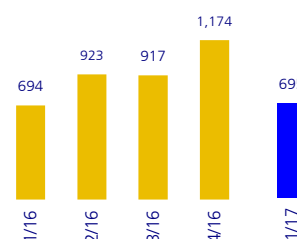
The performance of Group operating costs was the result of a differentiated dynamic amongst the business units. The Banca dei Territori Division, which accounts for about 65% of all costs for the business areas, reported savings compared to the first quarter of 2016 (-1.3%) mainly focusing on administrative expenses relating to the real estate service. Operating costs also fell for the International Subsidiary Banks (-15 million euro, or -6.3%), due to the reduction in personnel expenses and, to a lesser extent, administrative expenses and adjustments. Conversely, operating costs for Corporate and Investment Banking (+1.8%), Private Banking (+4%), Insurance (+8.1%) and Asset Management (+9.7%) recorded increases, which were limited in absolute terms.

Operating margin

The operating margin was 2,154 million euro in the first three months of 2017, up 1.5% compared to the same period of 2016, as a result of the moderate increase in revenue performance and cost stability.

Net adjustments to loans

	31.03.2017	31.03.2016	(millions of euro)	
			Changes amount	%
Bad loans	-394	-505	-111	-22.0
Unlikely to pay	-261	-173	88	50.9
Past due loans	-72	-74	-2	-2.7
Performing loans	33	27	6	22.2
Net losses/recoveries on impairment of loans	-694	-725	-31	-4.3
Net adjustments to/recoveries on guarantees and commitments	-1	31	-32	
Net adjustments to loans	-695	-694	1	0.1

**Quarterly development
Net adjustments to loans**

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

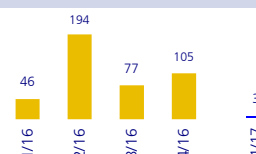
Given the stability of adjustments to loans on an annual basis, also the cost of credit, expressed as the ratio of net adjustments to net loans, remained at levels similar to those recorded in the first quarter of 2016 (76 bps compared to 77 bps) and notably lower than the value at the end of 2016 (102 bps).

Due to the lower impairment losses on non-performing assets, which offset the absence of use of the fund for commitments and guarantees, net adjustments to loans amounted to 695 million euro, maintaining an adequate and rigorous coverage of non-performing loans. Bad loans required total net adjustments of 394 million euro, compared to 505 million euro in the first quarter of 2016, with an average coverage ratio of 60.4%. Net impairment losses on unlikely to pay exposures, totalling 261 million euro, increased compared to 173 million euro recorded in the same period of 2016, with a coverage ratio of 27.3%. Net impairment losses on past due loans amounted to 72 million euro, with a coverage ratio of 22.3%. The coverage ratio for forborne positions within the non-performing loans category was 31.2% at the end of March 2017.

Lastly, the generic reserve offers a stable coverage ratio of 0.5% for the ordinary risk inherent in the performing loans portfolio. The greater recoveries on this portfolio are justified by the decrease in incurred loss.

Net provisions and net impairment losses on other assets

	31.03.2017	31.03.2016	(millions of euro)	
			Changes amount	%
Net provisions	-1	-16	-15	-93.8
Net impairment losses on other assets	-2	-30	-28	-93.3
Net provisions and net impairment losses on other assets	-3	-46	-43	-93.5

Net provisions and net impairment losses on other assets

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

Within the new layout of the reclassified income statement, this caption consists of the net provisions for risks and charges and net provisions and net impairment losses on other assets. In the first three months of 2017, net provisions for risks and charges stood at -1 million euro, compared to -16 million euro in the first quarter of 2016. Net impairment losses on other assets (financial assets available for sale and property and equipment and intangible assets) recorded a balance of -2 million euro (-30 million euro in the same period of 2016), essentially attributable to the impairment on equities.

Other income (expenses)

In this caption of the reclassified income statement, the "realised profits (losses) on investments held to maturity and on other investments" are aggregated together with other income and expenses not strictly linked to operations. In the first quarter of 2017, other income came to 196 million euro, compared to 5 million euro in the first three months of 2016. In the period under review, the positive effect was recorded deriving from the measurement at fair value of the investment in Bank of Qingdao (190 million euro) as a consequence of the reclassification of the investment, no longer included among the entities subject to significant influence.

Income (Loss) from discontinued operations

Income or loss from discontinued operations was zero in the first quarter of 2017, while in the same period of 2016, 20 million euro was recorded referring to ordinary profit of the companies Setefi and ISP Card subject to transfer in the last quarter of the previous year.

Gross income

Income before tax from continuing operations came to 1,652 million euro, up +17.3% compared to the 1,408 million euro posted in the first quarter of 2016.

Income tax

Current and deferred taxes came to 445 million euro, corresponding to a tax rate of 26.9%.

Charges (net of tax) for integration and exit incentives

This caption amounted to 12 million euro, compared to 13 million euro reported for the first three months of 2016.

Effect of purchase price allocation (net of tax)

This caption comprises amounts attributable to the revaluation of loans, debts, real estate and the recognition of new intangible assets, in application of IFRS 3, upon recognition of acquisition transactions. In the first quarter of 2017, these costs amounted to 6 million euro, confirming the declining trend already observed in previous periods.

Levies and other charges concerning the banking industry (net of tax)

The caption includes the charges imposed by legislative provisions and/or aimed at maintaining the stability of the banking system and consequently outside the company management. In the first quarter of 2017, levies and other charges concerning the banking industry (net of tax) reached 282 million euro, up sharply on the 102 million euro recorded in the same period of the previous year, due to the charges related to the Atlante Fund established to tackle the banking crisis, for which 175 million euro was allocated in the quarter. In the quarter the charges estimated for all of 2017 for the ordinary contributions to the European resolution fund (104 million euro) and the contributions to the deposit guarantee scheme of some international subsidiaries (3 million euro) were recorded.

Minority interests

Minority interests, amounting to 6 million euro, down compared to the 26 million in the first quarter of 2016, mainly refer to the income from the Group's indirect international investments.

Net income (loss)

As a result of the above trends, the Group ended the first quarter of 2017 with net income of 901 million euro. This result, which together with that of the second quarter of 2016, is the highest of the 2016-2017 period, was positively affected by the performance of net fee and commission income and other income (including the effect of the measurement at fair value of the investment in Bank of Qingdao) and impacted by the charges to support the stability of the banking system.

Balance sheet aggregates

General aspects

A condensed balance sheet is prepared to permit a more immediate understanding of the Group's assets and liabilities. Where necessary, comparative figures are restated to account for discontinued operations and changes in the scope of consolidation. As usual, certain aggregations and reclassifications have been made with respect to the model provided in Circular 262/05 of the Bank of Italy.

The restated financial statements are obtained by making appropriate adjustments to historical data to reflect the significant effects of such changes retroactively. Any differences due to the possibility of choosing between different options provided for by IAS/IFRS or arising from the use of different methods or parameters to measure assets and liabilities are not considered, as they are deemed irrelevant. Last, please note that no intragroup relations are netted where their amount is not significant.

Breakdowns of restatements, aggregations and reclassifications are provided in separate tables included in the attachments to the consolidated financial statements, as also required by Consob in its Communication 6064293 of 28 July 2006.

Aggregations of captions refer to:

- the inclusion of Cash and cash equivalents in the residual caption Other assets;
- the inclusion of Hedging derivatives and Fair value change of financial assets/liabilities in hedged portfolios in Other assets/liabilities;
- the inclusion of the technical insurance reserves reassured with third parties under Other assets;
- the aggregation in one single caption of Property and equipment and Intangible assets;
- the aggregation of Due to customers and Securities issued into one caption;
- the aggregation into one caption of allowances for specific purpose (Employee termination indemnities and Allowances for risks and charges);
- the presentation of Reserves as an aggregate and net of any treasury shares.

To provide a more effective presentation of the composition of aggregates, derivatives recorded in Financial assets/liabilities held for trading and Due from/Due to banks are presented on a net basis in the detail tables and in the relative comments.

Reclassified balance sheet

(millions of euro)				
Assets	31.03.2017	31.12.2016	Changes amount	%
Financial assets held for trading	44,484	43,613	871	2.0
<i>of which: Insurance Companies</i>	498	514	-16	-3.1
Financial assets designated at fair value through profit and loss	67,438	63,865	3,573	5.6
<i>of which: Insurance Companies</i>	66,330	62,743	3,587	5.7
Financial assets available for sale	150,000	146,692	3,308	2.3
<i>of which: Insurance Companies</i>	78,916	79,286	-370	-0.5
Investments held to maturity	1,229	1,241	-12	-1.0
Due from banks	58,897	53,146	5,751	10.8
Loans to customers	366,648	364,713	1,935	0.5
Investments in associates and companies subject to joint control	736	1,167	-431	-36.9
Property, equipment and intangible assets	12,205	12,301	-96	-0.8
Tax assets	14,343	14,444	-101	-0.7
Non-current assets held for sale and discontinued operations	431	423	8	1.9
Other assets	23,042	23,495	-453	-1.9
Total Assets	739,453	725,100	14,353	2.0
Liabilities and Shareholders' Equity	31.03.2017	31.12.2016	Changes amount	%
Due to banks	92,584	72,641	19,943	27.5
Due to customers and securities issued	377,356	386,659	-9,303	-2.4
<i>of which: Insurance Companies</i>	1,331	1,295	36	2.8
Financial liabilities held for trading	43,360	44,790	-1,430	-3.2
<i>of which: Insurance Companies</i>	78	86	-8	-9.3
Financial liabilities designated at fair value through profit and loss	60,562	57,187	3,375	5.9
<i>of which: Insurance Companies</i>	60,559	57,184	3,375	5.9
Tax liabilities	2,084	2,038	46	2.3
Liabilities associated with non-current assets held for sale and discontinued operations	273	272	1	0.4
Other liabilities	23,001	21,745	1,256	5.8
Technical reserves	84,405	85,619	-1,214	-1.4
Allowances for specific purpose	4,737	4,830	-93	-1.9
Share capital	8,732	8,732	-	-
Reserves	39,903	36,805	3,098	8.4
Valuation reserves	-2,159	-1,854	305	16.5
Equity instruments	3,358	2,117	1,241	58.6
Minority interests	356	408	-52	-12.7
Net income (loss)	901	3,111	-2,210	-71.0
Total Liabilities and Shareholders' Equity	739,453	725,100	14,353	2.0

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

As at 31 March 2017, Intesa Sanpaolo's consolidated assets and liabilities increased by 2% compared to 31 December 2016. With regard to assets, growth was posted in loans to customers, loans to banks and total financial assets. Among liabilities, the decline in amounts due to customers and securities issued, financial liabilities held for trading and technical reserves was widely offset by the increase in due to banks, financial liabilities designated at fair value through profit or loss attributable to the Group's insurance companies and equity reserves.

Quarterly development of the reclassified balance sheet

(millions of euro)

Assets	2017	2016			
	31/3	31/12	30/9	30/6	31/3
Financial assets held for trading	44,484	43,613	50,232	52,499	54,786
<i>of which: Insurance Companies</i>	498	514	524	648	721
Financial assets designated at fair value through profit and loss	67,438	63,865	61,338	57,948	54,480
<i>of which: Insurance Companies</i>	66,330	62,743	60,187	56,908	53,358
Financial assets available for sale	150,000	146,692	146,885	152,465	142,816
<i>of which: Insurance Companies</i>	78,916	79,286	80,792	80,379	78,393
Investments held to maturity	1,229	1,241	1,231	1,246	1,317
Due from banks	58,897	53,146	37,528	36,879	33,540
Loans to customers	366,648	364,713	364,836	360,240	358,478
Investments in associates and companies subject to joint control	736	1,167	1,253	1,266	1,281
Property, equipment and intangible assets	12,205	12,301	12,108	12,116	12,114
Tax assets	14,343	14,444	14,163	14,398	14,583
Non-current assets held for sale and discontinued operations	431	423	906	1,100	3,671
Other assets	23,042	23,495	23,917	27,135	23,297
Total Assets	739,453	725,100	714,397	717,292	700,363
Liabilities and Shareholders' Equity	2017	2016			
	31/3	31/12	30/9	30/6	31/3
Due to banks	92,584	72,641	69,641	67,656	60,343
Due to customers and securities issued	377,356	386,659	372,372	379,643	373,224
<i>of which: Insurance Companies</i>	1,331	1,295	1,320	1,362	1,361
Financial liabilities held for trading	43,360	44,790	48,143	49,340	48,936
<i>of which: Insurance Companies</i>	78	86	117	104	95
Financial liabilities designated at fair value through profit and loss	60,562	57,187	54,373	51,360	48,031
<i>of which: Insurance Companies</i>	60,559	57,184	54,373	51,360	48,031
Tax liabilities	2,084	2,038	2,235	2,186	2,564
Liabilities associated with non-current assets held for sale and discontinued operations	273	272	413	336	350
Other liabilities	23,001	21,745	25,939	26,798	25,181
Technical reserves	84,405	85,619	87,370	86,813	86,664
Allowances for specific purpose	4,737	4,830	5,049	4,987	4,792
Share capital	8,732	8,732	8,732	8,732	8,732
Reserves	39,903	36,805	36,774	36,830	39,184
Valuation reserves	-2,159	-1,854	-1,737	-1,860	-1,387
Equity instruments	3,358	2,117	2,118	2,118	2,118
Minority interests	356	408	640	646	825
Net income (loss)	901	3,111	2,335	1,707	806
Total Liabilities and Shareholders' Equity	739,453	725,100	714,397	717,292	700,363

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

Loans to customers

	31.03.2017		31.12.2016		Changes		Quarterly development Loans to customers
	amount	% breakdown	amount	% breakdown	amount	%	
Current accounts	22,001	6.0	21,142	5.8	859	4.1	
Mortgages	147,300	40.2	145,342	39.8	1,958	1.3	
Advances and other loans	127,012	34.6	124,099	34.0	2,913	2.3	
Commercial banking loans	296,313	80.8	290,583	79.6	5,730	2.0	
Repurchase agreements	27,671	7.5	29,940	8.2	-2,269	-7.6	
Loans represented by securities	13,442	3.7	14,423	4.0	-981	-6.8	
Non-performing loans	29,222	8.0	29,767	8.2	-545	-1.8	
Loans to customers	366,648	100.0	364,713	100.0	1,935	0.5	

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

As at 31 March 2017, Intesa Sanpaolo Group loans to customers amounted to 367 billion euro, up 0.5% compared to the end of the previous year.

The positive performance of loans was due to the increase in commercial banking loans (+5.7 billion euro, equal to +2%), while the other components were down, especially the reverse repurchase agreements, whose balance decreased by 2.3 billion euro (-7.6%), and the loans represented by securities (-1 billion euro). The recovery in commercial banking loans, which benefited from the improved outlook for the economy, was driven by the development of advances and loans (+2.9 billion euro, or +2.3%) and the expansion of mortgages (+2 billion euro, or +1.3%). In the presence of advantageous market conditions for customers, there was an increase in loans to businesses aimed at funding investments and working capital, and medium/long-term loans to individuals, in the form of consumer credit products and mortgage loans for home purchases.

In the domestic medium-/long-term loan market, disbursements to households in the first quarter of 2017 (including the small business accounts having similar needs to family businesses) exceeded 5 billion euro, while disbursements to businesses under the Banca dei Territori scope (including customers with turnover of up to 350 million euro) came to approximately 4 billion euro. During the same period, medium/long-term disbursements to segments included in the scope of the Corporate Division amounted to 3.1 billion euro. Including the extra-captive activities of Mediocredito, disbursements within Italy amounted to 12.5 billion euro. On the whole, medium/long-term disbursements for the Group in the first quarter of 2017 were close to 20 billion euro.

As at 31 March 2017, the Group's share of the domestic market (calculated on the harmonised time-series established for countries in the Eurozone) was estimated at 15.9% for total loans. The estimate was based on the sample deriving from the ten-day report of the Bank of Italy as the global banking system figure for the end of March is not yet available.

	31.03.2017		31.12.2016		Changes		Business areas
	amount	%	amount	%	amount	%	
Banca dei Territori	190,960		188,317		2,643	1.4	
Corporate and Investment Banking	103,267		98,183		5,084	5.2	
International Subsidiary Banks	27,159		26,492		667	2.5	
Private Banking	8,887		9,597		-710	-7.4	
Asset Management	262		298		-36	-12.1	
Insurance	25		26		-1	-3.8	
Total business areas	330,560		322,913		7,647	2.4	
Corporate Centre	36,088		41,800		-5,712	-13.7	
Intesa Sanpaolo Group	366,648		364,713		1,935	0.5	

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

In the analysis of loans by business area, the Banca dei Territori Division, which accounts for approximately 60% of the aggregate of the Group's business areas, recorded a slight increase (+2.6 billion euro, or +1.4%) compared to the end of last year, due essentially to medium-/long-term loans to individuals (households and personal loans) and to companies. The most significant contribution in absolute terms was provided by the Corporate and Investment Banking Division (+5.1 billion euro, or +5.2%), also due to increased operations in repurchase agreements by Banca IMI. There was also an increase in loans of the International Subsidiary Banks (+2.5%), particularly those granted by the subsidiaries operating in Hungary, Slovakia and Croatia. Conversely, Private Banking loans (-7.4%) are down, mainly due to the decrease in repurchase agreement transactions with institutional customers; those of Asset Management (-12.1%), whose overall volume is small and which represent the management fees to be collected, are also down. The decline in Corporate Centre loans (-13.7%) is largely attributable to a decrease in reverse repurchase agreements with Cassa di Compensazione e Garanzia, as well as to the decline in the stock of bad loans managed by the Capital Light Bank.

Loans to customers: credit quality

(millions of euro)

	31.03.2017		31.12.2016		Change	
	Net exposure	% breakdown	Net exposure	% breakdown	Net exposure	
Bad loans	14,568	4.0	14,895	4.1	-327	
Unlikely to pay	14,215	3.9	14,435	4.0	-220	
Past due loans	439	0.1	437	0.1	2	
Non-performing loans	29,222	8.0	29,767	8.2	-545	
of which forborne	8,080		8,204		-124	
Performing loans	323,984	88.3	320,523	87.8	3,461	
of which forborne	7,667		7,828		-161	
Loans represented by performing securities	13,442	3.7	14,423	4.0	-981	
of which forborne	95		96		-1	
Loans to customers	366,648	100.0	364,713	100.0	1,935	

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

As at 31 March 2017, the Group's non-performing loans, net of adjustments, came to 29.2 billion euro, below the levels of the end of 2016 (-1.8%), and confirming the gradual decrease shown during the last year. Compared to the end of December 2016, there was also a decrease in non-performing assets as a percentage of total net loans to customers, down to 8% from 8.2% at the end of 2016.

In further detail, bad loans came to 14.6 billion euro, net of adjustments, at the end of the first quarter of 2017, down (-2.2%) from the beginning of the year, and represented 4% of total loans (4.1% at the end of 2016). During the same period, the coverage ratio stood at 60.4% (60.6% in December 2016). Loans included in the unlikely to pay category amounted to 14.2 billion euro, down by 1.5%, accounting for 3.9% of total loans to customers, with a coverage ratio of 27.5% (26.9% in December 2016). Past due loans amounted to 439 million euro, up 0.5% since the beginning of the year, with a coverage ratio which rose to 22.7%. Forborne exposures are generated by forbearance measures for borrowers experiencing difficulty in meeting their financial obligations, according to the definition introduced by the European Banking Authority with the aim of harmonising the classification of the definitions of non-performing loans and forbearance practices (renegotiation due to financial difficulty by the debtor) at the European level. Within the non-performing loan category, forborne exposures amounted to 8.1 billion euro, with an average coverage ratio of 31.2%, whereas those in the performing loan category were slightly lower (7.7 billion euro). The coverage ratio of performing loans was 0.5%.

Customer financial assets

(millions of euro)

	31.03.2017		31.12.2016		Changes	
	Net exposure	% breakdown	Net exposure	% breakdown	amount	%
Direct deposits from banking business	383,822	44.4	393,798	45.6	-9,976	-2.5
Direct deposits from insurance business and technical reserves	146,295	16.9	144,098	16.7	2,197	1.5
Indirect customer deposits	479,659	55.5	468,855	54.2	10,804	2.3
Netting ^(a)	-144,964	-16.8	-142,803	-16.5	2,161	1.5
Customer financial assets	864,812	100.0	863,948	100.0	864	0.1

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

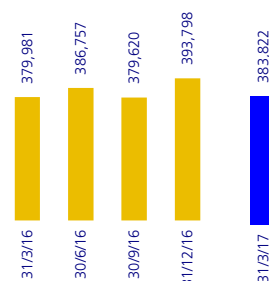
^(a) Netting refers to components of indirect deposits which are also included in direct customer deposits (financial liabilities of the insurance business designated at fair value, technical reserves).

As at 31 March 2017, customer financial assets amounted to 865 billion euro, remaining substantially stable compared to the beginning of the year (+0.1%) due to the increase in indirect deposits, growing 10.8 billion euro, and to a lesser extent insurance deposits, which offset the drop in direct deposits, which are related to institutional customers and the investment in asset management products.

Direct deposits from banking business

The table below sets out amounts due to customers, securities issued, including those designated at fair value, and capital-protected certificates.

	31.03.2017		31.12.2016		Changes	
	amount	% breakdown	amount	% breakdown	amount	%
Current accounts and deposits	249,528	65.0	257,733	65.5	-8,205	-3.2
Repurchase agreements and securities lending	27,432	7.1	24,561	6.2	2,871	11.7
Bonds	68,744	17.9	73,214	18.6	-4,470	-6.1
<i>of which designated at fair value (*)</i>	-	-	-	-	-	-
Certificates of deposit	3,423	0.9	3,933	1.0	-510	-13.0
Subordinated liabilities	13,727	3.6	13,813	3.5	-86	-0.6
Other deposits	20,968	5.5	20,544	5.2	424	2.1
<i>of which designated at fair value (**)</i>	7,797	2.0	8,434	2.1	-637	-7.6
Direct deposits from banking business	383,822	100.0	393,798	100.0	-9,976	-2.5

**Quarterly development
Direct deposits from banking business**

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

(*) Figures included in the Balance sheet under Financial liabilities designated at fair value through profit and loss.

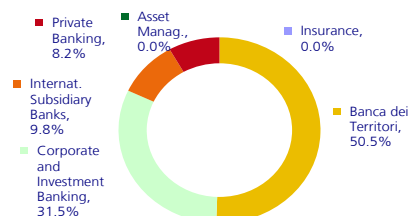
(**) Figures included in the Balance sheet under Financial liabilities held for trading.

The total of direct deposits from banking business, nearly 384 billion euro, was down 2.5% compared to the end of December 2016, with diverging performances by the main deposit types.

In particular, there was a reduction in current accounts and deposits (-8.2 billion euro, or -3.2%), bonds (-4.5 billion euro, or -6.1%) and, to a lesser extent, certificates of deposit (-0.5 billion euro, or -13%) and subordinated liabilities (-0.1 billion euro, or -0.6%). Conversely, a positive performance was recorded in repurchase agreement transactions (+2.9 billion euro, or +11.7%) and other deposits (+0.4 billion euro, or +2.1%), whose increase derives from commercial papers and sums available to customers.

At the end of March 2017, the market share of the Group's direct deposits on the harmonised domestic market, consisting of deposits and bonds, according to the ECB definition, was estimated at 16.5%. As already described above in reference to loans, this estimate is based on figures from the sample deriving from the ten-day report produced by the Bank of Italy.

	31.03.2017		31.12.2016		Changes	
	amount	%	amount	%	amount	%
Banca dei Territori	172,152		173,599		-1,447	-0.8
Corporate and Investment Banking	107,108		112,661		-5,553	-4.9
International Subsidiary Banks	33,266		32,978		288	0.9
Private Banking	27,979		27,540		439	1.6
Asset Management	7		8		-1	-12.5
Insurance	-		-		-	-
Total business areas	340,512		346,786		-6,274	-1.8
Corporate Centre	43,310		47,012		-3,702	-7.9
Intesa Sanpaolo Group	383,822		393,798		-9,976	-2.5

Business areas

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

The breakdown by Group business areas shows that Banca dei Territori, which accounts for half of the aggregate attributable to the Group's total business areas, recorded a drop of 1.4 billion euro (-0.8%) since the end of December 2016 due to securities issued. Also the Corporate and Investment Banking deposits were down (-4.9%) consequently to the declining trend both in amounts due to customers and securities issued. On the other hand, there were improvements in the funding of Private Banking (+1.6%), primarily as a result of current account deposits and repurchase agreements, and of the International Subsidiary Banks (+0.9%), in the securities issued segment. The funding for the Corporate Centre decreased (-7.9%) compared to the end of 2016, also in connection with the lower level of placements of certificates of deposit.

Direct deposits from insurance business and technical reserves

	31.03.2017		31.12.2016		Changes		Quarterly development Direct insurance deposits and technical reserves
	breakdown	%	breakdown	%	amount	%	
Financial liabilities of the insurance business designated at fair value (*)	60,559	41.4	57,184	39.7	3,375	5.9	
Index-linked products	1	-	1	-	-	-	
Unit-linked products	60,558	41.4	57,183	39.7	3,375	5.9	
Technical reserves	84,405	57.7	85,619	59.4	-1,214	-1.4	
Life business	83,782	57.3	85,026	59.0	-1,244	-1.5	
Mathematical reserves	73,288	50.1	73,508	51.0	-220	-0.3	
Technical reserves where the investment risk is borne by the policyholders (**) and reserves related to pension funds	5,507	3.8	5,455	3.8	52	1.0	
Other reserves	4,987	3.4	6,063	4.2	-1,076	-17.7	
Non-life business	623	0.4	593	0.4	30	5.1	
Other insurance deposits (***)	1,331	0.9	1,295	0.9	36	2.8	
Direct deposits from insurance business and technical reserves	146,295	100.0	144,098	100.0	2,197	1.5	

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

(*) Figures included in the Balance sheet under Financial liabilities designated at fair value through profit and loss.

(**) This caption includes unit- and index-linked policies with significant insurance risk.

(***) Figures included in the Balance sheet under Due to customers and securities issued.

Direct deposits from insurance business came to 146 billion euro at the end of March 2017, up 1.5% compared to 31 December 2016. The more performing component is represented by the financial liabilities of the insurance business designated at fair value, which grew by 3.4 billion euro (+5.9%), thanks to the contribution from unit-linked products. Technical reserves, which constitute the amounts owed to customers subscribing to traditional policies or policies with significant insurance risk, decreased by 1.4% since the beginning of the year, mainly due to the decrease in other reserves of the life insurance business.

Indirect customer deposits

	31.03.2017		31.12.2016		Changes		Quarterly development Indirect deposits
	breakdown	%	breakdown	%	amount	%	
Mutual funds (a)	107,915	22.5	105,787	22.6	2,128	2.0	
Open-ended pension funds and individual pension plans	7,709	1.6	7,489	1.6	220	2.9	
Portfolio management (b)	57,037	11.9	56,064	12.0	973	1.7	
Technical reserves and financial liabilities of the insurance business	135,712	28.3	132,727	28.3	2,985	2.2	
Relations with institutional customers	11,702	2.4	12,014	2.5	-312	-2.6	
Assets under management	320,075	66.7	314,081	67.0	5,994	1.9	
Assets under administration and in custody	159,584	33.3	154,774	33.0	4,810	3.1	
Indirect customer deposits	479,659	100.0	468,855	100.0	10,804	2.3	

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

(a) The caption includes mutual funds established and managed by Eurizon Capital, Banca Fideuram - Intesa Sanpaolo Private Banking (formerly Banca Fideuram) and several international companies. The caption does not include funds held by Group insurance companies and managed by Eurizon Capital, whose values are included in technical reserves, and the contribution of funds established by third parties and managed by Banca Fideuram - Intesa Sanpaolo Private Banking, whose value is included in assets under administration and in custody.

(b) The entry does not include stocks of unit-linked policies of Intesa Sanpaolo Vita, the value of which is included in the technical reserves and financial insurance liabilities.

As at 31 March 2017, indirect deposits amounted to approximately 480 billion euro, up 10.8 billion euro compared to the end of 2016 (+2.3%). Given the favourable conditions of the financial markets, the positive performance was determined by the increase in both assets under management, driven by the products of the insurance segment and mutual funds, and assets under administration.

Assets under management, which account for two-thirds of the total aggregate, were up 6 billion euro in the quarter (+1.9%) owing to net inflows achieved by the distribution networks in particular. Insurance products, in which investor preferences were concentrated, increased by 3 billion euro (+2.2%): during the period the new life business of Intesa Sanpaolo Vita (including Intesa Sanpaolo Life) and Fideuram Vita, inclusive of pension products, amounted to 6 billion euro. Investment funds increased by 2.1 billion euro (+2%) and also pension funds and portfolio management schemes recorded positive trends (respectively +2.9% and +1.7%). Relations with institutional customers are the only declining component (-0.3 billion euro).

Assets under administration recorded an increase (+4.8 billion euro, equal to +3.1%) attributable to the securities and third-party products in the customer dossier.

Financial assets and liabilities

	31.03.2017		31.12.2016		Changes	
		<i>of which Insurance Companies</i>		<i>of which Insurance Companies</i>	amount	%
Financial assets held for trading	44,484	498	43,613	514	871	2.0
<i>of which derivatives at fair value</i>	27,581	15	30,220	12	-2,639	-8.7
Financial assets designated at fair value through profit and loss	67,438	66,330	63,865	62,743	3,573	5.6
Financial assets available for sale	150,000	78,916	146,692	79,286	3,308	2.3
Investments held to maturity	1,229		1,241		-12	-1.0
Total financial assets	263,151	145,744	255,411	142,543	7,740	3.0
Financial liabilities held for trading (*)	-35,566	-78	-36,359	-86	-793	-2.2
<i>of which derivatives at fair value</i>	-29,161	-78	-32,201	-86	-3,040	-9.4

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

(*) The amount of the item does not include capital protected certificates which are included in the direct customer deposits table.

The table above illustrates the breakdown of financial assets and the financial liabilities held for trading. Financial liabilities designated at fair value, referring to insurance business and capital-protected certificates, are not represented as these are included in the direct deposits aggregates.

Total financial assets rose by 3% in the quarter following a generalised increase in the components. Financial assets designated at fair value recorded an increase (+3.6 billion euro, or 5.6%), essentially attributable to equities and units of UCI attributable to insurance companies. Also financial assets available for sale increased significantly, by 3.3 billion euro (+2.3%). Despite the drop in derivatives, financial assets held for trading recorded growth of 2% compared to December 2016 attributable to bonds and other debt securities. Financial liabilities held for trading showed a decrease in the quarter (-0.8 billion euro, or -2.2%).

Net interbank position

The net interbank position as at 31 March 2017 recorded a negative balance (-33.7 billion euro) and a worsening on the figure recorded at the end of 2016 (-19.5 billion euro). The trend was affected by the widening of the overall exposure of the Group towards the ECB (56.7 billion euro) following the participation in the new TLTRO II refinancing operations.

Shareholders' equity

As at 31 March 2017, the Group's shareholders' equity, including net income for the period, came to 50,735 million euro compared to the 48,911 million euro at the end of the previous year. The positive change in equity was primarily due to the new issue of Additional Tier 1 equity instruments for 1,241 million euro and the profit for the period (901 million euro), which offset the negative impact of the revaluation reserves for 305 million euro. No changes in share capital occurred during the quarter.

Valuation reserves

	(millions of euro)			
	Valuation reserves as at 31.12.2016	Change in the period	Valuation reserves as at 31.03.2017	% breakdown
Financial assets available for sale	471	-361	110	-5.1
<i>of which: Insurance Companies</i>	503	-104	399	-18.5
Property and equipment	-	-	-	-
Cash flow hedges	-1,146	80	-1,066	49.4
Legally-required revaluations	348	-3	345	-16.0
Other	-1,527	-21	-1,548	71.7
Valuation reserves	-1,854	-305	-2,159	100.0

As at 31 March 2017, the negative balance of the Group's valuation reserves came to -2,159 million euro, worsening compared to the negative value at the end of December 2016 (-1,854 million euro). The changes for the period were mainly driven by the reserves for financial assets available for sale (-361 million euro) related to debt securities.

Own funds and capital ratios

Own funds and capital ratios	31.03.2017	31.12.2016
(millions of euro)		
Own funds		
Common Equity Tier 1 capital (CET1) net of regulatory adjustments	35,132	35,926
Additional Tier 1 capital (AT1) net of regulatory adjustments	4,696	3,533
TIER 1 CAPITAL	39,828	39,459
Tier 2 capital net of regulatory adjustments	9,002	8,815
TOTAL OWN FUNDS	48,830	48,274
Risk-weighted assets		
Credit and counterparty risks	240,322	243,351
Market and settlement risk	20,058	19,199
Operational risks	19,545	19,545
Other specific risks ^(a)	1,605	1,823
RISK-WEIGHTED ASSETS	281,530	283,918
% Capital ratios		
Common Equity Tier 1 capital ratio	12.5%	12.7%
Tier 1 capital ratio	14.1%	13.9%
Total capital ratio	17.3%	17.0%

^(a) The caption includes all other elements not contemplated in the foregoing captions that are considered when calculating total capital requirements.

Own Funds, risk-weighted assets and the capital ratios as at 31 March 2017 were calculated according to the harmonised rules and regulations for banks and investment companies contained in Directive 2013/36/EU (CRD IV) and in (EU) Regulation 575/2013 (CRR) of 26 June 2013, which transpose the banking supervision standards defined by the Basel Committee (the Basel 3 Framework) to European Union laws, and on the basis of the related Bank of Italy Circulars.

Regulatory provisions governing Own Funds envisage the gradual introduction of the new regulatory framework, through a transitional period generally lasting until 2017, during which several elements that will be eligible for full inclusion in or deduction from Common Equity when the framework is fully effective, will only have a partial percentage effect on Common Equity Tier 1 capital. Generally, the residual percentage, after the applicable portion, is included in/deducted from Additional Tier 1 capital (AT1) or Tier 2 capital (T2), or is considered among risk-weighted assets.

Specific transitional provisions (i.e. grandfathering) have also been established for subordinated instruments that do not meet the requirements envisaged in the new regulatory provisions, aimed at the gradual exclusion of instruments no longer regarded as eligible from Own Funds (over a period of eight years).

As a consequence, as at 31 March 2017, the prudential ratios consider the adjustments required by the transitional provisions for 2017; the application of these transitional provisions, compared to those in force as at 31 December 2016, led to a negative effect on the CET 1 ratio of about 17 bps.

As at 31 March 2017, total Own Funds came to 48,830 million euro, against risk-weighted assets of 281,530 million euro, resulting primarily from credit and counterparty risk and, to a lesser extent, operational and market risk.

In January 2017 Intesa Sanpaolo launched a third Additional Tier 1 (AT1) issue of 1.25 billion euro, targeted at the international markets (a first AT1 issue of 1 billion dollars had been launched in September 2015 and a second one in January 2016 for 1.25 billion euro). This issue has characteristics in line with the provisions of CRD IV and the CRR, is perpetual (with a maturity date tied to the duration of Intesa Sanpaolo, as set in its articles of association) and can be redeemed in advance by the issuer after 10 years from the issue date and on every coupon payment date thereafter. The coupon, payable semi-annually in arrears on 11 January and 11 July of each year, with first payment on 11 July 2017, is equal to 7.75% per annum. If the early redemption option is not exercised on 11 January 2027, a new fixed-rate coupon will be determined for the following five years (until the next recalculation date). As envisaged in the regulations applicable to the AT 1 issues, coupon payment is discretionary and subject to certain limitations.

Common Equity Tier 1 capital does not include the net income for the period ended 31 March 2017, less the pro-rata dividend for the period, since Intesa Sanpaolo has decided to apply to the ECB for authorisation pursuant to Art. 26 of the CRR to include the net income for the period in Own Funds only when the amount of the net income exceeds the total amount of the planned dividend distribution for the year, equal to 3.4 billion euro for 2017 based on the overall objective of 10 billion euro in cumulative cash dividends as indicated in the 2014-2017 Business Plan.

Based on the foregoing, the Total capital ratio stood at 17.3%, while the ratio of the Group's Tier 1 capital to its total risk-weighted assets (Tier 1 ratio) was 14.1%. The ratio of Common Equity Tier 1 capital (CET1) to risk-weighted assets (the Common Equity ratio) was 12.5%.

You are reminded that, on 12 December 2016, Intesa Sanpaolo received the ECB's final decision regarding the capital requirements to be observed with effect from 1 January 2017, in light of the results of the Supervisory Review and Evaluation Process (SREP). The capital requirement at consolidated level in terms of Common Equity Tier 1 ratio is 7.25% under the transition arrangements in force for 2017 and 9.25% on a fully loaded basis.

Reconciliation of Shareholders' equity and Common Equity Tier 1 capital

(millions of euro)

Captions	31.03.2017	31.12.2016
Group Shareholders' equity	50,735	48,911
Minority interests	356	408
Shareholders' equity as per the Balance Sheet	51,091	49,319
Adjustments for instruments eligible for inclusion in AT1 or T2 and net income for the period		
- Capital of savings shares eligible for inclusion in AT1	-485	-485
- Other equity instruments eligible for inclusion in AT1	-3,371	-2,121
- Minority interests eligible for inclusion in AT1	-6	-6
- Minority interests eligible for inclusion in T2	-2	-2
- Ineligible minority interests on full phase-in	-295	-356
- Ineligible net income for the period ^(a)	-901	-3,111
- Treasury shares included under regulatory adjustments	97	98
- Other ineligible components on full phase-in ^(b)	-3,038	-38
Common Equity Tier 1 capital (CET1) before regulatory adjustments	43,090	43,298
Regulatory adjustments (including transitional adjustments)	-7,958	-7,372
Common Equity Tier 1 capital (CET1) net of regulatory adjustments	35,132	35,926

^(a) Common Equity Tier 1 capital does not take account of the profit accrued during the period ended on 31 March 2017, after deducting the pro-rated share of the dividend on that profit, since Intesa Sanpaolo has decided to request authorisation from the ECB pursuant to Art. 26 of the CRR to include profit for the period in own funds solely if the amount of such profit exceeds the total amount of the dividend that is expected to be distributed for the year on the basis of the 2014-2017 Business Plan.

^(b) The amount at 31 March 2017 essentially includes the dividend on 2016 profit approved by the Shareholders' Meeting on 27 April 2017.

Breakdown of consolidated results by business area

The Intesa Sanpaolo Group organisational structure is based on six Business Units. In addition there is the Corporate Centre, which is charged with providing guidance, coordination and control for the entire Group.



The Intesa Sanpaolo Group's segment reporting is based on the elements that management uses to make its own operating decisions (the "management approach") and is therefore consistent with the disclosure requirements of IFRS 8. In addition to reflecting the operating responsibilities assigned according to the Group's organisational structure, the business areas are an aggregation of business lines similar in the type of products and services they sell.

The table below shows the main data summarising the trend of the business areas of the Intesa Sanpaolo Group in the first quarter of 2017.

The following itemised analysis of the business areas illustrates income statement figures and the main balance sheet aggregates. Finally, for each business area, the capital absorbed based on Risk Weighted Assets (RWAs) was also calculated, determined in accordance with the provisions in force (Circulars 285 and 286, both issued during 2013, and the update to Circular 154 of 22 November 1991) issued by the Bank of Italy following the implementation of Directive 2013/36/EU (CRD IV) and Regulation (EU) 575/2013 (CRR) of 26 June 2013, which transpose the banking supervision standards defined by the Basel Committee (the Basel 3 Framework) to European Union laws; for asset management and private banking, business risk was also taken into consideration, and for the insurance segment reference was made to the capital absorbed by insurance risk.

Division figures for the comparative periods have been restated to reflect the changes in scope of the Business Units, where necessary.

(millions of euro)

	Banca dei Territori	Corporate and Investment Banking	International Subsidiary Banks	Private Banking	Asset Management	Insurance	Corporate Centre	Total
Operating income								
31.03.2017	2,179	804	472	464	178	319	-207	4,209
31.03.2016	2,123	780	503	439	148	367	-183	4,177
% change ^(a)	2.6	3.1	-6.2	5.7	20.3	-13.1	13.1	0.8
Operating costs								
31.03.2017	-1,185	-226	-224	-129	-34	-40	-217	-2,055
31.03.2016	-1,200	-222	-239	-124	-31	-37	-201	-2,054
% change ^(a)	-1.3	1.8	-6.3	4.0	9.7	8.1	8.0	-
Operating margin								
31.03.2017	994	578	248	335	144	279	-424	2,154
31.03.2016	923	558	264	315	117	330	-384	2,123
% change ^(a)	7.7	3.6	-6.1	6.3	23.1	-15.5	10.4	1.5
Net income (loss)								
31.03.2017	351	351	351	227	115	195	-689	901
31.03.2016	279	359	171	194	90	216	-503	806
% change ^(a)	25.8	-2.2		17.0	27.8	-9.7	37.0	11.8
Loans to customers								
31.03.2017	190,960	103,267	27,159	8,887	262	25	36,088	366,648
31.12.2016	188,317	98,183	26,492	9,597	298	26	41,800	364,713
% change ^(b)	1.4	5.2	2.5	-7.4	-12.1	-3.8	-13.7	0.5
Direct deposits from banking business								
31.03.2017	172,152	107,108	33,266	27,979	7	-	43,310	383,822
31.12.2016	173,599	112,661	32,978	27,540	8	-	47,012	393,798
% change ^(b)	-0.8	-4.9	0.9	1.6	-12.5	-	-7.9	-2.5
Risk-weighted assets								
31.03.2017	84,041	102,489	30,493	9,700	1,197	-	53,610	281,530
31.12.2016	84,165	103,744	30,013	9,727	1,130	-	55,139	283,918
% change ^(b)	-0.1	-1.2	1.6	-0.3	5.9	-	-2.8	-0.8
Absorbed capital								
31.03.2017	7,774	9,484	3,239	930	124	4,179	4,987	30,717
31.12.2016	7,785	9,600	3,189	934	118	4,186	5,136	30,948
% change ^(b)	-0.1	-1.2	1.6	-0.4	5.1	-0.2	-2.9	-0.7

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

^(a) The change expresses the ratio between 31.03.2017 and 31.03.2016.

^(b) The change expresses the ratio between 31.03.2017 and 31.12.2016.

BUSINESS AREAS**Banca dei Territori**

Income statement	31.03.2017	31.03.2016	(millions of euro)	
			Changes amount	%
Net interest income	1,131	1,155	-24	-2.1
Net fee and commission income	1,017	950	67	7.1
Income from insurance business	-	-	-	-
Profits (Losses) on trading	17	15	2	13.3
Other operating income (expenses)	14	3	11	
Operating income	2,179	2,123	56	2.6
Personnel expenses	-738	-739	-1	-0.1
Other administrative expenses	-446	-460	-14	-3.0
Adjustments to property, equipment and intangible assets	-1	-1	-	-
Operating costs	-1,185	-1,200	-15	-1.3
Operating margin	994	923	71	7.7
Net adjustments to loans	-415	-445	-30	-6.7
Net provisions and net impairment losses on other assets	2	-11	13	
Other income (expenses)	-	-	-	-
Income (Loss) from discontinued operations	-	20	-20	
Gross income (Loss)	581	487	94	19.3
Taxes on income	-226	-200	26	13.0
Charges (net of tax) for integration and exit incentives	-2	-2	-	-
Effect of purchase price allocation (net of tax)	-2	-3	-1	-33.3
Levies and other charges concerning the banking industry (net of tax)	-	-	-	-
Impairment (net of tax) of goodwill and other intangible assets	-	-	-	-
Minority interests	-	-3	-3	
Net income (loss)	351	279	72	25.8

	31.03.2017	31.12.2016	(millions of euro)	
			Changes amount	%
Loans to customers	190,960	188,317	2,643	1.4
Direct deposits from banking business	172,152	173,599	-1,447	-0.8
Risk-weighted assets	84,041	84,165	-124	-0.1
Absorbed capital	7,774	7,785	-11	-0.1

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

Banca dei Territori's operating income was 2,179 million euro in the first quarter of 2017, equal to over half of the Group's consolidated operating income, up 2.6% on the same period of the previous year. In further detail, there was an increase in net fee and commission income (+7.1%), mostly on those coming from the asset management segment and the bancassurance and protection products. Net interest income, though benefiting from growing customer dealing, recorded a drop (-2.1%) driven by the more limited contribution from the hedging of demand deposits. Among the other revenue components, which nevertheless provide a marginal contribution to the Division's income, both profits on trading (17 million euro) and other net operating income (14 million euro) showed positive performance. Operating costs, equal to 1,185 million euro, were down compared to the first three months of 2016 (-1.3%) mainly due to the savings on administrative expenses, in particular as regards the real estate service. The operating margin amounted to 994 million euro, up 7.7% on the same period of 2016. Gross Income, equal to 581 million euro, increased by 19.3% due to lower adjustments to loans and provisions, which benefited from the lower gross flows of new non-performing loans. Lastly, after allocation to the Division of charges for integration of 2 million euro and the economic effects of purchase price allocation for 2 million euro, net income amounted to 351 million euro, up 25.8%.

Looking at the quarterly trend, an overall stability of the revenues in the first quarter of 2017 was recorded compared to the fourth quarter of 2016. The operating margin benefited from the containment of operating costs, while gross income and net income were impacted by the absence of the extraordinary income related to the sale of Setefi recorded in the last quarter of last year.

The balance sheet figures at the end of March 2017 showed loans to customers of 190,960 million euro, up (+2.6 billion euro, or +1.4%) compared to the beginning of the year, essentially as a result of the increase in medium/long term loans to individuals (households and personal loans) and businesses. Direct deposits from banking business, amounting to 172,152 million euro, decreased by 1.4 billion euro (-0.8%) due to securities issued.

Corporate and Investment Banking

Income statement	31.03.2017	31.03.2016	(millions of euro)	
			Changes amount	%
Net interest income	379	346	33	9.5
Net fee and commission income	245	218	27	12.4
Income from insurance business	-	-	-	-
Profits (Losses) on trading	178	215	-37	-17.2
Other operating income (expenses)	2	1	1	
Operating income	804	780	24	3.1
Personnel expenses	-88	-83	5	6.0
Other administrative expenses	-137	-138	-1	-0.7
Adjustments to property, equipment and intangible assets	-1	-1	-	-
Operating costs	-226	-222	4	1.8
Operating margin	578	558	20	3.6
Net adjustments to loans	-79	-38	41	
Net provisions and net impairment losses on other assets	-9	-	9	-
Other income (expenses)	-	-	-	-
Income (Loss) from discontinued operations	-	-	-	-
Gross income (Loss)	490	520	-30	-5.8
Taxes on income	-139	-161	-22	-13.7
Charges (net of tax) for integration and exit incentives	-	-	-	-
Effect of purchase price allocation (net of tax)	-	-	-	-
Levies and other charges concerning the banking industry (net of tax)	-	-	-	-
Impairment (net of tax) of goodwill and other intangible assets	-	-	-	-
Minority interests	-	-	-	-
Net income (loss)	351	359	-8	-2.2

	31.03.2017	31.12.2016	(millions of euro)	
			Changes amount	%
Loans to customers	103,267	98,183	5,084	5.2
Direct deposits from banking business ^(a)	107,108	112,661	-5,553	-4.9
Risk-weighted assets	102,489	103,744	-1,255	-1.2
Absorbed capital	9,484	9,600	-116	-1.2

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

^(a) The item includes capital protected certificates.

In the first quarter of 2017, the **Corporate and Investment Banking Division** recorded operating income of 804 million euro (representing about 20% of the Group's consolidated total), up +3.1% compared to the same period of last year.

In detail, net interest income of 379 million euro was up (+9.5%) due to the greater contribution from customer dealing. Net fee and commission income of 245 million euro grew (+12.4%) as a result of the expansion of fee and commission income especially in the capital markets sector. Profits on trading, equal to 178 million euro, decreased by 17.2% due to the negative performance of the global markets business. Operating costs amounted to 226 million euro, slightly up (+1.8%) compared to first three months of 2016, mainly due to greater personnel expenses. As a result of the revenue and cost dynamics described, the operating margin came to 578 million euro (+3.6%). Following greater provisions and adjustments, gross income, amounting to 490 million euro, decreased by 5.8%, while net income amounted to 351 million euro (-2.2%).

In the first quarter of 2017, the Corporate and Investment Banking Division recorded a reduction in revenues and in the main income results compared to the fourth quarter of 2016, especially due to fee and commission income and profits on trading.

The Division's intermediated volumes remained essentially stable compared to the end of December 2016 (-0.2%). In detail, loans to customers, amounting to 103,267 million euro, grew by 5.1 billion euro (+5.2%) also in relation to increased operations in repurchase agreements by Banca IMI, while direct deposits from banking business, equal to 107,108 million euro, decreased by 5.6 billion euro (-4.9%) due to both amounts due to customers and securities issued - in particular those of the Financial Institutions Department and of the Irish subsidiary - as well as due to Banca IMI certificates.

International Subsidiary Banks

Income statement	31.03.2017	31.03.2016	(millions of euro)	
			Changes amount	%
Net interest income	332	368	-36	-9.8
Net fee and commission income	116	115	1	0.9
Income from insurance business	-	-	-	-
Profits (Losses) on trading	33	33	-	-
Other operating income (expenses)	-9	-13	-4	-30.8
Operating income	472	503	-31	-6.2
Personnel expenses	-123	-134	-11	-8.2
Other administrative expenses	-81	-82	-1	-1.2
Adjustments to property, equipment and intangible assets	-20	-23	-3	-13.0
Operating costs	-224	-239	-15	-6.3
Operating margin	248	264	-16	-6.1
Net adjustments to loans	-40	-42	-2	-4.8
Net provisions and net impairment losses on other assets	7	-	7	-
Other income (expenses)	194	4	190	
Income (Loss) from discontinued operations	-	1	-1	
Gross income (Loss)	409	227	182	80.2
Taxes on income	-55	-53	2	3.8
Charges (net of tax) for integration and exit incentives	-3	-3	-	-
Effect of purchase price allocation (net of tax)	-	-	-	-
Levies and other charges concerning the banking industry (net of tax)	-	-	-	-
Impairment (net of tax) of goodwill and other intangible assets	-	-	-	-
Minority interests	-	-	-	-
Net income (loss)	351	171	180	

	31.03.2017	31.12.2016	(millions of euro)	
			Changes amount	%
Loans to customers	27,159	26,492	667	2.5
Direct deposits from banking business	33,266	32,978	288	0.9
Risk-weighted assets	30,493	30,013	480	1.6
Absorbed capital	3,239	3,189	50	1.6

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

The **International Subsidiary Banks Division** is responsible for the Group's activities in foreign markets through commercial banking subsidiaries and associates, mainly active in retail banking.

In the first quarter of 2017, the Division's operating income came to 472 million euro, down 6.2% compared to the same period of the previous year (+7.2% at like-for-like exchange rates). This trend was influenced by the depreciation of the Egyptian pound in 2016 following the announcement by the Central Bank of Egypt that it will allow the currency to float. A detailed analysis shows that net interest income came to 332 million euro compared to 368 million euro of the first three months of 2016 (-9.8%), due to the trends reported by Bank of Alexandria (-27 million euro), VUB Banka (-5 million euro) and CIB Bank (-2 million euro), only partly offset by PBZ, including Intesa Sanpaolo Banka Bosna i Hercegovina (+5 million euro). Net fee and commission income, amounting to 116 million euro, increased slightly (+0.9%). Profits on trading, equal to 33 million euro, were in line with those of the same period in 2016 as a result of a greater contribution of PBZ, including Intesa Sanpaolo Banka Bosna i Hercegovina (+2 million euro), Banca Intesa - Russia and Banca Intesa Beograd (+1 million euro each), absorbed by the declines of CIB Bank and VUB Banka (-2 million euro each).

Operating costs of 224 million euro decreased by 6.3% compared to the same period in 2016 (+3.3% at like-for-like exchange rates). As a result of the above revenue and cost trends, the operating margin came to 248 million euro, down 6.1% (+10.7% at

like-for-like exchange rates). Gross income, amounting to 409 million euro, increased significantly compared to the 227 million euro of the first three months of last year (+80.2%), benefiting from the positive effect deriving from the measurement at fair value of the investment in Bank of Qingdao as a consequence of the reclassification of the investment, no longer included among the entities subject to significant influence. Excluding this effect, a 2.9% reduction is recorded (+13.4% at like-for-like exchange rates). The Division closed the first quarter of 2017 with net income of 351 million euro, up compared to the 171 million euro recorded in the same period in 2016.

The first quarter of 2017 reported an improvement in income results compared to the fourth quarter of 2016, benefiting from the growth in revenues and the containment of operating costs.

The Division's intermediated volumes grew compared to the end of December 2016 (+1.6%) owing to positive performance by both loans to customers (+2.5%) and direct deposits from banking business (+0.9%), in the securities issued component.

Private Banking

Income statement	31.03.2017	31.03.2016	(millions of euro)	
			Changes amount	%
Net interest income	43	46	-3	-6.5
Net fee and commission income	405	380	25	6.6
Income from insurance business	-	-	-	-
Profits (Losses) on trading	13	9	4	44.4
Other operating income (expenses)	3	4	-1	-25.0
Operating income	464	439	25	5.7
Personnel expenses	-75	-70	5	7.1
Other administrative expenses	-50	-50	-	-
Adjustments to property, equipment and intangible assets	-4	-4	-	-
Operating costs	-129	-124	5	4.0
Operating margin	335	315	20	6.3
Net adjustments to loans	-	8	-8	
Net provisions and net impairment losses on other assets	-9	-14	-5	-35.7
Other income (expenses)	-	-	-	-
Income (Loss) from discontinued operations	-	-	-	-
Gross income (Loss)	326	309	17	5.5
Taxes on income	-94	-87	7	8.0
Charges (net of tax) for integration and exit incentives	-5	-7	-2	-28.6
Effect of purchase price allocation (net of tax)	-	-21	-21	
Levies and other charges concerning the banking industry (net of tax)	-	-	-	-
Impairment (net of tax) of goodwill and other intangible assets	-	-	-	-
Minority interests	-	-	-	-
Net income (loss)	227	194	33	17.0

	31.03.2017	31.12.2016	(millions of euro)	
			Changes amount	%
Assets under management ⁽¹⁾	107,618	104,129	3,489	3.4
Risk-weighted assets	9,700	9,727	-27	-0.3
Absorbed capital	930	934	-4	-0.4

⁽¹⁾ Figures shown in line with consolidated reporting criteria of indirect customer deposits.

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

The Private Banking Division serves the top customer segment (Private and High Net Worth Individuals), creating value by offering excellent products and services. The Division coordinates the operations of Fideuram, Fideuram Investimenti, Intesa Sanpaolo Private Banking, Sirefid, Fideuram Fiduciaria, Intesa Sanpaolo Private Bank (Suisse) and Fideuram Asset Management Ireland.

In the first quarter of 2017, the Division generated gross income of 326 million euro, up (+17 million euro, or +5.5%) compared with the corresponding period in 2016, mainly as a result of higher operating income (+25 million euro) and lower provisions and net adjustments to other assets (-5 million euro). Operating costs increased (+5 million euro), and the profits on disposals of bonds in the loan portfolio (-8 million euro) no longer apply.

The operating income performance was attributable to the increase in net fee and commission income (+25 million euro) and profits on trading (+4 million euro), only partly offset by the reduction in net interest income (-3 million euro) and other operating income (-1 million euro). Net income was 227 million euro (+33 million euro, or +17%).

The values of assets under administration have been recognised in accordance with the reporting criteria for indirect customer deposits used in the Intesa Sanpaolo Group's consolidated financial statements, involving in particular the elimination of customer

current accounts correlated with investment transactions, bonds and certificates that, despite being part of customers' assets, are already included in direct customer deposits. In addition, third-party products were reallocated from assets under management to assets under administration.

As at 31 March 2017, assets under administration, which also include the contribution of the trust mandates for Sirefid, amounted to 171.8 billion euro (+5.8 billion euro compared to the end of 2016). This result is attributable to both the expansion of net inflows and the effect of performance on assets. The assets under management component amounted to 107.6 billion euro, up by 3.5 billion euro compared to 31 December 2016.

Asset Management

Income statement	31.03.2017	31.03.2016	(millions of euro)	
			Changes amount	%
Net interest income	-	-	-	-
Net fee and commission income	157	126	31	24.6
Income from insurance business	-	-	-	-
Profits (Losses) on trading	-	5	-5	
Other operating income (expenses)	21	17	4	23.5
Operating income	178	148	30	20.3
Personnel expenses	-16	-14	2	14.3
Other administrative expenses	-18	-17	1	5.9
Adjustments to property, equipment and intangible assets	-	-	-	-
Operating costs	-34	-31	3	9.7
Operating margin	144	117	27	23.1
Net adjustments to loans	-	-	-	-
Net provisions and net impairment losses on other assets	-	-	-	-
Other income (expenses)	-	-	-	-
Income (Loss) from discontinued operations	-	-	-	-
Gross income (Loss)	144	117	27	23.1
Taxes on income	-25	-25	-	-
Charges (net of tax) for integration and exit incentives	-	-	-	-
Effect of purchase price allocation (net of tax)	-	-	-	-
Levies and other charges concerning the banking industry (net of tax)	-	-	-	-
Impairment (net of tax) of goodwill and other intangible assets	-	-	-	-
Minority interests	-4	-2	2	
Net income (loss)	115	90	25	27.8

	31.03.2017	31.12.2016	(millions of euro)	
			Changes amount	%
Assets under management	241,924	238,804	3,120	1.3
Risk-weighted assets	1,197	1,130	67	5.9
Absorbed capital	124	118	6	5.1

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

The **Asset Management Division** pursues the mission of developing the best asset management solutions aimed at the Group's customers and its presence on the open market segment through the subsidiary Eurizon Capital and its investees.

Overall, the total assets managed by the Asset Management Division at the end of March 2017 came to 241.9 billion euro, up (+1.3%, equal to +3.1 billion euro) compared to 31 December 2016, mainly as a result of net inflows (+2.6 billion euro). The trend in inflows is attributable to the contribution of mutual funds (+2.1 billion euro) and institutional mandates (+0.9 billion euro), mostly concentrated in insurance contracts, which more than offset the outflows relating to the retail sale of portfolio management schemes (-0.4 billion euro).

As at 31 March 2017, Eurizon Capital's market share of assets under management was 14.8% (gross of duplications), up since the beginning of the year. Excluding the closed-end funds segment, in which the company does not operate, the share of assets under management at the end of March rose to 15.2%.

Operating income came to 178 million euro in the first quarter of 2017, up 20.3% compared to the same period of the previous year, mainly due to the positive performance of net fee and commission income (+24.6%), supported in particular by management fees related to the development of average assets under management. The incentive commissions collected on the products managed, though of a modest amount, developed positively. Operating costs rose (+9.7%) due to personnel and administrative expenses, as a result of the change in the operational structures triggered by the increase in volumes under management. As a result of the above revenue and cost trends, the operating margin came to 144 million euro, up 23.1%. The Division closed the first quarter of 2017 with net income of 115 million euro (+27.8%).

Insurance

Income statement	31.03.2017	31.03.2016	(millions of euro)	
			Changes amount	%
Net interest income	-	-	-	-
Net fee and commission income	-	-	-	-
Income from insurance business	320	368	-48	-13.0
Profits (Losses) on trading	-	-	-	-
Other operating income (expenses)	-1	-1	-	-
Operating income	319	367	-48	-13.1
Personnel expenses	-19	-16	3	18.8
Other administrative expenses	-20	-20	-	-
Adjustments to property, equipment and intangible assets	-1	-1	-	-
Operating costs	-40	-37	3	8.1
Operating margin	279	330	-51	-15.5
Net adjustments to loans	-	-	-	-
Net provisions and net impairment losses on other assets	-	-	-	-
Other income (expenses)	-	-	-	-
Income (Loss) from discontinued operations	-	-	-	-
Gross income (Loss)	279	330	-51	-15.5
Taxes on income	-79	-108	-29	-26.9
Charges (net of tax) for integration and exit incentives	-1	-1	-	-
Effect of purchase price allocation (net of tax)	-4	-5	-1	-20.0
Levies and other charges concerning the banking industry (net of tax)	-	-	-	-
Impairment (net of tax) of goodwill and other intangible assets	-	-	-	-
Minority interests	-	-	-	-
Net income (loss)	195	216	-21	-9.7

	31.03.2017	31.12.2016	(millions of euro)	
			Changes amount	%
Assets under management	146,522	144,321	2,201	1.5
Risk-weighted assets	-	-	-	-
Absorbed capital	4,179	4,186	-7	-0.2

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

The **Insurance Division** oversees management of the subsidiaries of the insurance group Intesa Sanpaolo Vita, and Fideuram Vita, with the mission of further developing the insurance product mix targeting Group customers.

In the first quarter of 2017, the Insurance Division reported income from insurance business of 320 million euro, down 48 million euro (-13%) compared to the same period of the previous year. In the presence of an increase in costs (+3 million euro), the operating margin stood at 279 million euro (-15.5%) and net income amounted to 195 million euro (-9.7%).

Direct deposits from insurance business, amounting to 146,522 million euro, increased by 1.5% compared to December 2016, essentially as a result of the development of the financial liabilities for the insurance segment designated at fair value.

Collected premiums for life policies of the quarter amounted to 6 billion euro and were lower than in the first three months of 2016. During the period the diversification of the product range continued, in favour of efficient products in terms of capital absorption.

Deposits from the non-life business, amounting to 116 million euro, recorded a favourable performance on the first quarter of 2016, with growth recorded in all product lines. The increase in deposits reflects the diversification strategy launched in 2016 and continued in 2017, with the marketing of new products linked to the health and accident segments, and with a product range dedicated to small and medium-sized enterprises.

Corporate Centre

The Corporate Centre is responsible for direction, coordination and control of the whole Group, as well as for the Capital Light Bank business unit, Treasury and ALM.

The Corporate Centre Departments generated a gross loss of 577 million euro in the first quarter of 2017, compared to -582 million euro in the corresponding period of the previous year. The quarter ended with a net loss of 689 million euro, higher compared to the -503 million euro recorded in the first three months of 2016, mainly due to the charges related to the Atlante Fund established to tackle the banking crisis (175 million euro).

Capital Light Bank

In the first quarter of 2017 the ordinary and extraordinary transactions carried out on the assets held by the Capital Light Bank continued with the aim of reducing the non-core assets. In particular, the assets contributed with the definition of the 2014-2017 Business Plan were reduced by approximately 2 billion euro compared to the beginning of the year, bringing the total deleveraging since 2013 to over 19 billion euro; considering the extended scope (including the assets contributed after the definition of the Business Plan), the decrease amounts to more than 22 billion euro. During the period, the reorganisation of consumer credit was completed with the incorporation into the Parent Company of Accedo, the product company specialised in the extra-captive channel; therefore, the Banca dei Territori Division remains the only Division designated to develop this product for all Group's customers. With regard to the bad loan portfolio under management, the recovery activity continued, both internally and through external servicers, with collections of more than 350 million euro in the first three months of 2017, confirming the improvement trend under way for several quarters. Re.O.CO. carried out activities with a view to managing real estate collateral in a more pro-active manner. This entails both direct involvement in auctions and "auction support", whereby external investors are encouraged to intervene, by choosing the interventions so as to maximise the recovery of bad positions secured by real-estate assets with the goal of minimising the investment of additional capital. In the first quarter of 2017, driven by supporting action and direct participation in auctions for about 20 properties, approximately 7 million euro of properties were bought. As regards the international subsidiaries, the deleveraging and derisking activities involving the Ukrainian Pravex bank and the FUT Division of the Hungarian subsidiary CIB Bank continued, in line with the Bank's business plan. In addition, interventions aiming to accelerate a reduction were carried out on the non-strategic equity investments, loans towards public and project finance counterparties.

Treasury services

The Treasury Department includes treasury services in euro and foreign currencies, and the integrated management of liquidity requirements/surpluses, financial risks and settlement risks.

In the first quarter of the year, Intesa Sanpaolo continued its role in various projects, retaining its position as critical participant on the ECB's settlement platforms (Target2 and Target2 Securities), collaborating in Instant Payments and taking part in the works of the Task Force on the future of the RTGS Services, with the aim of achieving greater efficiency and cost-effectiveness.

As regards the money markets, in the first quarter of 2017 the short-term euro curves were mainly influenced by European inflation (which in March reached 2% again), pricing in the expectations of possible increases in the Deposit Facility Rate during 2018 and 2019. In March the fourth auction was held of the T-LTRO II programme in which Intesa Sanpaolo participated for an amount of 12 billion euro, taking the amount obtained in the ECB's T-LTRO I and II auctions to about 57 billion euro. In March the Fed raised the official rates by 25 basis points, as occurred in December 2016, and announced the possibility of additional steps during the year. The amount of Intesa Sanpaolo's short-term securities funding programmes declined. Interest moved almost stably to products above 18 months, especially due to the negative rates in the short-term.

As regards the government bond portfolio, investment strategies were aimed at reducing the risk at the beginning of the year, subsequently exploiting market dynamics to re-establish positions on bonds issued by governments and state agencies of semi-core and peripheral countries.

In the first quarter of 2017 a notable increase in volumes in the Italian and French repo markets took place with a tightening of the spread between repo rates on the government bonds of core countries and those on Italian government bonds; on the contrary, the end of the quarter saw an expansion of the spread, although the levels of repo rates of core countries did not record the negative peaks seen at the end of the year.

Italian repo rates stood at levels close to or just below that of the depo facility. ISP's presence remains significant in the secured market; in particular, Italian government bonds recorded increasing volumes.

In the framework of medium-/long-term funding, an increase was recorded in funding compared to the last quarter of 2016, though remaining substantially in line with the same period of last year. In the first three months of 2017, the total amount of Group securities placed on the domestic market via its own networks and direct listings was 0.5 billion euro. Among the securities placed, there was a prevalence of the component consisting of structured financial instruments (primarily represented by index-linked structures) at 85%, while the share of plain-vanilla instruments amounted to 15%. A breakdown by average maturity shows that 21% is comprised of financial instruments with 2-, 3- and 4-year maturities, 61% is represented by 5- and 6-year securities and the remaining 18% by 10-year securities.

On the international markets, MLT funding was completed for a total of 3.7 billion euro through the issue of senior and subordinated bonds as well as, to a minimum extent, certificates, in the form of private placements and public transactions, placed on the Euromarket with institutional investors. In particular, the following public transactions were performed in the quarter: a fixed-rate senior security targeted at the Euromarket for 1 billion euro and a fixed-rate Additional Tier 1 subordinated security targeted at the international markets for 1.25 billion euro (they are perpetual instruments which may be redeemed in advance by

the issuer after 10 years from the date of issue and subsequently on each coupon payment date). As part of the covered bond issue programmes used as collateral for transactions in the Eurosystem, for the multi-originator programme guaranteed by ISP OBG, the 9th and 10th series expiring in 2017 were redeemed in advance in February, for 1.4 billion euro each. Following these redemptions, the 23rd and 24th floating-rate series were issued for the same amount with an expiry of 9 and 10 years respectively. All the securities, which are listed on the Luxembourg Stock Exchange and rated A High by DBRS, were subscribed by the Parent Company and are eligible on the Eurosystem. Instead, as part of the covered bond issue programme guaranteed by ISP CB Pubblico, the 10th series was redeemed partially for an amount of 500 million euro.

As regards management of the collateral eligible for refinancing operations at central banks, Intesa Sanpaolo uses the A.Ba.Co. (Collateralised Bank Assets) procedure, which allows bank loans disbursed to non-financial companies to be used to secure loan transactions with the Bank of Italy. This procedure is implemented in compliance with the Bank of Italy regulations "Eurosystem Monetary Policy Instruments - Guide for Operators". At the end of March 2017, the outstanding amount of loans (gross of applicable hair-cuts) lodged as pledge by the Group was 12.8 billion euro.

Risk management

MAIN RISKS AND UNCERTAINTIES

The macroeconomic scenario and the high volatility of the financial markets require constant monitoring of the factors that make it possible to pursue sustainable profitability: high liquidity, funding capacity, low leverage, adequate capital base, and prudent asset valuations.

Group liquidity remains high: as at 31 March 2017, both regulatory indicators envisaged by Basel 3 (LCR and NSFR), adopted also as internal liquidity risk measurement metrics, were well above the requirements for 2018. At the end of March, the Central Banks eligible liquidity reserves came to 156 billion euro (150 billion euro at the end of December 2016), of which 82 billion euro, net of haircut, was unencumbered (96 billion euro at the end of December 2016). The loan to deposit ratio at the end of March 2017, calculated as the ratio of loans to customers to direct deposits from banking business, came to 96%.

In terms of funding, the widespread branch network remains a stable, reliable source: 72% of direct deposits from banking business come from retail operations (277 billion euro). Moreover, during the quarter 1.25 billion euro in Additional Tier 1 instruments and 1 billion euro in senior Eurobonds were placed on the international markets.

With regard to the targeted refinancing operation TLTRO II, at the end of March 2017, the Group's participation amounted to 57 billion euro, equal to the maximum amount that can be requested (45 billion euro as at 31 December 2016).

The Intesa Sanpaolo Group leverage (6.4% as at 31 March 2017) continues to be at the top levels recorded in the sector.

The capital base also remains high. Own funds, risk weighted assets and the capital ratios at 31 March 2017 were calculated according to the harmonised rules and regulations for banks and investment companies contained in Directive 2013/36/EU (CRD IV) and in (EU) Regulation 575/2013 (CRR) of 26 June 2013, which have transposed the banking supervision standards defined by the Basel Committee (the Basel 3 Framework) to European Union laws, and on the basis of Bank of Italy Circulars 285, 286 and 154.

At the end of the quarter, total Own Funds came to 48,830 million euro, against risk-weighted assets of 281,530 million euro, which reflected primarily the credit and counterparty risk and, to a lesser extent, the operational and market risk.

The Total Capital Ratio stood at 17.3%, while the ratio of the Group's Tier 1 capital to its total risk-weighted assets (Tier 1 ratio) was 14.1%. The ratio of Common Equity Tier 1 capital (CET1) to risk-weighted assets (the Common Equity Tier 1 ratio) was 12.5%.

Common Equity Tier 1 capital does not include the net income for the year and, for consistency, the correlated dividend or the distribution of reserves proposed.

The Group's risk profile remained within the limits approved by the Risk Appetite Framework, consistent with the intention to continue to privilege commercial banking operations.

In relation to market risk, the Group's average risk profile during the first quarter of 2017 was approximately 85 million euro, compared to an average amount of approximately 105 million euro in the same period of 2016. The trend in the Group's VaR in the first three months of 2017 - mainly determined by Banca IMI - is described in greater detail later in this chapter.

The macroeconomic environment and the persisting financial market volatility heighten the complexity of assessing credit risk and measuring financial assets.

Intesa Sanpaolo has developed a set of instruments which ensure analytical control over the quality of loans to customers and financial institutions, and of exposures subject to country risk.

With regard to performing loans to customers, the "collective" adjustments, equal to 1,565 million euro, provide a coverage ratio of 0.5% (stable compared to the end of 2016).

The methods used to classify non-performing loans and to measure both non-performing and performing loans ensure that the impacts of the deteriorating economic environment on a debtor's position are promptly recognised. The economic crisis has called for constant review of the values of loans that had already shown problematic symptoms and of loans with no obvious signs of impairment. All categories of non-performing loans were assessed using the usual criteria of prudence, as highlighted by the substantial average coverage percentages for bad loans (60.4%) and unlikely to pay (27.5%).

Constant attention has been paid to the valuation of financial items. The majority of financial assets are measured at fair value, since classified as held for trading using the fair value option, under assets available for sale, or represented by hedging derivatives.

The fair value measurement of financial assets was carried out as follows: approximately 83% using level 1 inputs, around 15% using level 2 inputs and only close to 2% using level 3 inputs. Among the financial liabilities designated at fair value through profit and loss, most of the financial instruments (approximately 87%) were measured using the level 2 approach.

As regards the Intesa Sanpaolo Group's sovereign debt exposure, at the end of December exposure in securities to the Italian government amounted to a total of approximately 86 billion euro, in addition to receivables for approximately 14 billion euro.

The Group banks' exposure in securities amounted to approximately 35 billion euro, of which approximately 9.6 billion euro up to 3 years (approximately 27%), with a duration of 4.6 years. On the other hand, the duration of the insurance portfolio is longer, at 6.2 years, consistently with that of liabilities.

Investment levels in structured credit products and hedge funds remained low. The former generated a positive contribution of 8 million euro during the year. Also for the hedge funds, the economic result of the investments in this segment was positive and amounted to 5 million euro.

In volatile market environments, measuring the recoverable amount of intangible assets is also particularly delicate. However, with regard to intangible assets and goodwill, no problem issues were identified during the quarter – also in consideration of the short length of time since the last impairment test – requiring the remeasurement of their recoverable values. In particular, with regard to goodwill, the analyses conducted showed no significant changes to the main parameters and macroeconomic aggregates which could have an impact on the Group's expected cash flows and on the discounting rates thereof based on the models used to verify the retention of the recognition value of the intangible asset in the financial statements.

THE BASIC PRINCIPLES OF RISK MANAGEMENT

The Intesa Sanpaolo Group's risk acceptance policies are defined by the Board of Directors and the Management Control Committee, with management and control functions respectively. The Board of Directors carries out its activity through specific internal committees, among which the Risk Committee. The Corporate Bodies are assisted by the action of management committees, among which mention should be made of the Group Risk Governance Committee, as well as by the Chief Risk Officer, reporting directly to the Chief Executive Officer.

The Chief Risk Officer is responsible for proposing the Risk Appetite Framework, setting the Group's risk management guidelines and policies in accordance with the company's strategies and objectives and coordinating and verifying the implementation of those guidelines and policies by the responsible units of the Group, including within the various corporate departments. The Chief Risk Officer ensures management of the Group's overall risk profile by establishing methods and monitoring exposure to the various types of risk and reporting the situation periodically to the corporate bodies.

The Parent Company is in charge of overall direction, management and control of risks. Group companies that generate credit and/or financial risks are assigned autonomy limits and each has its own control structure. A service agreement governs the risk control activities performed by the Parent Company's functions on behalf of the main subsidiaries. These functions report directly to the subsidiaries' Management Bodies.

The risk measurement and management tools contribute to defining a risk-monitoring framework at Group level, capable of assessing the risks assumed by the Group from a regulatory and economic point of view. The level of absorption of economic capital, defined as the maximum "unexpected" loss the Group might incur over a year, is a key measure for determining the Group's financial structure, risk appetite and for guiding operations, ensuring a balance between risks assumed and shareholder returns. It is estimated on the basis of the current situation and also as a forecast, based on the budget assumptions and projected economic scenario under ordinary and stress conditions. The assessment of capital is included in business reporting and is submitted quarterly to the Group Risk Governance Committee, the Risk Committee and the Board of Directors, as part of the Group's Risks Tableau de Bord. Risk hedging, given the nature, frequency and potential impact of the risk, is based on a constant balance between mitigation/hedging action, control procedures/processes and capital protection measures.

BASEL 3 REGULATIONS AND THE INTERNAL PROJECT

In view of compliance with the reforms of the previous accord by the Basel Committee ("Basel 3"), the Intesa Sanpaolo Group has undertaken adequate project initiatives, expanding the objectives of the Basel 2 Project in order to improve the measurement systems and the related risk management systems.

With regard to credit risk, among the main changes please note the authorisations received from the ECB to use internal ratings-based approaches for the Public Sector Entities and Banks portfolios and use the new Corporate model for a scope extending to the Parent Company, the network banks in the Banca dei Territori Division and the main Italian and international Group companies.

The Group is also proceeding with development of the IRB systems for the other segments and the extension of the scope of companies for their application in accordance with a plan presented to the Supervisory Authority.

There were no changes in the scope of application of the internal models concerning counterparty risk for OTC derivatives and operational risk compared to 31 December 2016.

The annual Internal Capital Adequacy Assessment Process (ICAAP) Report, based on the extensive use of internal approaches for the measurement of risk, internal capital and total capital available, was approved and sent to the ECB in April 2017.

As part of its adoption of Basel 3, the Group publishes information concerning capital adequacy, exposure to risks and the general characteristics of the systems aimed at identifying, monitoring and managing them in a document entitled "Basel 3 - Pillar 3" or simply "Pillar 3".

The document is published on the website (group.intesasanpaolo.com) on a quarterly basis.

CREDIT RISK

The Intesa Sanpaolo Group has developed a set of techniques and tools for credit risk measurement and management which ensures analytical control over the quality of loans to customers and financial institutions, and loans subject to country risk.

In particular, with regard to loans to customers, risk measurement is performed by means of different internal rating models according to borrower segment (Corporate, Retail SME, Retail Mortgage, Other Retail, Sovereigns, Italian Public Sector Entities and Banks). These models make it possible to summarise the counterparty's credit quality in a value, the rating, which reflects the probability of default over a period of one year, adjusted on the basis of the average level of the economic cycle. These ratings are then made comparable with those awarded by rating agencies, by means of a uniform scale of reference.

Ratings and credit-risk mitigating factors (guarantees, loan types and covenants) play a key role in the loan granting and managing process.

On 9 March 2017, the Group received the authorisation from the ECB - effective after the 31 March 2017 - relating to the Banks and Public Sector Entities portfolios.

As regard the model for determining the probability of default for the Banks portfolio, the choice was made to differentiate between models for banks in mature economies and banks in emerging countries. In short, the model consists of a quantitative part and a qualitative part, differentiated according to mature and emerging countries, a country rating component representing systemic risk, a component relating to specific country risk for banks most closely correlated with country risk, and finally, a module (the "relationship manager's judgement") that allows the rating to be modified in certain conditions. The Loss Given Default (LGD) calculation model partly diverges from the models developed for the other segments as the estimation model used is based on the market price of debt instruments observed 30 days after the official date of default and relating to a sample of defaulted banks from all over the world, acquired from an external provider. The model is completed by an econometric estimate aimed at determining the most significant drivers, in accordance with the practice in use for the other models.

In the Public Sector Entities segment, the reference models have been differentiated according to the type of counterparty. Accordingly, default models have been developed for municipalities and provinces and shadow rating models for regions. An approach to extend the rating of the regulatory Entity (e.g.: Region) has been adopted for local healthcare authorities and other sector entities, with possible changes on the basis of financial statement assessments (notching). As regards the LGD estimate of the Public Sector Entities segment, the methodological framework is substantially similar to that used for the development of the LGD models of the already validated segments (Corporate, Retail SME, Retail Mortgage).

On 18 April 2017, the Group also received the authorisation from the ECB to use the new internal rating systems (PD) and LGD for the Corporate portfolio. With regard to the re-estimation of rating models, steps were taken, on the one hand, to broaden the information set used for counterparty evaluation and, on the other hand, efforts were made to simplify their framework and number. Finally, various measures have been adopted that are aimed at favouring a through-the-cycle profile of the probabilities of default produced by the models, consistently with the relational-type commercial approach adopted by the Group. With regard to the LGD, the most significant change is represented by the development of the model dedicated to non-performing loans. The scope of the authorisation also extends to the subsidiaries Intesa Sanpaolo Bank Ireland and Intesa Sanpaolo Bank Luxembourg. The Slovak subsidiary, Vseobecna Uverova Banka (VUB) uses this model only for counterparties with a turnover of more than 500 million euro.

On 31 March 2017, the Slovenian subsidiary, Banka Intesa Sanpaolo (formerly Banka Koper) received the authorisation from the ECB to use the internal rating systems (PD-FIRB) for the Corporate portfolio.

On 7 March 2017, the Slovak subsidiary, Vseobecna Uverova Banka (VUB) received the authorisation from the ECB to use the new internal rating model for the Retail Mortgage regulatory segment, valid from the Supervisory reporting as at 31 March 2017.

Credit quality

(millions of euro)

	31.03.2017			31.12.2016			Changes
	Gross exposure	Total adjustments	Net exposure	Gross exposure	Total adjustments	Net exposure	Net exposure
Bad loans	36,817	-22,249	14,568	37,834	-22,939	14,895	-327
Unlikely to pay	19,599	-5,384	14,215	19,745	-5,310	14,435	-220
Past due loans	568	-129	439	558	-121	437	2
Non-performing loans	56,984	-27,762	29,222	58,137	-28,370	29,767	-545
of which forborne	11,752	-3,672	8,080	11,727	-3,523	8,204	-124
Performing loans	325,549	-1,565	323,984	322,130	-1,607	320,523	3,461
<i>of which forborne</i>	7,851	-184	7,667	8,036	-208	7,828	-161
Performing loans represented by securities	13,665	-223	13,442	14,651	-228	14,423	-981
<i>of which forborne</i>	96	-1	95	97	-1	96	-1
Loans to customers	396,198	-29,550	366,648	394,918	-30,205	364,713	1,935

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

As at 31 March 2017, the Group's non-performing loans, net of adjustments, came to 29.2 billion euro, below the levels of the end of 2016 (-1.8%), and confirming the gradual decrease shown during the last year. Compared to the end of December 2016, there was also a decrease in non-performing assets as a percentage of total net loans to customers, down to 8% from 8.2% at the end of 2016.

In further detail, bad loans came to 14.6 billion euro, net of adjustments, at the end of the first quarter of 2017, down (-2.2%) from the beginning of the year, and represented 4% of total loans (4.1% at the end of 2016). During the same period, the coverage ratio stood at 60.4% (60.6% in December 2016). Loans included in the unlikely to pay category amounted to 14.2 billion euro, down by 1.5%, accounting for 3.9% of total loans to customers, with a coverage ratio of 27.5% (26.9% in December 2016). Past due loans amounted to 439 million euro, up 0.5% since the beginning of the year, with a coverage ratio which rose to 22.7%. Forborne exposures are generated by forbearance measures for borrowers experiencing difficulty in meeting their financial obligations, according to the definition introduced by the European Banking Authority with the aim of harmonising the classification of the definitions of non-performing loans and forbearance practices (renegotiation due to financial difficulty by the debtor) at the European level. Within the non-performing loan category, forborne exposures amounted to 8.1 billion euro, with an average coverage ratio of 31.2%, whereas those in the performing loan category were slightly lower (7.7 billion euro). The coverage ratio of performing loans was 0.5%.

MARKET RISKS

TRADING BOOK

During the first quarter of 2017, the market risks generated by Intesa Sanpaolo and Banca IMI increased compared to the average values of the fourth quarter of 2016. The average VaR for the period totalled 85.3 million euro compared to 75.6 million euro in the fourth quarter of 2016.

Daily VaR of the trading book for Intesa Sanpaolo and Banca IMI^(a)

(millions of euro)

	average 1st quarter	2017 minimum 1st quarter	maximum 1st quarter	average 4th quarter	2016 average 3rd quarter	average 2nd quarter	average 1st quarter
Intesa Sanpaolo	11.5	10.1	12.5	11.7	11.5	11.5	14.9
Banca IMI	73.7	60.7	93.2	63.8	90.6	85.5	90.0
Total	85.3	72.1	104.8	75.6	102.2	97.0	104.9

^(a) Each line in the table sets out past estimates of daily VaR calculated on the quarterly historical time-series of Intesa Sanpaolo and Banca IMI, respectively; minimum and maximum values for the two companies are recalculated using aggregate historical time-series and therefore do not correspond to the sum of the individual values in the column.

In the first three months of 2017, the Group's average VaR was 85.3 million euro, down from 104.9 million euro in the same period of 2016.

(millions of euro)

	average 1st quarter	2017 minimum 1st quarter	maximum 1st quarter	average 1st quarter	2016 minimum 1st quarter	maximum 1st quarter
Intesa Sanpaolo	11.5	10.1	12.5	14.9	12.3	17.5
Banca IMI	73.7	60.7	93.2	90.0	64.8	115.0
Total	85.3	72.1	104.8	104.9	78.4	132.4

^(a) Each line in the table sets out past estimates of daily VaR calculated on the historical time-series of the first three months of the year of Intesa Sanpaolo and Banca IMI, respectively; minimum and maximum values for the two companies are recalculated using aggregate historical time-series and therefore do not correspond to the sum of the individual values in the column.

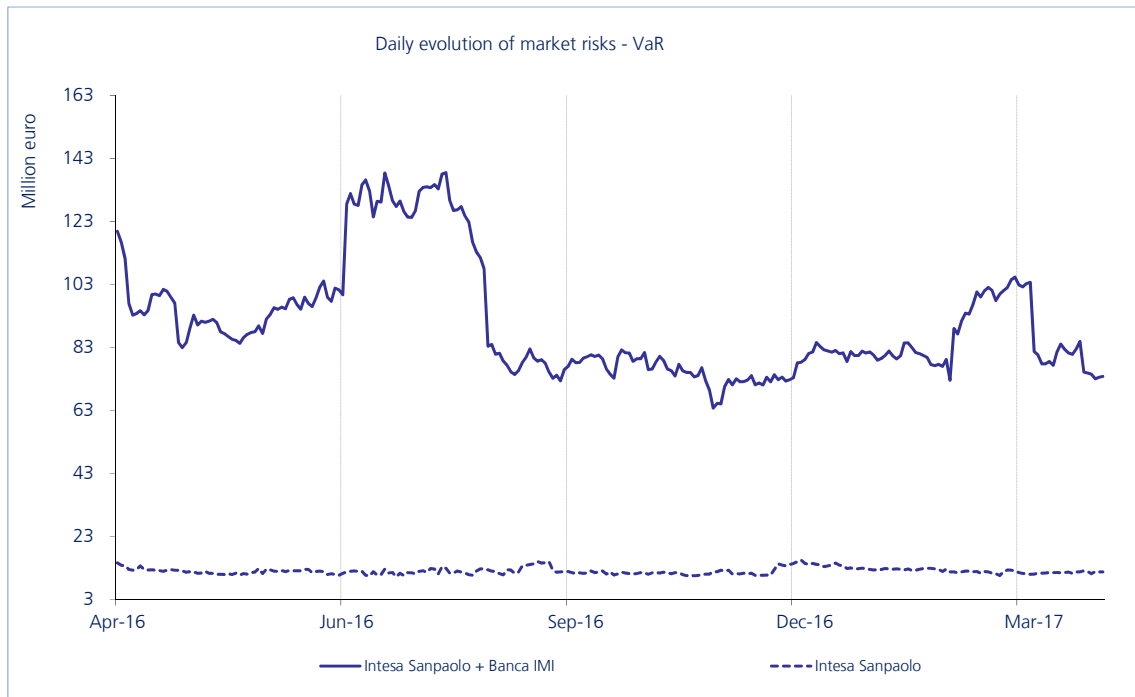
For Intesa Sanpaolo the breakdown of the risk profile in the first quarter of 2017, with regard to the various factors, shows the prevalence of the interest rate risk, which accounted for 32% of total VaR; for Banca IMI credit spread risk was the most significant, representing 76% of total VaR.

Contribution of risk factors to total VaR^(a)

1st quarter 2016	Shares	Hedge funds	Interest rates	Credit spreads	Foreign exchange rates	Other parameters	Commodities
Intesa Sanpaolo	5%	6%	32%	21%	33%	3%	0%
Banca IMI	7%	0%	8%	76%	1%	4%	4%
Total	6%	1%	12%	69%	5%	4%	3%

^(a) Each line in the table sets out the contribution of risk factors considering the overall VaR 100%, calculated as the average of daily estimates in the first quarter of 2017, broken down between Intesa Sanpaolo and Banca IMI and indicating the distribution of overall VaR.

The trend in VaR is mainly attributable to Banca IMI. During the first quarter of 2017 an increase in risks was recorded, due initially to a "scenario" effect (at the beginning of February a particularly volatile scenario was recorded for the credit spread risk factor) and subsequently to an increase in risks in the credit and equity sector. In the last month, the VaR recorded a decline due to the technical effect linked to the passage of time, whereby past scenarios, at the time volatile, assume, with the passing of days, a lower weighting in the calculation of risks.



Risk control with regard to the trading activity of Intesa Sanpaolo and Banca IMI also uses scenario analyses and stress tests. The impact on the income statement of selected scenarios relating to the evolution of stock prices, interest rates, credit spreads and foreign exchange rates as at the end of March is summarised in the following table: the shocks applied to the portfolio were updated by the Financial and Market Risks Department.

(millions of euro)

	EQUITY		INTEREST RATES		CREDIT SPREADS		FOREIGN EXCHANGE RATES		COMMODITIES	
	Crash	Bullish	+40bp	lower rate	-25bp	+25bp	-10%	+10%	Crash	Bullish
Total	-2	34	5	-11	335	-327	15	-29	13	-18

In particular:

- for positions on equity markets, there would be a theoretical loss of 2 million euro in the event of a market crash (decline in prices of 15% on the European market and of 10% on the U.S. market and increase in volatility of 25%).
- for positions in interest rates, there would be a loss of 11 million euro in the event of a fall in rates.
- for positions in credit spreads, a widening of credit spreads of 25 bps would entail a loss of 327 million euro;
- for positions in foreign exchange, there would be losses in the event of a 10% increase in the EUR-USD exchange rate.
- finally, for positions in commodities, an increase in commodity prices of 20% (accompanied by a reduction in the price of gold of 15%) would entail a loss of 18 million euro.

Backtesting

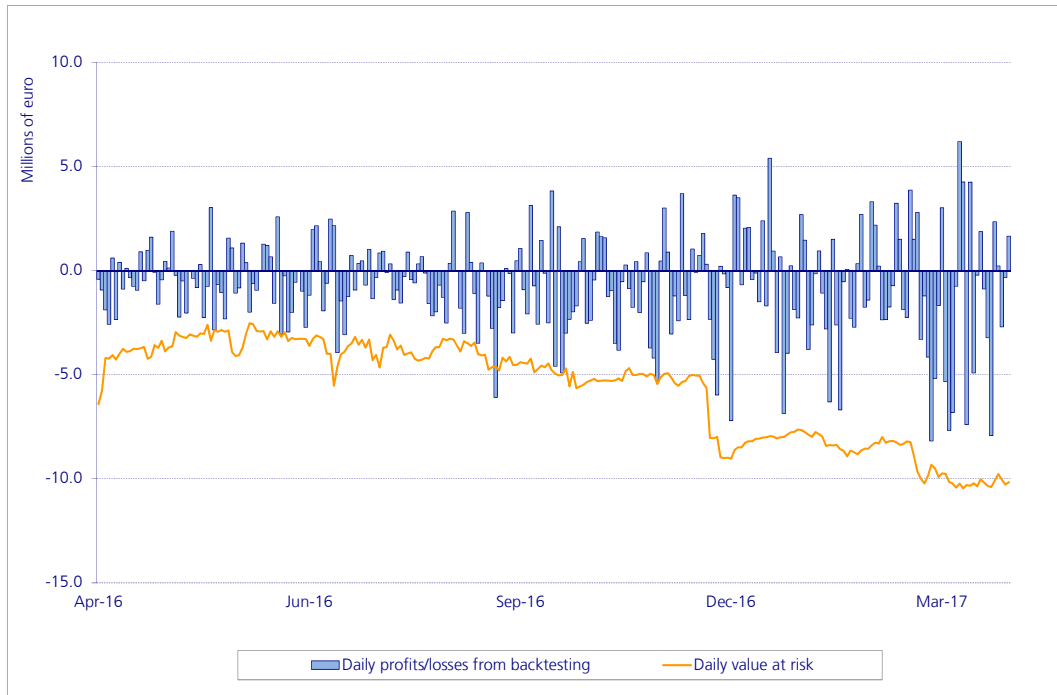
The effectiveness of the VaR calculation methods must be monitored daily via backtesting which, as concerns regulatory backtesting, compares:

- the daily estimates of value at risk;
- the daily profits/losses based on backtesting which are determined using actual daily profits and losses achieved by individual desks, net of components which are not considered in backtesting such as commissions and intraday activities.

Backtesting allows verification of the model’s capability of correctly seizing, from a statistical viewpoint, the variability in the daily valuation of trading positions, covering an observation period of one year (approximately 250 estimates). Any critical situations relative to the adequacy of the Internal Model are represented by situations in which daily profits/losses based on backtesting highlight more than three occasions, in the year of observation, in which the daily loss is higher than the value at risk estimate. Current regulations require that backtesting is performed by taking into consideration both the actual P&L series recorded and the theoretical series. The latter is based on revaluation of the portfolio value through the use of pricing models adopted for the VaR measurement calculation. The number of significant backtesting exceptions is determined as the maximum between those for actual P&L and theoretical P&L.

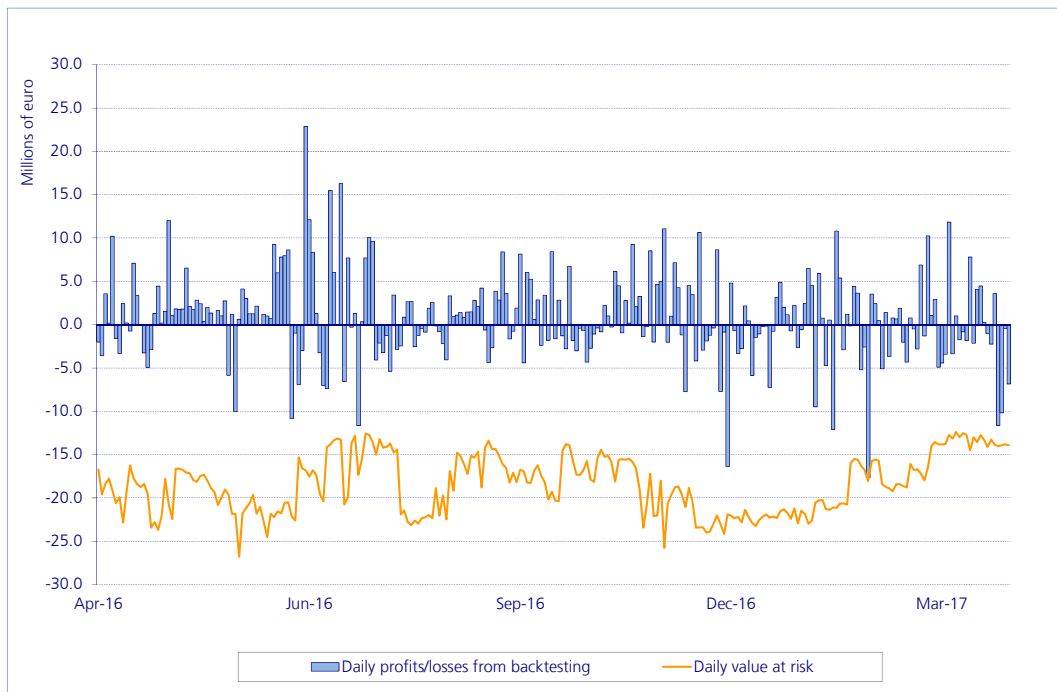
Backtesting in Intesa Sanpaolo

The effective backtesting exception of Intesa Sanpaolo relates to interest rate dynamics, with particular regard to the performance of cross currency swaps.



Backtesting in Banca IMI

In the last year, no backtesting exceptions have been found.



BANKING BOOK

In the first three months of 2017, interest rate risk generated by the Intesa Sanpaolo Group's banking book, measured through shift sensitivity analysis, recorded an average value of 1,086 million euro, settling at 1,167 million euro at the end of March 2017, almost entirely concentrated on the euro; this figure compares with 945 million euro at the end of 2016.

The sensitivity of net interest income – assuming a +100, +50 and -50 basis point change in interest rates – amounted to 1,142 million euro, 607 million euro and -716 million euro respectively, at the end of March 2017 (1,081 million euro, 571 million euro and -665 million euro at the end of 2016).

Interest rate risk, measured in terms of VaR, recorded an average of 141 million euro in the first three months of 2017 (117 million euro at the end of 2016), with a maximum value of 153 million euro and a minimum value of 123 million euro; this figure compares with an exact end-of-quarter value of 153 million euro. Price risk generated by minority stakes in listed companies, mostly held in the AFS (Available for Sale) category and measured in terms of VaR, recorded an average level of 142 million euro in the first three months of 2017 (161 million euro at the end of 2016), with a minimum value of 135 million euro and a maximum value of 146 million euro; the latter figure coincides with the value at the end of March.

Lastly, an analysis of banking book sensitivity to price risk, measuring the impact on Shareholders' Equity of a price shock on the above quoted assets recorded in the AFS category shows sensitivity to a 10% negative shock equal to 19 million euro at the end of March 2017.

LIQUIDITY RISK

In the first three months of 2017, the Group's liquidity position remained within the risk limits provided for in the Group's Liquidity Policy: both the LCR and NSFR indicators were largely respected, as they reached a level well above the phased-in requirements. As at 31 March 2017, the eligible liquidity reserves for the Central Banks, considering also the cash components, came to 156 billion euro (150 billion euro at the end of December 2016), of which 82 billion euro, net of haircut, was unencumbered (96 billion euro at the end of December 2016).

Also the stress tests, when considering the high availability of liquidity reserves (liquid or eligible), yielded results in excess of the target threshold for the Group, with a liquidity surplus capable of meeting extraordinary cash outflows for a period of more than 3 months.

Adequate and timely information regarding the development of market conditions and the position of the Bank and/or Group was provided to the corporate bodies and internal committees in order to ensure full awareness and manageability of the main risk factors.

INFORMATION ON FINANCIAL PRODUCTS

In line with the requests for utmost transparency made by supranational and national Supervisory Authorities, the following information is provided on the fair value measurement methods adopted, structured credit products, activities performed through Special Purpose Entities (SPE), leveraged finance transactions, hedge fund investments and transactions in derivatives with customers.

FAIR VALUE MEASUREMENT OF FINANCIAL ASSETS AND LIABILITIES

Fair value hierarchy

Financial assets / liabilities at fair value	31.03.2017			31.12.2016		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Financial assets held for trading	15,106	28,549	829	10,685	31,978	950
<i>of which: Equities</i>	764	-	-	885	-	-
<i>of which: quotas of UCI</i>	585	87	162	584	86	165
2. Financial assets designated at fair value through profit or loss	65,868	1,067	503	62,341	1,072	452
<i>of which: Equities</i>	1,413	-	-	1,295	-	-
<i>of which: quotas of UCI</i>	60,645	-	126	57,438	-	127
3. Financial assets available for sale	141,167	5,941	2,892	137,354	6,341	2,997
<i>of which: Equities</i>	2,315	2,446	888	1,765	2,728	970
<i>of which: quotas of UCI</i>	8,311	34	1,514	7,942	30	1,663
4. Hedging derivatives	-	5,600	18	-	6,241	20
5. Property and equipment	-	-	-	-	-	-
6. Intangible assets	-	-	-	-	-	-
Total	222,141	41,157	4,242	210,380	45,632	4,419
1. Financial liabilities held for trading	14,475	28,633	252	12,983	31,541	266
2. Financial liabilities designated at fair value through profit or loss	-	60,562	-	-	57,187	-
3. Hedging derivatives	-	8,357	4	-	9,024	4
Total	14,475	97,552	256	12,983	97,752	270

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

As shown in the table, level 3 instruments, which allow for more discretion in fair value measurement, still account for a limited portion of the financial instruments portfolio: 1.6% for financial assets and 0.2% for financial liabilities.

Within the framework of level 3, more than 60% (2,690 million) refer to equities and quotas of UCI.

The reduction in level 3 financial assets available for sale is mainly due to the write-down of the investment in the Atlante fund net of the payment for the period.

Approximately 83% of financial assets measured at fair value are determined based on market prices, and therefore without any discretion by the valuator.

STRUCTURED CREDIT PRODUCTS

The risk exposure to structured credit products amounted to 2,354 million euro as at 31 March 2017 with respect to funded and unfunded ABSs/CDOs, compared to 2,471 million euro as at 31 December 2016, in addition to an exposure of 8 million euro with respect to structured packages, which compares with the 7 million euro as at 31 December 2016.

The strategy regarding the portfolio in question in 2017 focused on investments to exploit market opportunities, on the one hand, and on disposing of the portfolio hard hit by the financial crisis, which is now managed by Capital Light Bank, on the other.

The decrease in exposure to funded and unfunded ABSs/CDOs designated at fair value (from 2,081 million euro in December 2016 to 2,014 million euro in March 2017) is attributable to sales and redemptions of ABSs by Banca IMI and of European ABSs/CDOs by the Parent Company, only partially offset by investments in ABSs of Banca IMI (part of which were classified to the available-for-sale portfolio) and to European ABSs/CDOs acquired by the Parent Company and classified to the trading portfolio.

Banca IMI's investments mainly consist of securities with underlying residential mortgages and CLOs with mainly AA ratings, which were more than offset by sales in the first three months of 2017. The Parent Company confirmed its transactions in European RMBS with mainly AAA ratings, aimed at seizing market opportunities with new investments.

With regard to the exposure represented by securities classified under the loan portfolio, on the other hand, a decrease was recorded (from 390 million euro at the end of December 2016 to 340 million euro at the end of March 2017), attributable to the sales that concerned the portfolio of Banca IMI and, to a lesser extent, the Parent Company.

The increase in the exposure of structured packages is attributable to valuation components of the period.

From the perspective of the income statement, a profit of 8 million euro was posted for the first three months of 2017, against the +13 million euro for 2016.

As at 31 March 2017 the "Profits (losses) on trading – caption 80" of the exposure to funded and unfunded ABSs/CDOs came to +8 million euro (+12 million euro in 2016), generated by the positions in funded European and U.S. ABSs/CDOs, while positions in multi-sector CDOs and U.S. subprime had a nil result.

The exposure to funded and unfunded ABSs/CDOs in securities classified by the subsidiary Banca IMI in the available-for-sale portfolio recorded a net increase in fair value of 2 million euro in 2017, accounted for in the specific Shareholders' Equity Reserve (from a reserve at the end of December 2016 of +5 million euro to a reserve of +7 million euro at the end of March 2017) and an impact on the income statement for sales made in the period of +1 million euro (+5 million euro in 2016). No value adjustments due to impairment were posted on the securities reclassified in the Loan portfolio in the first three months of 2017 (-6 million euro in 2016).

The "Monoline risk" and "Non-monoline packages" made a contribution to "Profits (Losses) on trading – caption 80" of -1 million euro as at 31 March 2017, compared with the +2 million euro profit recorded as at 31 December 2016.

INFORMATION ON ACTIVITIES PERFORMED THROUGH SPECIAL PURPOSE ENTITIES (SPES)

For the purpose of this analysis, legal entities established to pursue a specific, clearly defined and limited objective (raising funds on the market, acquiring/selling/managing assets both for asset securitisations, acquisition of funding through self-securitisations and the issue of covered bonds, developing and/or financing specific business initiatives, undertaking leveraged buy-out transactions, or managing credit risk inherent in an entity's portfolio) are considered Special Purpose Entities.

The sponsor of the transaction is normally an entity which requests the structuring of a transaction that involves the SPE for the purpose of achieving certain objectives. In some cases the Bank is the sponsor and establishes a SPE to achieve one of the objectives cited above.

For the SPE categories identified as not consolidated structured entities, no amendments are recorded to the criteria based on which the Intesa Sanpaolo Group decides on whether to include the companies in the scope of consolidation, compared to the information already provided in the 2016 financial statements.

During the first quarter of the year, within the framework of the multi-originator programme guaranteed by ISP OBG, the two series expiring in 2017 - the 9th and 10th series - were redeemed in advance in February, each for an amount of 1.375 billion euro.

Following these redemptions, the 23rd and 24th series of floating-rate securities were concurrently issued, for the same amounts, maturing in nine and ten years respectively. All the securities, which are listed on the Luxembourg Stock Exchange and rated A High by DBRS, were subscribed by the Parent Company and are eligible on the Eurosystem.

With reference to the covered bond issue programme guaranteed by ISP CB Pubblico, the 10th series was redeemed partially for an amount of 500 million euro.

LEVERAGED FINANCE TRANSACTIONS

Since there is no univocal and universally agreed-upon definition of leveraged finance transactions, Intesa Sanpaolo decided to include in this category the exposures (loans granted and disbursed in relation to structured financing operations, normally medium/long term) to legal entities, in which the majority of share capital is held by private equity funds.

These are mainly positions in support of Leveraged Buy Out projects (therefore with high financial leverage), i.e. linked to the full or partial acquisition of companies through recourse to SPEs. After acquisition of the target company's shares/quotas package, these SPEs are normally merged into the target. The target companies generally have good economic prospects, stable cash flows in the medium term and low original leverage levels. Intesa Sanpaolo has financed entities of this type, as normal borrowers, without acting as sponsor.

None of these SPEs is consolidated, since the guarantees to support the transaction are solely instrumental for the granting of the financing and are never directed to the acquisition of direct or indirect control over the vehicle.

As at 31 March 2017, 110 transactions for a total amount granted of 2,941 million euro met the above definition.

These exposures are classified under the loans portfolio. They also include the portions of syndicated loans underwritten or under syndication. Breakdown of exposures by geographical area shows prevalence of Italian exposures (approximately 71%) and of the industrial sector (79%). All the exposures included within the scope under examination are senior exposures.

INFORMATION ON INVESTMENTS IN HEDGE FUNDS

The hedge fund portfolio held for trading as at 31 March 2017 totalled 330 million euro, compared to 352 million euro recorded in December 2016, 80% of which were funds on the MAP platform.

The reduction of the portfolio is attributable to the distributions and redemptions that took place starting from the second quarter of last year and continuing at the beginning of this year, aimed at reducing the risk level of the exposure and also as a result of the obligation to comply with the instructions of the Volcker Rule on U.S. Funds.

In particular, the most significant redemptions in the first quarter concerned the MAP 5A Fund for 13.5 million dollars, and to a lesser extent the Eurizon Penghua Fund, the Mount Kellett 14th MAF Fund and the Marathon MAP9A Fund.

As at the same date, the economic result of the investments in this segment was positive, standing at 5 million euro, compared to the negative 48 million euro of "Profits (Losses) on trading – caption 80" in the first quarter of 2016, caused by severe turbulence on the markets. The 5 million euro profit is mainly attributable to specific "event-driven" situations and some macro and sectoral movements in the market.

Overall, the portfolio's strategy remains oriented towards benefiting from the occurrence of specific corporate events, largely independent of the general trend, and the reduction of risk through a general downwards revision of allocations of individual funds in response to continued market uncertainty.

INFORMATION ON TRADING TRANSACTIONS IN DERIVATIVES WITH CUSTOMERS

Considering relations with customers only, as at 31 March 2017, the Intesa Sanpaolo Group, in relation to derivatives trading with retail customers, non-financial companies and public entities (therefore excluding banks, financial and insurance companies), presented a positive fair value, not having applied netting agreements, of 7,007 million euro (7,532 million euro as at 31 December 2016). The notional value of these derivatives totalled 47,336 million euro (47,698 million euro as at 31 December 2016).

The positive fair value of the structured contracts in existence with the 10 customers with the highest exposures was 5,008 million euro.

Conversely, negative fair value determined with the same criteria, for the same types of contracts and with the same counterparties, totalled 1,683 million euro as at 31 March 2017 (1,971 million euro as at 31 December 2016). The notional value of these derivatives totalled 21,946 million euro (22,030 million euro as at 31 December 2016).

The fair value of derivative financial instruments entered into with customers was determined considering, as for all other OTC derivatives, the creditworthiness of the single counterparty ("Bilateral Credit Value Adjustment"). With regard to contracts outstanding as at 31 March 2017, this led to a positive effect of 3 million euro being recorded under "Profits (Losses) on trading" in the income statement.

Please note that contracts made up of combinations of more elementary derivative instruments have been considered "structured" and that the aforesaid figures do not include fair value of derivatives embedded in structured bond issues as well as the relative hedges agreed by the Group.

OPERATIONAL RISK

Operational risk is defined as the risk of suffering losses due to inadequacy or failures of processes, human resources and internal systems, or as a result of external events. Operational risk includes legal risk, that is, the risk of losses deriving from breach of laws or regulations, contractual or out-of-contract liability or other disputes; ICT (Information and Communication Technology) risk; compliance risk, for the economic sanctions and losses part, and model risk. Strategic and reputational risks, however, are not included.

The Intesa Sanpaolo Group has for some time defined the overall operational risk management framework by setting up a Group policy and organisational processes for measuring, managing and controlling operational risk.

To determine its capital requirements, the Group employs a combination of the methods allowed under applicable regulations. The capital absorption resulting from this process amounts to 1,563 million euro as at 31 March 2017, unchanged compared to 31 December 2016.

Legal risks

Legal risks are thoroughly analysed by the Parent Company and Group companies. Provisions are made to the allowances for risks and charges in the event of disputes for which it is probable that funds will be disbursed and where the amount of the disbursement may be reliably estimated.

During the quarter no new major litigations have been undertaken and there have been no significant developments with regard to those indicated in the Notes to the 2016 financial statements, which therefore should be consulted, with the exception of the continuation of the administrative and judicial proceedings against Banca IMI Securities Corp. of New York. The SEC (the U.S. financial market supervisory authority), as anticipated in the 2016 Annual Report, has launched an investigation concerning the dealings of certain brokers, including our subsidiary IMI Securities of New York, involving some particular financial instruments known as “ADRs” (depository receipts for shares issued by non-U.S. companies), transactions that were discontinued some time ago by our subsidiary.

In recent months, our cooperation with the Supervisory Authority has continued in order to focus on the operating procedures adopted by our subsidiary. The SEC’s analyses have ascertained alleged deficiencies in oversight obligations in the business area of pre-released ADRs, in response to which our subsidiary will submit counter-pleas and explanations in its defence to the SEC to mitigate the conclusions the Authority has reached.

Tax litigation

No significant developments were recorded during the first quarter of 2017.

With respect to the disputes concerning the recovery of registration tax on contributions of company assets and the subsequent sale of equity investments, reclassified by the tax authorities as transfer of a business unit, note should be taken of the favourable decision of the Regional Tax Commission of Milan, filed on the 20 February 2017. The dispute, for an amount of approximately 2 million euro, concerns a transaction that involved Cassa di Risparmio del Veneto, Cassa di Risparmio di Parma e Piacenza and Banca Popolare Friuladria.

The Bank has also lodged an appeal to the Court of Cassation in relation to an old dispute of the merged company Caripuglia S.p.A., relating to a notice of assessment concerning Irpeg (former corporation tax) and Ilor (former local tax on earnings) for the year 1982 (litigation value of 1.8 million euro). Following the unfavourable decision of the Central Tax Commission, in February 2017 the Revenue Agency paid the full assessed amount, plus interest (1.8 million euro in total) and the payment was prudently considered as final payment. Therefore, a possible favourable outcome of the proceedings before the Court of Cassation would result in a tax credit towards the Revenue Agency and an extraordinary income item.

As regards tax credit reimbursements, the Bari branch of the Revenue Agency has approved the reimbursements of the Irpeg and Ilor tax credits relating to the years 1985 and 1986, as well as from 1990 to 1994, for the total amount in principal of 42 million euro, plus accrued interest (37 million euro). In addition, the Piedmont Regional Office - Large Taxpayers Office, approved the Ires (corporate income tax) reimbursements for the tax periods from 2008 to 2010 and the Irap (regional tax on production) reimbursement for 2009, for an overall amount of 11.7 million euro.

INSURANCE RISKS

Life business

The typical risks of a life insurance portfolio may be divided into three main categories: premium risks, actuarial and demographic risks and reserve risks.

Premium risks are managed initially during definition of the technical features and product pricing and over the life of the instrument by means of periodic checks on sustainability and profitability (both at product level and at portfolio level, including liabilities).

Actuarial and demographic risks are monitored by means of systematic statistical analysis of the evolution of liabilities in its own contract portfolio, divided by risk type, and through simulations of expected profitability of the assets hedging technical reserves.

Reserve risk is monitored through the exact calculation of mathematical reserves, with a series of detailed checks as well as overall verifications, by comparing results with the estimates produced on a monthly basis.

The mathematical reserves are calculated on almost the entire portfolio, on a contract-by-contract basis, and the methodology used to determine the reserves takes account of all the future commitments of the company.

Non-life business

The risks of the non-life insurance portfolio are essentially premium risk and reserve risk.

Premium risks are managed initially during definition of the technical features and product pricing and over the life of the instrument by means of periodic checks on sustainability and profitability (both at product level and at portfolio level, including liabilities).

Reserve risk is monitored through the exact calculation of technical reserves.

Financial risks

In line with the growing focus in the insurance sector on the issues of value, risk and capital in recent years, a series of initiatives has been launched with the objective of both strengthening risk governance and managing and controlling financial risks.

With reference to investment portfolios, set up both as coverage of obligations with the insured and in relation to free capital, the main control and monitoring instrument for market and credit risks is represented by specific internal rules which define the goals and the operating limits that are needed to distinguish the investments in terms of eligible assets and asset allocation, breakdown by rating classes and credit risk, concentration risk by issuer and sector, and market risks, in turn measured in terms of sensitivity to changes in risk factors and Value at Risk (VaR).

Investment portfolios

The investments of the insurance companies of Intesa Sanpaolo Group (Intesa Sanpaolo Vita, Intesa Sanpaolo Assicura, Intesa Sanpaolo Life and Fideuram Vita) are made with their free capital and to cover contractual obligations with customers. These refer to traditional revaluable life insurance policies, Index- and Unit-linked policies, pension funds and non-life policies.

As at 31 March 2017, the investment portfolios of Group companies, recorded at book value, amounted to 150,111 million euro. Of these, a part amounting to 83,898 million euro relates to traditional revaluable life policies (the financial risk of which is shared with the policyholders by virtue of the mechanism whereby the returns on assets subject to segregated management are determined), non-life policies and free capital. The other component, whose risk is borne solely by the policyholders, consists of investments related to Index-linked policies, Unit-linked policies and pension funds and amounted to 66,214 million euro.

Considering the various types of risks, the analysis of investment portfolios, described below, concentrates on the assets held to cover traditional revaluable life policies, non-life policies and free capital.

In terms of breakdown by asset class, net of derivative financial instruments, 86.3% of assets, i.e. approximately 72,497 million euro, were bonds, whereas assets subject to equity risk represented 2.1% of the total and amounted to 1,803 million euro. The remainder (9,660 million euro) consisted of investments relating to UCI, Private Equity and Hedge Funds (11.5%).

The carrying value of derivatives came to approximately -63 million euro, entirely relating to effective management derivatives.¹ Hedging derivatives are currently not present in the portfolio.

At the end of the first three months of 2017, investments made with the free capital of Intesa Sanpaolo Vita and Fideuram Vita amounted to approximately 1,578 million euro at market value, and presented a risk in terms of VaR (99% confidence level, 10-day holding period) of approximately 45 million euro.

The breakdown of the bond portfolio in terms of fair value sensitivity to interest rate changes showed that a +100 basis points parallel shift in the curve leads to a decrease of approximately 4,119 million euro.

The distribution of the portfolio by rating class is as follows. AAA/AA bonds represented approximately 4.5% of total investments and A bonds approximately 5.4%. Low investment grade securities (BBB) were approximately 87.3% of the total and the portion of speculative grade or unrated was minimal (approximately 2.8%).

A considerable portion of the BBB area is made up of securities issued by the Italian Republic.

The analysis of the exposure in terms of the issuers/counterparties produced the following results: securities issued by Governments and Central Banks approximately made up 75.8% of the total investments, while financial companies (mostly banks) contributed almost 13.2% of exposure and industrial securities made up approximately 11.0%.

At the end of the first quarter of 2017, the fair value sensitivity of bonds to a change in issuer credit rating, intended as a market credit spread shock of +100 basis points, was 4,203 million euro, with 3,269 million euro due to government issuers and 935 million euro to corporate issuers (financial institutions and industrial companies).

¹ ISVAP Regulation 36 of 31 January 2011 on investments defines as "effective management derivatives" all derivatives aimed at achieving pre-established investment objectives in a faster, easier, more economical or more flexible manner than would have been possible acting on the underlying assets.

Accounting policies

Criteria for the preparation of the Interim Statement

General preparation principles

As known, with Legislative Decree No. 25 of 15 February 2016, Directive 2013/50/EU, amending Directive 2004/109/EC (i.e. "Transparency Directive"), has been transposed into the Italian legal system. By transposing the European regulation, the provisions concerning financial reports were changed, among others, innovating the rules regarding the publication, by the listed issuers with Italy as Member State of origin, of additional periodic information other than annual report and half-yearly report. The new wording of Article 154-ter (Financial reports), paragraphs 5 and 5-bis, of the Consolidated Law on Finance, allows CONSOB to arrange, towards the issuers stated above, the obligation to publish the additional periodic information. However, in exercising its duties – and following a consultation process – CONSOB has given the issuers the choice on publishing the Interim Statements.

In this context, as already announced to the market on 20 December 2016, Intesa Sanpaolo publishes – on a voluntary basis – financial information as at 31 March and 30 September of each financial year, in addition to the annual report and half-yearly report. This information consists of interim statements on operations approved by the Board of Directors, basically providing continuity with the interim statements published in the past.

The "Interim Statement as at 31 March 2017" has been prepared, in consolidated form, in compliance with the recognition and valuation criteria required by the IAS/IFRS accounting standards issued by the International Accounting Standards Board (IASB) and the relative interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and endorsed by the European Commission as provided for by Community Regulation 1606 of 19 July 2002.

The accounting principles adopted in preparation of the Consolidated interim report on operations, with regard to the classification, recognition, measurement and derecognition of asset and liability captions, and the recognition methods for revenues and costs, have remained substantially unchanged with respect to those adopted for the Intesa Sanpaolo Group Annual Report 2016 – to which reference should be made for further details.

The Interim Statement as at 31 March 2017, drawn up in euro as the functional currency, contains the Balance sheet, the Income statement, the Statement of comprehensive income for the period, the Changes in shareholders' equity, and the Explanatory notes. They are also complemented by information on significant events which occurred in the period, and on the main risks and uncertainties to be faced in the remaining months of the year.

The amounts indicated in the financial statements and explanatory notes are expressed in millions of euro, unless otherwise specified.

In addition to amounts for the reporting period, the financial statements also indicate the corresponding comparison figures as at 31 March 2016 for the Income statement and as at 31 December 2016 for the Balance sheet.

The Attachments include the reconciliation statements to the balance sheet and income statement originally published in the Interim Statement as at 31 March 2016 and in the Annual Report as at 31 December 2016, together with specific reconciliations between these and the reclassified statements.

The equity investment in Allfunds Bank was reclassified to asset held for sale on 31 March 2017 after the signature of the relevant transfer agreement occurred in March; as this cannot be considered as a "discontinued operation" (i.e. a separate major line of business or geographical area of operations) based on the provisions of IFRS 5, the reclassification only concerned balance sheet data and did not regard the reclassification of the contribution to the consolidated income or the restatement of the comparison financial data.

Some properties (with ongoing sales processes) of Risanamento S.p.A., a company controlled by Intesa Sanpaolo pursuant to IFRS 10, are then accounted for according to IFRS 5.

The Interim Statement as at 31 March 2017 is complemented by the certification of the Manager responsible for preparing the Company's financial reports pursuant to Article 154-bis of the Consolidated Law on Finance and the consolidated financial statements are subject to a limited review by the Independent Auditors KPMG for the sole purpose of issuing the certification required by Art. 26 (2) of the European Union Regulation no. 575/2013 and the European Central Bank Decision no. 2015/656.

Scope of consolidation and consolidation methods

Scope of consolidation

The Consolidated Interim Statement includes Intesa Sanpaolo and the companies that it directly and indirectly controls, jointly controlled or subject to significant influence, also including – as specified by IAS/IFRS – companies operating in sectors different from that of the Parent Company and private equity investments.

Similarly, structured entities are included when the requisite of effective control recurs, even if there is no stake in the company.

Certain companies in which the Parent Company holds an equity stake exceeding 20% of voting share capital, and in any case of limited absolute amount, are excluded from the scope of consolidation and are classified in Available for Sale category since Intesa Sanpaolo, directly or indirectly, exclusively holds rights on a portion of the rewards of the investment, does not have access to management policies and may exercise limited governance rights to safeguard its economic interests. Equity investments held, directly or through funds, in companies involved in the venture capital business are also excluded from the line-by-line scope of consolidation. These equity investments are included in the category of instruments measured at fair value. Companies for which the shares have been received as pledges with voting rights exceeding 20% are not consolidated, in consideration of the substance underlying the pledge, which has the purpose of guaranteeing loans and not of exercising control and direction over financial and economic policies in order to benefit from the economic return on the shares.

Compared with the situation as at 31 December 2016, no significant changes in the scope of consolidation have occurred.

Intesa Sanpaolo does not perform management and coordination activity over Risanamento S.p.A. and its subsidiaries pursuant to Article 2497 et seq. of the Italian Civil Code.

Intragroup company transactions include, during the first quarter of 2017, the merger by incorporation of Accedo S.p.A into Intesa Sanpaolo S.p.A. and the partial demerger of CIB Factor into CIB Bank.

Please note that, by signing the “new Co-operation Agreement”, the conditions no longer apply for the significant influence previously exercised by Intesa Sanpaolo on Bank of Qingdao. Specifically, the new agreement no longer features the elements that for IAS 28 characterise a situation of significant influence (there is no obligation for Bank of Qingdao to consult Intesa Sanpaolo in advance on significant issues, exchange of managers and the provision of essential technical information). Therefore, the equity investment originally classified as investment in associates pursuant to IAS 28 was reclassified within the AFS (Available For Sale) portfolio required by IAS 39, starting from 30 March 2017, the date of signing the “new Co-operation Agreement”.

Consolidation methods

The methods used for line-by-line consolidation of subsidiaries and consolidation by the equity method of associates and companies subject to joint control have remained unchanged with respect to those adopted for the 2016 Intesa Sanpaolo Group Annual Report, to which reference should therefore be made.

The financial statements of the Parent Company and of other companies used to prepare the Interim Statement as at 31 March 2017 refer to the same date. In certain limited cases, for subsidiaries which are not material, the latest official figures are used.

Where necessary – and only in wholly marginal cases – the financial statements of consolidated companies which are drawn up using different accounting criteria are restated to be compliant with the standards used by the Group.

The financial statements of non-Eurozone companies are translated into euro by applying the spot exchange rate at period-end to assets and liabilities in the Balance sheet, and the average exchange rate for the period to Income statement captions.

The Board of Directors

Milan, 5 May 2017

Declaration of the Manager responsible for preparing the Company's financial reports

Pursuant to art. 154-bis, subsection 2 of the Italian Consolidated Law on Finance, the Manager responsible for preparing the Company's financial reports, Fabrizio Dabbene, hereby declares that the accounting information contained in this Interim Statement as at 31 March 2017 corresponds to corporate records, books and accounts.

Milan, 5 May 2017

Fabrizio Dabbene
Manager responsible for preparing
the Company's financial reports

Attachments

Reconciliation between published consolidated financial statements and adjusted consolidated financial statements

Reconciliation between the published consolidated balance sheet as at 31 December 2016 and the adjusted consolidated balance sheet as at 31 December 2016

Reconciliation between published consolidated income statement as at March 2016 and adjusted consolidated income statement as at March 2016

Reconciliation between adjusted/published consolidated financial statements and restated consolidated financial statements

Reconciliation between the published consolidated balance sheet as at 31 December 2016 and the restated consolidated balance sheet as at 31 December 2016

Reconciliation between adjusted consolidated income statement as at March 2016 and restated consolidated income statement as at March 2016

Restated consolidated financial statements

Restated consolidated balance sheet

Restated consolidated income statement

Reconciliation between restated consolidated financial statements and reclassified consolidated financial statements

Reconciliation between restated consolidated balance sheet and reclassified consolidated balance sheet

Reconciliation between restated consolidated income statement and reclassified consolidated income statement

Reconciliation between published consolidated financial statements and adjusted consolidated financial statements

Reconciliation between the published consolidated balance sheet as at 31 December 2016 and the adjusted consolidated balance sheet as at 31 December 2016

The published consolidated balance sheet as at 31 December 2016 did not require any adjustments.

Reconciliation between published consolidated income statement as at March 2016 and adjusted consolidated income statement as at March 2016

	(millions of euro)		
	31.03.2016 Published (*)	Effects of IFRS 5 application (a)	31.03.2016 Adjusted
10. Interest and similar income	3,293	-	3,293
20. Interest and similar expense	-1,105	-	-1,105
30. Interest margin	2,188	-	2,188
40. Fee and commission income	1,934	-2	1,932
50. Fee and commission expense	-350	-35	-385
60. Net fee and commission income	1,584	-37	1,547
70. Dividend and similar income	47	-	47
80. Profits (Losses) on trading	60	-	60
90. Fair value adjustments in hedge accounting	-39	-	-39
100. Profits (Losses) on disposal or repurchase of	445	-	445
<i>a) loans</i>	6	-	6
<i>b) financial assets available for sale</i>	425	-	425
<i>c) investments held to maturity</i>	-	-	-
<i>d) financial liabilities</i>	14	-	14
110. Profits (Losses) on financial assets and liabilities designated at fair value	161	-	161
120. Net interest and other banking income	4,446	-37	4,409
130. Net losses / recoveries on impairment	-555	-	-555
<i>a) loans</i>	-556	-	-556
<i>b) financial assets available for sale</i>	-31	-	-31
<i>c) investments held to maturity</i>	-	-	-
<i>d) other financial activities</i>	32	-	32
140. Net income from banking activities	3,891	-37	3,854
150. Net insurance premiums	3,098	-	3,098
160. Other net insurance income (expense)	-3,526	-	-3,526
170. Net income from banking and insurance activities	3,463	-37	3,426
180. Administrative expenses	-2,238	18	-2,220
<i>a) personnel expenses</i>	-1,306	8	-1,298
<i>b) other administrative expenses</i>	-932	10	-922
190. Net provisions for risks and charges	-16	-	-16
200. Net adjustments to / recoveries on property and equipment	-86	1	-85
210. Net adjustments to / recoveries on intangible assets	-136	1	-135
220. Other operating expenses (income)	172	-4	168
230. Operating expenses	-2,304	16	-2,288
240. Profits (Losses) on investments in associates and companies subject to joint control	61	-	61
250. Valuation differences on property, equipment and intangible assets measured at fair value	-	-	-
260. Goodwill impairment	-	-	-
270. Profits (Losses) on disposal of investments	6	-	6
280. Income (Loss) before tax from continuing operations	1,226	-21	1,205
290. Taxes on income from continuing operations	-379	7	-372
300. Income (Loss) after tax from continuing operations	847	-14	833
310. Income (Loss) after tax from discontinued operations	-1	14	13
320. Net income (loss)	846	-	846
330. Minority interests	-40	-	-40
340. Parent Company's net income (loss)	806	-	806

(*) Figures originally published in the Interim Report at 31 March 2016

(a) Profit and loss results at 31 March 2016 of the subsidiaries Setefi and Intesa Sanpaolo Card, whose transfer agreement was signed in the second quarter of 2016

Reconciliation between adjusted/published consolidated financial statements and restated consolidated financial statements

Reconciliation between the published consolidated balance sheet as at 31 December 2016 and the restated consolidated balance sheet as at 31 December 2016

(millions of euro)

Assets	31.12.2016 Published (*)	Discontinued operations (a)	31.12.2016 Restated
10. Cash and cash equivalents	8,686	-	8,686
20. Financial assets held for trading	43,613	-	43,613
30. Financial assets designated at fair value through profit and loss	63,865	-	63,865
40. Financial assets available for sale	146,692	-	146,692
50. Investments held to maturity	1,241	-	1,241
60. Due from banks	53,146	-	53,146
70. Loans to customers	364,713	-	364,713
80. Hedging derivatives	6,234	-	6,234
90. Fair value change of financial assets in hedged portfolios (+/-)	321	-	321
100. Investments in associates and companies subject to joint control	1,278	-111	1,167
110. Technical insurance reserves reassured with third parties	17	-	17
120. Property and equipment	4,908	-	4,908
130. Intangible assets	7,393	-	7,393
<i>of which</i>			-
<i>- goodwill</i>	4,059	-	4,059
140. Tax assets	14,444	-	14,444
<i>a) current</i>	3,313	-	3,313
<i>b) deferred</i>	11,131	-	11,131
<i>- of which convertible into tax credit (Law no. 214/2011)</i>	8,491	-	8,491
150. Non-current assets held for sale and discontinued operations	312	111	423
160. Other assets	8,237	-	8,237
Total Assets	725,100	-	725,100

(*) Figures originally published in the Annual Report 2016.

(a) The restatement of discontinued operations refers to the sale of Allfunds Bank, which will be finalised in 2017.

(millions of euro)

Liabilities and Shareholders' Equity	31.12.2016 Published (*)	Discontinued operations (a)	31.12.2016 Restated
10. Due to banks	72,641	-	72,641
20. Due to customers	291,876	-	291,876
30. Securities issued	94,783	-	94,783
40. Financial liabilities held for trading	44,790	-	44,790
50. Financial liabilities designated at fair value through profit and loss	57,187	-	57,187
60. Hedging derivatives	9,028	-	9,028
70. Fair value change of financial liabilities in hedged portfolios (+/-)	773	-	773
80. Tax liabilities	2,038	-	2,038
<i>a) current</i>	497	-	497
<i>b) deferred</i>	1,541	-	1,541
90. Liabilities associated with non-current assets held for sale and discontinued operations	272	-	272
100. Other liabilities	11,944	-	11,944
110. Employee termination indemnities	1,403	-	1,403
120. Allowances for risks and charges	3,427	-	3,427
<i>a) post employment benefits</i>	1,025	-	1,025
<i>b) other allowances</i>	2,402	-	2,402
130. Technical reserves	85,619	-	85,619
140. Valuation reserves	-1,854	-	-1,854
150. Redeemable shares	-	-	-
160. Equity instruments	2,117	-	2,117
170. Reserves	9,528	-	9,528
180. Share premium reserve	27,349	-	27,349
190. Share capital	8,732	-	8,732
200. Treasury shares (-)	-72	-	-72
210. Minority interests (+/-)	408	-	408
220. Net income (loss)	3,111	-	3,111
Total Liabilities and Shareholders' Equity	725,100	-	725,100

(*) Figures originally published in the Annual Report 2016.

(a) The restatement of discontinued operations refers to the sale of Allfunds Bank, which will be finalised in 2017.

Reconciliation between adjusted consolidated income statement as at March 2016 and restated consolidated income statement as at March 2016

	31.03.2016 Adjusted	Non-current assets held for sale (a)	Changes in the scope of consolidation (b)	(millions of euro) 31.03.2016 Restated
10. Interest and similar income	3,293	-26	-	3,267
20. Interest and similar expense	-1,105	-	-	-1,105
30. Interest margin	2,188	-26	-	2,162
40. Fee and commission income	1,932	-	45	1,977
50. Fee and commission expense	-385	-	-34	-419
60. Net fee and commission income	1,547	-	11	1,558
70. Dividend and similar income	47	-	-	47
80. Profits (Losses) on trading	60	-	-	60
90. Fair value adjustments in hedge accounting	-39	-	-	-39
100. Profits (Losses) on disposal or repurchase of	445	-	-	445
<i>a) loans</i>	6	-	-	6
<i>b) financial assets available for sale</i>	425	-	-	425
<i>c) investments held to maturity</i>	-	-	-	-
<i>d) financial liabilities</i>	14	-	-	14
110. Profits (Losses) on financial assets and liabilities designated at fair value	161	-	-	161
120. Net interest and other banking income	4,409	-26	11	4,394
130. Net losses / recoveries on impairment	-555	-	-	-555
<i>a) loans</i>	-556	-	-	-556
<i>b) financial assets available for sale</i>	-31	-	-	-31
<i>c) investments held to maturity</i>	-	-	-	-
<i>d) other financial activities</i>	32	-	-	32
140. Net income from banking activities	3,854	-26	11	3,839
150. Net insurance premiums	3,098	-	-	3,098
160. Other net insurance income (expense)	-3,526	-	-	-3,526
170. Net income from banking and insurance activities	3,426	-26	11	3,411
180. Administrative expenses	-2,220	-	-6	-2,226
<i>a) personnel expenses</i>	-1,298	-	-4	-1,302
<i>b) other administrative expenses</i>	-922	-	-2	-924
190. Net provisions for risks and charges	-16	-	-	-16
200. Net adjustments to / recoveries on property and equipment	-85	-	-1	-86
210. Net adjustments to / recoveries on intangible assets	-135	-	-	-135
220. Other operating expenses (income)	168	-	-	168
230. Operating expenses	-2,288	-	-7	-2,295
240. Profits (Losses) on investments in associates and companies subject to joint control	61	-	-	61
250. Valuation differences on property, equipment and intangible assets measured at fair value	-	-	-	-
260. Goodwill impairment	-	-	-	-
270. Profits (Losses) on disposal of investments	6	-	-	6
280. Income (Loss) before tax from continuing operations	1,205	-26	4	1,183
290. Taxes on income from continuing operations	-372	9	-1	-364
300. Income (Loss) after tax from continuing operations	833	-17	3	819
310. Income (Loss) after tax from discontinued operations	13	-	-	13
320. Net income (loss)	846	-17	3	832
330. Minority interests	-40	17	-3	-26
340. Parent Company's net income (loss)	806	-	-	806

(a) Profit and loss results for the period ended 31 March 2016 of the portfolio of performing loans subject to the sale finalised at the end of May 2016 by the subsidiary ACCEDO.

(b) Profit and loss results for the period ended 31 March 2016 of Banca ITB, included in the scope of consolidation at the end of December 2016

Restated consolidated financial statements

Restated consolidated balance sheet

(millions of euro)

Assets	31.03.2017	31.12.2016 Restated	Changes	
			amount	%
10. Cash and cash equivalents	9,148	8,686	462	5.3
20. Financial assets held for trading	44,524	43,613	911	2.1
30. Financial assets designated at fair value through profit and loss	67,438	63,865	3,573	5.6
40. Financial assets available for sale	150,000	146,692	3,308	2.3
50. Investments held to maturity	1,229	1,241	-12	-1.0
60. Due from banks	58,897	53,146	5,751	10.8
70. Loans to customers	366,619	364,713	1,906	0.5
80. Hedging derivatives	5,618	6,234	-616	-9.9
90. Fair value change of financial assets in hedged portfolios (+/-)	91	321	-230	-71.7
100. Investments in associates and companies subject to joint control	736	1,167	-431	-36.9
110. Technical insurance reserves reassured with third parties	17	17	-	-
120. Property and equipment	4,837	4,908	-71	-1.4
130. Intangible assets	7,368	7,393	-25	-0.3
<i>of which</i>				
- goodwill	4,059	4,059	-	-
140. Tax assets	14,343	14,444	-101	-0.7
<i>a) current</i>	3,325	3,313	12	0.4
<i>b) deferred</i>	11,018	11,131	-113	-1.0
- of which convertible into tax credit (Law no. 214/2011)	8,341	8,491	-150	-1.8
150. Non-current assets held for sale and discontinued operations	431	423	8	1.9
160. Other assets	8,168	8,237	-69	-0.8
Total Assets	739,464	725,100	14,364	2.0

(millions of euro)

Liabilities and Shareholders' Equity	31.03.2017	31.12.2016 Restated	Changes	
			amount	%
10. Due to banks	92,584	72,641	19,943	27.5
20. Due to customers	287,020	291,876	-4,856	-1.7
30. Securities issued	90,336	94,783	-4,447	-4.7
40. Financial liabilities held for trading	43,371	44,790	-1,419	-3.2
50. Financial liabilities designated at fair value through profit and loss	60,562	57,187	3,375	5.9
60. Hedging derivatives	8,361	9,028	-667	-7.4
70. Fair value change of financial liabilities in hedged portfolios (+/-)	686	773	-87	-11.3
80. Tax liabilities	2,084	2,038	46	2.3
<i>a) current</i>	570	497	73	14.7
<i>b) deferred</i>	1,514	1,541	-27	-1.8
90. Liabilities associated with non-current assets held for sale and discontinued operations	273	272	1	0.4
100. Other liabilities	13,954	11,944	2,010	16.8
110. Employee termination indemnities	1,393	1,403	-10	-0.7
120. Allowances for risks and charges	3,344	3,427	-83	-2.4
<i>a) post employment benefits</i>	1,037	1,025	12	1.2
<i>b) other allowances</i>	2,307	2,402	-95	-4.0
130. Technical reserves	84,405	85,619	-1,214	-1.4
140. Valuation reserves	-2,159	-1,854	305	16.5
150. Redeemable shares	-	-	-	-
160. Equity instruments	3,358	2,117	1,241	58.6
170. Reserves	12,626	9,528	3,098	32.5
180. Share premium reserve	27,349	27,349	-	-
190. Share capital	8,732	8,732	-	-
200. Treasury shares (-)	-72	-72	-	-
210. Minority interests (+/-)	356	408	-52	-12.7
220. Net income (loss)	901	3,111	-2,210	-71.0
Total Liabilities and Shareholders' Equity	739,464	725,100	14,364	2.0

Restated consolidated income statement

(millions of euro)

	31.03.2017	31.03.2016 Restated	Changes	
			amount	%
10. Interest and similar income	3,085	3,267	-182	-5.6
20. Interest and similar expense	-963	-1,105	-142	-12.9
30. Interest margin	2,122	2,162	-40	-1.9
40. Fee and commission income	2,216	1,977	239	12.1
50. Fee and commission expense	-480	-419	61	14.6
60. Net fee and commission income	1,736	1,558	178	11.4
70. Dividend and similar income	50	47	3	6.4
80. Profits (Losses) on trading	150	60	90	
90. Fair value adjustments in hedge accounting	-4	-39	-35	-89.7
100. Profits (Losses) on disposal or repurchase of	181	445	-264	-59.3
<i>a) loans</i>	7	6	1	16.7
<i>b) financial assets available for sale</i>	190	425	-235	-55.3
<i>c) investments held to maturity</i>	1	-	1	
<i>d) financial liabilities</i>	-17	14	-31	
110. Profits (Losses) on financial assets and liabilities designated at fair value	311	161	150	93.2
120. Net interest and other banking income	4,546	4,394	152	3.5
130. Net losses / recoveries on impairment	-768	-555	213	38.4
<i>a) loans</i>	-503	-556	-53	-9.5
<i>b) financial assets available for sale</i>	-264	-31	233	
<i>c) investments held to maturity</i>	-	-	-	
<i>d) other financial activities</i>	-1	32	-33	
140. Net income from banking activities	3,778	3,839	-61	-1.6
150. Net insurance premiums	1,799	3,098	-1,299	-41.9
160. Other net insurance income (expense)	-2,346	-3,526	-1,180	-33.5
170. Net income from banking and insurance activities	3,231	3,411	-180	-5.3
180. Administrative expenses	-2,222	-2,226	-4	-0.2
<i>a) personnel expenses</i>	-1,302	-1,302	-	-
<i>b) other administrative expenses</i>	-920	-924	-4	-0.4
190. Net provisions for risks and charges	-1	-16	-15	-93.8
200. Net adjustments to / recoveries on property and equipment	-84	-86	-2	-2.3
210. Net adjustments to / recoveries on intangible assets	-115	-135	-20	-14.8
220. Other operating expenses (income)	178	168	10	6.0
230. Operating expenses	-2,244	-2,295	-51	-2.2
240. Profits (Losses) on investments in associates and companies subject to joint control	221	61	160	
250. Valuation differences on property, equipment and intangible assets measured at fair value	-	-	-	
260. Goodwill impairment	-	-	-	
270. Profits (Losses) on disposal of investments	2	6	-4	-66.7
280. Income (Loss) before tax from continuing operations	1,210	1,183	27	2.3
290. Taxes on income from continuing operations	-303	-364	-61	-16.8
300. Income (Loss) after tax from continuing operations	907	819	88	10.7
310. Income (Loss) after tax from discontinued operations	-	13	-13	
320. Net income (loss)	907	832	75	9.0
330. Minority interests	-6	-26	-20	-76.9
340. Parent Company's net income (loss)	901	806	95	11.8

Reconciliation between restated consolidated financial statements and reclassified consolidated financial statements

Reconciliation between restated consolidated balance sheet and reclassified consolidated balance sheet

		(millions of euro)	
Captions of the reclassified consolidated balance sheet - Assets	Captions of the consolidated balance sheet - Assets	31.03.2017	31.12.2016 Restated
Financial assets held for trading		44,484	43,613
	<i>Caption 20 - Financial assets held for trading</i>	44,524	43,613
	<i>- Caption 70 (partial) - Impairment losses on derivatives associated with specific loan positions</i>	-40	-
Financial assets designated at fair value through profit and loss		67,438	63,865
	<i>Caption 30 - Financial assets designated at fair value through profit and loss</i>	67,438	63,865
Financial assets available for sale		150,000	146,692
	<i>Caption 40 - Financial assets available for sale</i>	150,000	146,692
Investments held to maturity		1,229	1,241
	<i>Caption 50 - Investments held to maturity</i>	1,229	1,241
Due from banks		58,897	53,146
	<i>Caption 60 - Due from banks</i>	58,897	53,146
Loans to customers		366,648	364,713
	<i>Caption 70 - Loans to customers</i>	366,619	364,713
	<i>- Caption 70 (partial) - Impairment losses on derivatives associated with specific loan positions</i>	29	-
Investments in associates and companies subject to joint control		736	1,167
	<i>Caption 100 - Investments in associates and companies subject to joint control</i>	736	1,167
Property, equipment and intangible assets		12,205	12,301
	<i>Caption 120 - Property and equipment</i>	4,837	4,908
	<i>+ Caption 130 - Intangible assets</i>	7,368	7,393
Tax assets		14,343	14,444
	<i>Caption 140 - Tax assets</i>	14,343	14,444
Non-current assets held for sale and discontinued operations		431	423
	<i>Caption 150 - Non-current assets held for sale and discontinued operations</i>	431	423
Other assets		23,042	23,495
	<i>Caption 10 - Cash and cash equivalents</i>	9,148	8,686
	<i>+ Caption 160 - Other assets</i>	8,168	8,237
	<i>+ Caption 110 - Technical insurance reserves reassured with third parties</i>	17	17
	<i>+ Caption 80 - Hedging derivatives</i>	5,618	6,234
	<i>+ Caption 90 - Fair value change of financial assets in hedged portfolios</i>	91	321
Total Assets	Total Assets	739,453	725,100
Captions of the reclassified consolidated balance sheet Liabilities and Shareholders' Equity	Captions of the consolidated balance sheet - Liabilities and Shareholders' Equity	31.03.2017	31.12.2016 Restated
Due to banks		92,584	72,641
	<i>Caption 10 - Due to banks</i>	92,584	72,641
Due to customers and securities issued		377,356	386,659
	<i>Caption 20 - Due to customers</i>	287,020	291,876
	<i>+ Caption 30 - Securities issued</i>	90,336	94,783
Financial liabilities held for trading		43,360	44,790
	<i>Caption 40 - Financial liabilities held for trading</i>	43,371	44,790
	<i>- Caption 70 (partial) - Impairment losses on derivatives associated with specific loan positions</i>	-11	-
Financial liabilities designated at fair value through profit and loss		60,562	57,187
	<i>Caption 50 - Financial liabilities designated at fair value through profit and loss</i>	60,562	57,187
Tax liabilities		2,084	2,038
	<i>Caption 80 - Tax liabilities</i>	2,084	2,038
Liabilities associated with non-current assets held for sale and discontinued operations		273	272
	<i>Caption 90 - Liabilities associated with non-current assets held for sale and discontinued operations</i>	273	272
Other liabilities		23,001	21,745
	<i>Caption 100 - Other liabilities</i>	13,954	11,944
	<i>+ Caption 60 - Hedging derivatives</i>	8,361	9,028
	<i>+ Caption 70 - Fair value change of financial liabilities in hedged portfolios</i>	686	773
Technical reserves		84,405	85,619
	<i>Caption 130 - Technical reserves</i>	84,405	85,619
Allowances for specific purpose		4,737	4,830
	<i>Caption 110 - Employee termination indemnities</i>	1,393	1,403
	<i>Caption 120 - Allowances for risks and charges</i>	3,344	3,427
Share capital		8,732	8,732
	<i>Caption 190 - Share capital</i>	8,732	8,732
Reserves (net of treasury shares)		39,903	36,805
	<i>Caption 170 - Reserves</i>	12,626	9,528
	<i>Caption 180 - Share premium reserve</i>	27,349	27,349
	<i>- Caption 200 - Treasury shares</i>	-72	-72
Valuation reserves		-2,159	-1,854
	<i>Caption 140 - Valuation reserves</i>	-2,159	-1,854
Equity instruments		3,358	2,117
	<i>Caption 160 - Equity instruments</i>	3,358	2,117
Minority interests		356	408
	<i>Caption 210 - Minority interests</i>	356	408
Net income (loss)		901	3,111
	<i>Caption 220 - Net income (loss)</i>	901	3,111
Total Liabilities and Shareholders' Equity	Total Liabilities and Shareholders' Equity	739,453	725,100

Reconciliation between restated consolidated income statement and reclassified consolidated income statement

		(millions of euro)	
Captions of the reclassified consolidated income statement	Captions of the consolidated income statement	31.03.2017	31.03.2016 Restated
Net interest income		1,805	1,855
	Caption 30 Interest margin	2,122	2,162
	- Caption 30 (partial) Contribution of insurance business	-480	-471
	- Caption 30 (partial) Interest margin (Effect of purchase price allocation)	2	3
	+ Caption 80 (partial) Components of the profits (losses) on trading relating to net interest	1	-1
	+ Caption 130 a) (partial) Net losses/recoveries on impairment of loans (Time value loans)	171	176
	+ Caption 180 a) (partial) Personnel expenses (Time value employee termination indemnities and other)	-11	-14
	+ Caption 190 (partial) Net provisions for risks and charges (Time value allowances for risks and charges)	-	-
Net fee and commission income		1,855	1,687
	Caption 60 Net fee and commission income	1,736	1,558
	- Caption 60 (partial) Contribution of insurance business	122	135
	- Caption 60 (partial) Components of net fee and commission income relating to profits (losses) on trading	5	-
	+ Caption 180 b) (partial) Other administrative expenses (Recovery of other expenses)	-8	-6
Income from insurance business		283	332
	Caption 150 Net insurance premiums	1,799	3,098
	+ Caption 160 Other net insurance income (expense)	-2,346	-3,526
	+ Caption 30 (partial) Contribution of insurance business	480	471
	+ Caption 60 (partial) Contribution of insurance business	-122	-135
	+ Caption 70 (partial) Contribution of insurance business	43	42
	+ Caption 80 (partial) Contribution of insurance business	430	399
	- Caption 160 (partial) Other net insurance income (expense)-changes in technical reserves due to impairm. of securities AFS	-1	-17
Profits (Losses) on trading		226	228
	Caption 80 Profits (Losses) on trading	150	60
	+ Caption 90 Fair value adjustments in hedge accounting	-4	-39
	+ Caption 100 b) Profits (Losses) on disposal or repurchase of financial assets available for sale	190	425
	+ Caption 100 d) Profits (Losses) on disposal or repurchase of financial liabilities	-17	14
	+ Caption 110 Profits (Losses) on financial assets and liabilities designated at fair value	311	161
	+ Caption 60 (partial) Components of net fee and commission income relating to profits (losses) on trading	-5	-
	+ Caption 70 (partial) Dividend and similar income on shares available for sale and held for trading	7	5
	+ Caption 130 a) (partial) Net losses/recoveries on impairment (specific loan positions associated with derivatives)	27	-
	- Caption 80 (partial) Components of the profits (losses) on trading relating to net interest	-1	1
	- Caption 80 (partial) Contribution of insurance business	-430	-399
	+ Caption 180 b) (partial) Other administrative expenses (stocking costs)	-2	-
Other operating income (expenses)		40	75
	Caption 70 Dividend and similar income	50	47
	+ Caption 220 Other operating income (expenses)	178	168
	- Caption 70 (partial) Dividend and similar income on shares available for sale and held for trading	-43	-42
	- Caption 70 (partial) Dividend and similar income on shares available for sale and held for trading	-7	-5
	- Caption 220 (partial) Other operating income (expenses) (Recovery of expenses)	-2	-2
	- Caption 220 (partial) Other operating income (expenses) (Recovery of indirect taxes)	-164	-169
	- Caption 220 (partial) Other operating income (expenses) (Impairment losses on repurchased property and equipment)	-	6
	- Caption 220 (partial) Other operating income (expenses) (Profits (losses) on disposal of repurchased property and equipment)	-2	-2
	+ Caption 240 (partial) Profits (Losses) on investments in associates and companies subject to joint control (carried at equity)	30	74
Operating income		4,209	4,177
Personnel expenses		-1,286	-1,279
	Caption 180 a) Personnel expenses	-1,302	-1,302
	- Caption 180 a) (partial) Personnel expenses (Charges for integration and exit incentives)	5	9
	- Caption 180 a) (partial) Personnel expenses (Time value employee termination indemnities and other)	11	14
Administrative expenses		-583	-597
	Caption 180 b) Other administrative expenses	-920	-924
	- Caption 180 b) (partial) Other administrative expenses (Charges for integration)	7	7
	- Caption 180 b) (partial) Other administrative expenses (Resolution fund and deposit guarantee scheme)	154	143
	- Caption 180 b) (partial) Other administrative expenses (stocking costs)	2	-
	- Caption 180 b) (partial) Other administrative expenses (Recovery of other expenses)	8	6
	+ Caption 220 (partial) Other operating income (expenses) (Recovery of indirect taxes)	164	169
	+ Caption 220 (partial) Other operating income (expenses) (Recovery of expenses)	2	2
Adjustments to property, equipment and intangible assets		-186	-178
	Caption 200 Net adjustments to/recoveries on property and equipment	-84	-86
	+ Caption 210 Net adjustments to/recoveries on intangible assets	-115	-135
	- Caption 200 (partial) Net adjustments to/recoveries on property and equipment (Charges for integration)	2	2
	- Caption 210 (partial) Net adjustments to/recoveries on intangible assets (Charges for integration)	4	1
	- Caption 200 (partial) Net adjustments to/recoveries on property and equipment (Impairment)	-	4
	- Caption 210 (partial) Net adjustments to/recoveries on intangible assets (Impairment)	-	-1
	- Caption 200 (partial) Net adjustments to/recoveries on property and equipment (Effect of purchase price allocation)	-	-2
	- Caption 210 (partial) Net adjustments to/recoveries on intangible assets (Effect of purchase price allocation)	7	39
Operating costs		-2,055	-2,054
Operating margin		2,154	2,123

(millions of euro)

Captions of the reclassified consolidated income statement	Captions of the consolidated income statement	31.03.2017	31.03.2016 Restated
Operating margin		2,154	2,123
Net adjustments to loans		-695	-694
	Caption 100 a) Profits (Losses) on disposal or repurchase of loans	7	6
	+ Caption 130 a) Net losses/recoveries on impairment of loans	-503	-556
	+ Caption 130 d) Net losses/recoveries on impairment of other financial activities	-1	32
	- Caption 130 a) (partial) Net losses/recoveries on impairment (specific loan positions associated with derivatives)	-27	-
	- Caption 130 a) (partial) Net losses/recoveries on impairment of loans (Time value loans)	-171	-176
	- Caption 100 a) (partial) Profits (Losses) on disposal or repurchase of loans (Effect of purchase price allocation)	-	-
Net provisions and net impairment losses on other assets		-3	-46
	Caption 130 b) Net losses/recoveries on impairment of financial assets available for sale	-264	-31
	+ Caption 130 c) Net losses/recoveries on impairment of investments held to maturity	-	-
	+ Caption 190 Net provisions for risks and charges	-1	-16
	- Caption 130 b) (partial) Net losses/recoveries on impairment of financial assets available for sale (Investments for the stability of the banking system)	261	-
	+ Caption 160 (partial) Other net insurance income (expense) - changes in technical reserves due to impairment of securities AFS	1	17
	- Caption 190 (partial) Net provisions for risks and charges (Time value allowances for risks and charges)	-	-
	+ Caption 200 (partial) Net adjustments to recoveries on property and equipment (Impairment)	-	-4
	- Caption 200 (partial) Net adjustments to recoveries on property and equipment (Impairment - Effect of purchase price allocation)	-	3
	+ Caption 210 (partial) Net adjustments to recoveries on intangible assets (Impairment)	-	1
	+ Caption 220 (partial) Other operating income (expenses) (Impairment losses on repurchased property and equipment)	-	-6
	+ Caption 240 (partial) Profits (Losses) on investments in associates and companies subject to joint control (Net losses/recoveries on impairment of associates)	-	-10
Other income (expenses)		196	5
	Caption 100 c) Profits (Losses) on disposal or repurchase of investments held to maturity	1	-
	+ Caption 240 Profits (Losses) on investments in associates and companies subject to joint control	221	61
	+ Caption 270 Profits (Losses) on disposal of investments	2	6
	+ Caption 220 (partial) Other operating income (expenses) (Profits (losses) on disposal of repurchased property and equipment)	2	2
	- Caption 240 (partial) Profits (Losses) on investments in associates and companies subject to joint control (carried at equity)	-30	-74
	- Caption 240 (partial) Profits (Losses) on investments in associates and companies subject to joint control (Net losses/recoveries on impairment of associates)	-	10
	- Caption 270 (partial) Profits (Losses) on disposal of investments (Effect of purchase price allocation)	-	-
Income (Loss) after tax from discontinued operations		-	20
	Caption 310 Income (Loss) after tax from discontinued operations	-	13
	+ Caption 290 (partial) Taxes on income from continuing operations (Goodwill impairment)	-	7
Gross income (loss)		1,652	1,408

		(millions of euro)	
Captions of the reclassified consolidated income statement	Captions of the consolidated income statement	31.03.2017	31.03.2016 Restated
Gross income (loss)		1,652	1,408
Taxes on income		-445	-432
	<i>Caption 290 Taxes on income from continuing operations</i>	-303	-364
	- <i>Caption 290 (partial) Taxes on income from continuing operations (Discontinued operations)</i>	-	-7
	- <i>Caption 290 (partial) Taxes on income from continuing operations (Charges for integration)</i>	-6	-6
	- <i>Caption 290 (partial) Taxes on income from continuing operations (Effect of purchase price allocation)</i>	-3	-14
	- <i>Caption 290 (partial) Taxes on income from continuing operations (Resolution fund and deposit guarantee scheme)</i>	-47	-41
	- <i>Caption 290 (partial) Taxes on income from continuing operations (Impairment losses on financial assets - Investments for the stability of the banking system)</i>	-86	-
Charges (net of tax) for integration and exit incentives		-12	-13
	+ <i>Caption 180 a) (partial) Personnel expenses (Charges for integration and exit incentives)</i>	-5	-9
	+ <i>Caption 180 b) (partial) Other administrative expenses (Charges for integration)</i>	-7	-7
	+ <i>Caption 190 (partial) Net provisions for risks and charges (Charges for integration)</i>	-	-
	+ <i>Caption 200 (partial) Net adjustments to/recoveries on property and equipment (Impairment - Charges for integration)</i>	-2	-2
	+ <i>Caption 210 (partial) Net adjustments to/recoveries on intangible assets (Charges for integration)</i>	-4	-1
	+ <i>Caption 290 (partial) Taxes on income from continuing operations (Charges for integration)</i>	6	6
Effect of purchase price allocation (net of tax)		-6	-29
	+ <i>Caption 30 (partial) Interest margin (Effect of purchase price allocation)</i>	-2	-3
	+ <i>Caption 200 (partial) Net adjustments to/recoveries on property and equipment (Effect of purchase price allocation)</i>	-	2
	+ <i>Caption 200 (partial) Net adjustments to/recoveries on property and equipment (Impairment - Effect of purchase price allocation)</i>	-	-3
	+ <i>Caption 210 (partial) Net adjustments to/recoveries on intangible assets (Effect of purchase price allocation)</i>	-7	-39
	+ <i>Caption 100 a) (partial) Profits (Losses) on disposal or repurchase of loans (Effect of purchase price allocation)</i>	-	-
	+ <i>Caption 270 (partial) Profits (Losses) on disposal of investments (Effect of purchase price allocation)</i>	-	-
	+ <i>Caption 290 (partial) Taxes on income from continuing operations (Effect of purchase price allocation)</i>	3	14
Levies and other charges concerning the banking industry (net of tax)		-282	-102
	+ <i>Caption 130 b) (partial) Net losses/recoveries on impairment of financial assets available for sale (Investments for the stability of the banking system)</i>	-261	-
	+ <i>Caption 180 b) (partial) Other administrative expenses (Contribution to resolution fund and deposit guarantee scheme)</i>	-154	-143
	+ <i>Caption 290 (partial) Taxes in income from continuing operations (Contribution to resolution fund and deposit guarantee scheme)</i>	47	41
	+ <i>Caption 290 (partial) Taxes on income from continuing operations (Impairment losses on financial assets - Investments for the stability of the banking system)</i>	86	-
Impairment (net of tax) of goodwill and other intangible assets		-	-
	<i>Caption 260 Goodwill impairment</i>	-	-
Minority interests		-6	-26
	<i>Caption 330 Minority interests</i>	-6	-26
Net income (loss)	Caption 340 Parent Company's net income (loss)	901	806

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Financial calendar

Approval of the half-yearly report as at 30 June 2017: 1 August 2017

Approval of the Interim Statement as at 30 September 2017: 7 November 2017