



Interim Statement
as at 30 September 2017

This is an English translation from the original "Resoconto Intermedio al 30 settembre 2017" and was prepared solely for the convenience of the reader. The Italian original "Resoconto Intermedio al 30 settembre 2017" was approved by the Board of Directors of Intesa Sanpaolo on 7 November 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 30 September 2017

Intesa Sanpaolo S.p.A.

Registered office: Piazza San Carlo, 156 10121 Torino Secondary registered office: Via Monte di Pietà, 8 20121 Milano Share capital 8,731,984,115.92. Euro Registration number on the Torino Company Register and Fiscal Code 00799960158 VAT number 10810700152 Member of the National Interbank Deposit Guarantee Fund and of the National Guarantee Fund, included in the National Register of Banks No. 5361 and Parent Company of "Intesa Sanpaolo", included in the National Register of Banking Groups.

Contents

The Intesa Sanpaolo Group	7
Board of Directors, Manager responsible for preparing the Company's financial reports and Independent Auditors	11
Introduction	13
Overview of the nine months of 2017	
Income statement figures and alternative performance measures	16
Balance sheet figures and alternative performance measures	18
Other alternative performance measures	19
Executive summary	21
Consolidated financial statements	29
Report on operations	
Economic results	37
Balance sheet aggregates	50
Breakdown of consolidated results by business area	62
Risk management	78
Accounting policies	
Criteria for the preparation of the Interim statement	95
Declaration of the Manager responsible for preparing the Company's financial reports	99
Attachments	101
Contacts	129

THE INTESA SANPAOLO GROUP



The Intesa Sanpaolo Group: presence in Italy

Banks

INTESA SANPAOLO



NORTH WEST

INTESA SANPAOLO	Subsidiaries	
Branches	Company	Branches
1,313	Fideuram	89
	Banca Prossima	29
	Mediocredito Italiano	3
	Banca IMI	1



NORTH EAST

INTESA SANPAOLO	Subsidiaries	
Branches	Company	Branches
618	CR del Veneto	300
	CR in Bologna	154
	CR del Friuli Venezia Giulia	91
	CR di Forlì e della Romagna	77
	Fideuram	58
	Banca Prossima	16
	Mediocredito Italiano	2

CENTRE

INTESA SANPAOLO	Subsidiaries	
Branches	Company	Branches
612	Banca CR Firenze	295
	Fideuram	41
	Banca Prossima	10
	Banco di Napoli	4
	Banca Apulia	2
	Mediocredito Italiano	2
	Banca IMI	1
	Banca Nuova	1

SOUTH

INTESA SANPAOLO	Subsidiaries	
Branches	Company	Branches
95	Banco di Napoli	552
	Banca Apulia	92
	Fideuram	27
	Banca Prossima	20
	Banca Nuova	13
	Mediocredito Italiano	2

ISLANDS

INTESA SANPAOLO	Subsidiaries	
Branches	Company	Branches
213	Banca Nuova	72
	Fideuram	10
	Banca Prossima	9
	Mediocredito Italiano	1

Figures as at 30 September 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
New York	Santiago
	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	Moscow
London	
Madrid	
Paris	
Romania (*)	
Warsaw	



AFRICA

Representative Offices	Country	Subsidiaries	Branches
Cairo	Egypt	Bank of Alexandria	172

Country	Subsidiaries	Branches
Albania	Intesa Sanpaolo Bank Albania	31
Bosnia and Herzegovina	Intesa Sanpaolo Banka Bosna i Hercegovina	54
Croatia	Privredna Banka Zagreb	195
	Veneto Banka	6
Czech Republic	VUB Banka	1
Hungary	CIB Bank	79
Ireland	Intesa Sanpaolo Bank Ireland	1
Luxembourg	Fideuram	1
	Intesa Sanpaolo Bank Luxembourg	1
Romania	Intesa Sanpaolo Bank Romania	30
Russian Federation	Banca Intesa	37
Serbia	Banca Intesa Beograd	165
Slovakia	VUB Banka	230
Slovenia	Intesa Sanpaolo Bank	52
Switzerland	Intesa Sanpaolo Private Bank (Suisse)	1
The Netherlands	Intesa Sanpaolo Bank Luxembourg	1
Ukraine	Pravex-Bank	50
United Kingdom	Banca IMI	1
	Intesa Sanpaolo Private Banking	1

Figures as at 30 September 2017

(1) International and Regulatory Affairs

(*) 19 branches in Romania from the acquisition of operations of Veneto Banca

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 reports. 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 30 September 2017" has been prepared, in consolidated form, in compliance with the recognition and measurement criteria required by the IAS/IFRS 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 European Union Regulation no. 575/2013 and European Central Bank Decision no. 2015/656.

DISCLAIMER

On 23 June 2017, the European Central Bank declared that Banca Popolare di Vicenza S.p.A. and Veneto Banca S.p.A. were failing or likely to fail. On the same day, the Single Resolution Board, the European authority for the management of the banking crisis, in addition to confirming the ECB's assessment, decided that the launch of a resolution procedure (required by the BRRD) was not in the public interest, pursuant to European regulations; accordingly, it declared that the subsequent steps of the crisis affecting the two banks would be managed in accordance with national law.

Acknowledging these decisions, the Italian Government and the Bank of Italy decided to start the compulsory administrative liquidation proceedings envisaged by the Consolidated Law on Banking and Decree Law no. 99 of 25 June 2017, subsequently converted into law no. 121 of 31 July 2017.

Following the start of the compulsory administrative liquidation proceedings, as a result of a procedure open to various potential buyers, on 26 June 2017 Intesa Sanpaolo signed a contract concerning the acquisition of certain assets and liabilities and certain legal relationships (hereinafter "Aggregate Set") of Banca Popolare di Vicenza S.p.A. and Veneto Banca S.p.A. (as well as the international branches of the latter located in Romania), for a token price of 1 euro. The Aggregate Set includes the shareholdings of Banca Popolare di Vicenza S.p.A. in Banca Nuova S.p.A., of Veneto Banca S.p.A. in Banca Apulia S.p.A. and in the international banks operating in Moldova, Croatia and Albania, as well as the shareholdings of both banks in SEC Servizi S.c.p.a and in Servizi Bancari S.c.p.a.

The value of the assets and liabilities included in the Aggregate Set was provisionally calculated on the date of execution of the contract based on the values obtained from the last available financial reports of the two banks, referring to 31 March 2017.

For this operation, Intesa Sanpaolo received a public contribution of 3.5 billion euro to offset the impacts on the capital ratios deriving from the acquisition and of 1.285 billion euro to support the corporate restructuring measures that Intesa Sanpaolo must activate to fulfil the commitments made to the European Commission.

In consideration of the operation timing, Intesa Sanpaolo could not perform any due diligence activities on the values of the Aggregate Set and, as a consequence, Decree Law no. 99/2017 and the acquisition contract required the performance, subsequently to the conclusion of the operation and through the appointment of three experts, of a due diligence process aimed at calculating the final values, as well as drafting the analytical inventory, of the items included in the Aggregate Set and of the public contribution to offset the impact on the capital ratios.

As a result of the procedure to calculate the imbalance of the Aggregate Set, the parties will ascertain the existence of any assets, liabilities or legal relationships not pertaining to the Aggregate Set, with a consequent adjustment of the imbalance, and Intesa Sanpaolo will have the right to return assets, liabilities or legal relationships to the Banks in compulsory administrative liquidation, also in this case with consequent adjustment of the imbalance.

Following completion of the due diligence, Intesa Sanpaolo will grant to the Banks in compulsory administrative liquidation a loan (backed by the State up to a maximum amount of 6.4 billion euro) for an amount equalling the ascertained imbalance.

As at 30 September 2017, which is the reference date of this Interim Statement, this assessment activity had not yet been concluded (and is not at the date of publishing this Report) and, therefore, the values referring to the acquired assets and liabilities, as well as the amount of the contribution to offset the impacts on the capital ratios included in this Interim Statement, indicated separately in the reclassified income statement and balance sheet in the related tables, as well as in the reconciliation statements attached, are to be considered provisional.

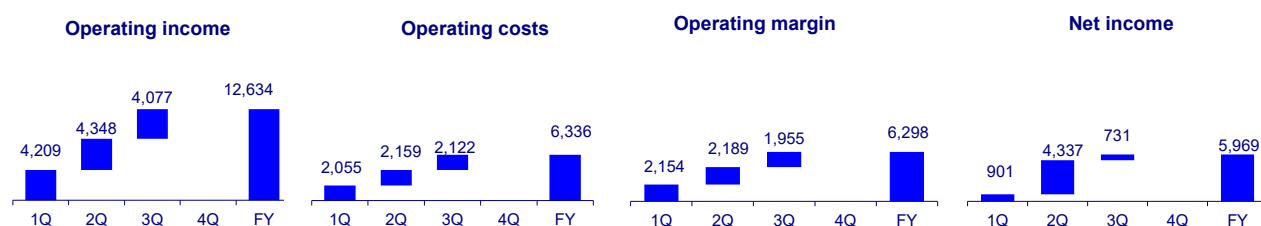
Furthermore, with reference to the subsidiaries of Banca Popolare di Vicenza S.p.A. and Veneto Banca S.p.A. included in the Aggregate Set, they were consolidated in full as from 30 September 2017, following the conclusion of the authorisation process, excluding the international subsidiaries based in Albania and Moldova, since the authorisation process was still ongoing at 30 September 2017.

**Overview of the
nine months of 2017**

Income statement figures and alternative performance measures

Consolidated income statement figures (millions of euro)		Changes (Excluding operations acquired)	
		amount	%
Net interest income	5,369	58	-177 -3.2
	5,546		
Net fee and commission income	5,640	57	339 6.4
	5,301		
Profits (Losses) on trading	750		-79 -9.5
	829		
Income from insurance business	-26	799	-144 -15.3
		943	
Operating income	12,634	96	-157 -1.2
	12,791		
Operating costs	-200	-6,336	-2 -
		-6,338	
Operating margin	-104	6,298	-155 -2.4
		6,453	
Net adjustments to loans	-2,078	3	-456 -18.0
		-2,534	
Income (Loss) after tax from discontinued operations	-	71	-71
Net income (loss)	-81	5,969	3,634
		2,335	

Quarterly development of main consolidated income statement figures (millions of euro)



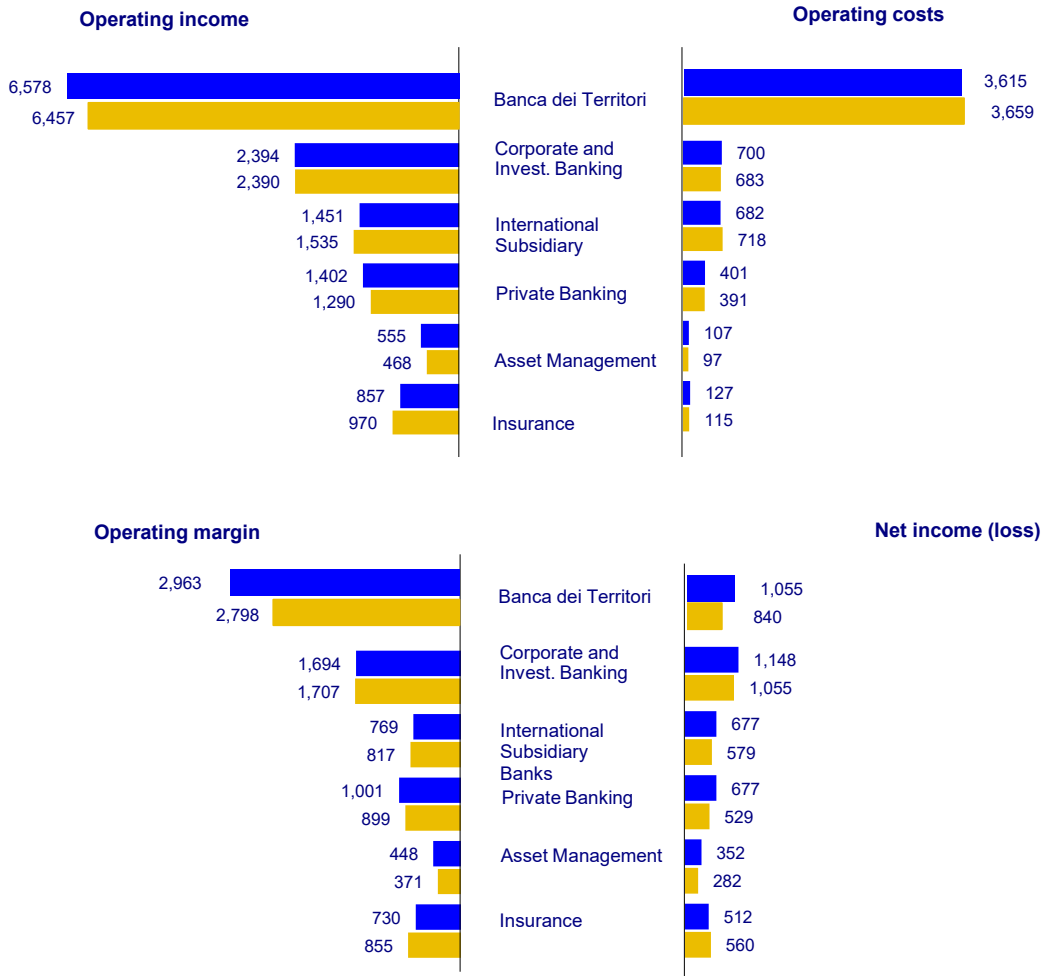
30.09.2017

(Consolidated figure excluding operations acquired)

30.09.2017 (Figure of operations acquired)

30.09.2016 (Consolidated figure)

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



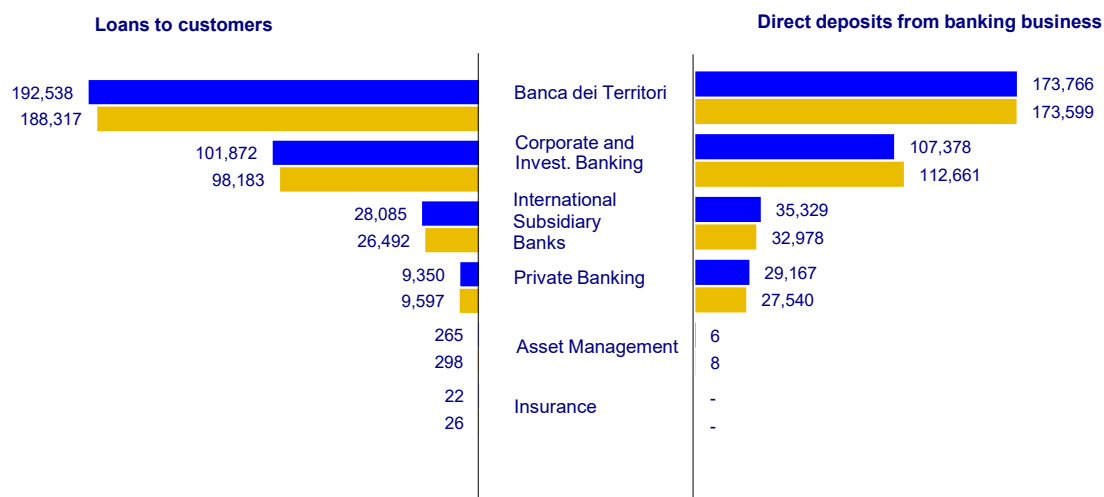
Figures restated, where necessary, considering the changes in the scope of consolidation and in business unit constituents. The figures concerning the acquired operations of Banca Popolare di Vicenza and Veneto Banca have temporarily been allocated to the Corporate Centre and have not been restated.

30.09.2017
 (Consolidated figure excluding operations acquired)
 30.09.2016 (Consolidated figure)

Balance sheet figures and alternative performance measures

Consolidated balance sheet figures (millions of euro)	Changes (Excluding operations acquired)	
	amount	%
Financial assets	254,845	5,895
	255,411	-566 -0.2
<i>of which: Insurance Companies</i>	150,389	
	142,543	7,846 5.5
Loans to customers	363,878	26,940
	364,713	-835 -0.2
Total assets	739,985	45,374
	725,138	14,847 2.0
Direct deposits from banking business	387,472	30,935
	393,805	-6,333 -1.6
Direct deposits from insurance business and technical reserves	149,985	
	144,098	5,887 4.1
Indirect deposits:	496,572	22,133
	468,855	27,717 5.9
<i>of which: Assets under management</i>	331,270	516
	314,081	17,189 5.5
Shareholders' equity	53,743	
	48,911	4,832 9.9

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. The figures concerning the acquired operations of Banca Popolare di Vicenza and Veneto Banca have temporarily been allocated to the Corporate Centre and have not been restated.

30.09.2017

(Consolidated figure excluding operations acquired)








30.09.2017 (Figure of operations acquired)



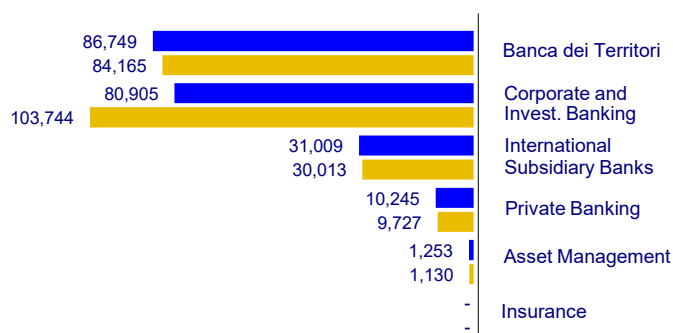
31.12.2016 (Consolidated figure)



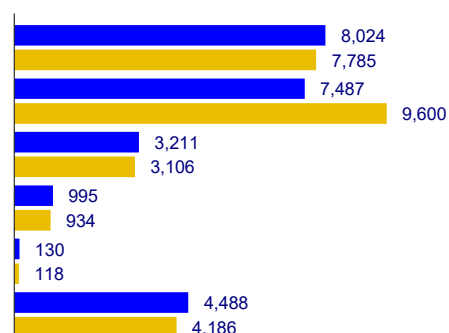
Other alternative performance measures

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. The figures concerning the acquired operations of Banca Popolare di Vicenza and Veneto Banca have temporarily been allocated to the Corporate Centre and have not been restated.

30.09.2017 
 31.12.2016 

Consolidated profitability ratios (%)

Cost / Income	
Net income / Average shareholders' equity (ROE) ^(a)	
Net income / Total assets (ROA) ^(b)	

Earnings per share (euro)

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

Consolidated risk ratios (%)

Net bad loans / Loans to customers	
Cumulated adjustments on bad loans / Gross bad loans to customers	

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

^(a) Ratio between net income and average of share capital, share premium reserve, reserves and valuation reserves. The figure for the period does not consider non-recurring components and has been annualised.

^(b) Ratio between net income and total assets. The figure for the period does not consider non-recurring components and 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	30.09.2017	31.12.2016	Changes amount
Number of employees ^(e)	96,478	89,367	7,111
Italy	72,168	64,563	7,605
Abroad	24,310	24,804	-494
Number of financial advisors ^(e)	5,201	5,032	169
Number of branches ^(f)	5,968	5,163	805
Italy	4,825	3,978	847
Abroad	1,143	1,185	-42

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

^(e) The figures at 30.09.2017 include the personnel of the acquired operations of Banca Popolare di Vicenza and Veneto Banca (7.605 employees in Italy, 264 abroad and 133 financial advisors) but do not include the personnel of Banca Apulia, Banca Nuova, Veneto Banka Croazia, Sec Servizi and Servizi Bancari. The figures for comparison have not been restated.

^(f) Including Retail Branches, SME Branches and Corporate Branches. The figures at 30.09.2017 include the branches of the acquired operations of Banca Popolare di Vicenza and Veneto Banca (749 in Italy and 19 abroad), of Banca Apulia, Banca Nuova and Veneto Banka Croazia (180 in Italy and 6 abroad). The figures for comparison have not been restated.

30.09.2017 
 31.12.2016 

Executive summary

Intesa Sanpaolo in the nine months of 2017

Consolidated results

As illustrated in detail in the following chapters, the Consolidated Interim Statement of the Intesa Sanpaolo Group as at 30 September 2017 reflects the effects of the acquisition of certain assets and liabilities, and certain legal relationships (hereinafter the Aggregate Set or segregated scope) of Banca Popolare di Vicenza and Veneto Banca.

In particular, the Interim Statement includes the assets and liabilities of the acquired operations, which were already included in the Half-Yearly Report as at 30 June 2017, as well as the investments held by the two Venetian banks, now in liquidation, in Banca Nuova S.p.A., Servizi Bancari S.c.p.A., Banca Apulia S.p.A., SEC Servizi S.c.p.A. and Veneto Banka d.d. (Croatia), which were not included in the scope of consolidation as at 30 June 2017, as the authorisations from the competent authorities were lacking. As at 30 September 2017, as the authorisation procedures had been concluded, those subsidiaries were all included in the scope of consolidation. However, the scope of consolidation does not include Veneto Banka sh.a. (Albania), for which the authorisation from the local central bank had not been received as at 30 September 2017 and Eximbank s.a. (Moldova), for which the change of ownership was being registered. As regards the subsidiaries included in the scope of consolidation as at 30 September 2017, for the purposes of this Interim Report, only the balance sheet figures were consolidated, as the date of acquisition - determined based on the issue of the authorisations required to exercise control - was close to 30 September 2017. On the other hand, for the individual operations referring to the banks now in compulsory administrative liquidation, the contribution of the income statement figures for the third quarter 2017 was considered in addition to the balance sheet figures as at 30 September 2017.

As for the figures at 30 June 2017, the scope of the assets and liabilities acquired, as considered in this Interim Statement, and all associated values should be considered provisional in nature until the related due diligence activities are completed. In these circumstances, no adjustments were made to historic data to reflect retrospectively the effects of the acquisition. Consequently, all changes shown and the related commentary refer, unless otherwise specified, to balance sheet figures net of the segregated scope acquired. In any event, the chapters of the Interim Statement dedicated to analysing the income statement and balance sheet data provide accurate evidence of the acquired operations and of the consolidated subsidiaries.

The consolidated income statement for the first nine months of 2017 posted net income of 5,888 million euro. Excluding the effects relating to the third quarter of the acquired segregated scope, which came to a negative 81 million euro, net income was 5,969 million euro.

The significant net income figure for the period was in part due to the recognition, in June 2017, of the 3.5 billion euro public contribution assigned by the Italian government to offset the impact on the Group's capital ratios of the acquisition of certain assets and liabilities and certain legal relationships of Banca Popolare di Vicenza and Veneto Banca, as part of the transaction described in detail in the Half-Yearly Report as at 30 June 2017. The contribution will ensure a phased-in Common Equity Tier 1 Ratio of 12.5% to the risk-weighted assets (RWA) of the Aggregate Set.

Net of the public contribution and the negative contribution of the acquired operations relating to the third quarter - which, as indicated, amounted to -81 million euro - consolidated net income for the first nine months of 2017 would have posted a figure of 2,469 million euro, up by 5.7% on the same period of 2016. This was despite the charges incurred to support the stability of the banking industry, which in the first nine months of 2017 totalled 639 million euro (938 million before tax), much higher than the 182 million euro in the first nine months of 2016 (263 million before tax).

A detailed breakdown of the cost and revenue components, net of the contributions relating to the acquired operations, shows a net interest income for the period of 5,369 million euro, down on the first nine months of 2016 (-3.2%), essentially due to the reduced contribution of interest from financial assets, while interest income on customer dealing increased and differentials on hedging transactions decreased. If the effect of the depreciation of the Egyptian currency is excluded, net interest income would show a positive trend (+0.2%).

The contribution of net fee and commission income, which makes up almost 45% of operating income, increased significantly (+6.4% to 5,640 million euro), thanks to the positive trend in management, dealing, and consultancy activities (+12%), attributable to dealing and securities placement activities (approximately +31%), portfolio management (approximately +11%) and distribution of insurance products (approximately +9%).

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 -9% to 750 million euro), due to a lower contribution from the net investment result, though technical reserves showed a positive trend.

Profits on trading posted a decline (approximately -15% to 799 million euro) compared to the corresponding figure in 2016. This was primarily due to the lower dividend received on the stake held in the Bank of Italy (121 million euro in 2016 compared to 10 million euro in 2017), in application of Legislative Decree 133 of 30 November 2013, which establishes that stakes in excess of 3% of the share capital are no longer remunerated.

Other operating income amounted to 76 million euro, showing a drop compared to the first nine months of 2016 (172 million) due to the lower contribution of investments carried at equity, which are included in this caption together with other income and expenses from continuing operations.

In relation to the above dynamics, operating income in the nine months amounted to 12,634 million euro, down 1.2% compared to the first nine months of 2016.

Operating costs (6,336 million euro) were stable, as a result of stable personnel expenses (+0.1%) and a reduction in administrative expenses (-1.6%), primarily due to the savings achieved on general structure costs, property management expenses, advertising, and other costs. Conversely, amortisation and depreciation increased (+4.2%), due to amortisation of intangible assets as a result of investments made.

The cost/income ratio for the period was 50.2%, compared to 49.6% in the first nine months of 2016.

As a result of these revenue and cost trends, the operating margin amounted to 6,298 million euro, down by 2.4% on the same period of the previous year.

Net adjustments to loans decreased by approximately 18%. The annualised cost of credit – expressed as the ratio of net adjustments to net loans – decreased compared to the end of September 2016 (76 bps versus 93 bps), and was much lower than the value at the end of 2016 (102 bps).

Net provisions and net impairment losses on other assets decreased significantly overall compared to the first nine months of 2016 (85 million euro compared to 317 million euro). More specifically, provisions decreased (60 million euro compared to 164 million euro), along with net impairment losses on other assets (25 million euro compared to 153 million euro).

Other income includes realised gains and losses on investments and income and expenses not strictly correlated to continuing operation and amounted to 3,885 million euro (217 million euro in the first nine months of 2016). As reported above, the figure includes the 3.5 billion euro public contribution assigned by the Italian government to offset the impact on the Group's capital ratios of the acquisition of certain assets and liabilities and certain legal relationships of Banca Popolare di Vicenza and Veneto Banca. The contribution will ensure a phased-in Common Equity Tier 1 Ratio of 12.5% to the risk-weighted assets (RWA) of the Aggregate Set.

In the period, there was no profit or loss from discontinued operations, compared to the profit of 71 million euro realised in 2016 and related to Setefi and ISP Card, both of which were subsequently sold.

As a result of the trends illustrated above, gross income amounted to 8,020 million euro, compared to 3,890 million euro in the first nine months of 2016, up by 16.2% net of the abovementioned contribution and the contribution of the acquired operations.

Income taxes came to 1,263 million euro, with a tax rate of 15.7% (27.9% net of the public contribution received, as reported above).

Charges for integration and exit incentives totalling 73 million euro were recorded in a specific caption (67 million in the first nine months of 2016). This reclassified income statement caption also includes, net of tax, the 1,285 million euro public contribution assigned by the Italian government to cover integration and rationalisation charges in relation to the acquired operations of Banca Popolare di Vicenza e Veneto Banca, as well as the provisions allocated to cover the related charges. As a result, this had no impact on the caption and the income statement for the first nine months of 2017.

The effects of purchase price allocation on the income statement amounted to 37 million euro in the first nine months of 2017 (82 million in the same period of 2016).

As previously indicated, and also net of the effects of the acquired operations, the charges aimed at maintaining the stability of the banking industry had an extensive impact. These amounted to 639 million euro for the Group, net of tax (938 million euro before tax) compared to 182 million euro in the first nine months of 2016 (263 million before tax), and consisted of charges for ordinary contributions to resolution and guarantee funds (202 million euro net of tax, equal to 291 million euro before tax), charges deriving from the further impairment of the Atlante Fund investment (301 million euro net of tax, equal to 449 million euro before tax), as well as charges relating to Cassa di Risparmio di Cesena, Cassa di Risparmio di Rimini and Cassa di Risparmio di San Miniato (101 million euro net of tax, equal to 150 million euro before tax), whose restructuring was approved by the Management Board of the Voluntary Scheme for the purpose of their subsequent sale to Cariparma. The caption also included 35 million euro, net of tax, in charges incurred in relation to the compulsory administrative liquidation of Banca Popolare di Vicenza and Veneto Banca.

After recording minority interests of 39 million euro, the income statement for the first nine months of 2017 closed, as stated, with net income of 5,969 million euro (5,888 million euro including the effect of the acquired operations), compared to 2,335 million euro in the same period of 2016.

The income statement for the third quarter of 2017 in comparison to the previous quarter, and net of the effect of the acquired operations, shows a decrease in operating income (-6.2% to 4,077 million euro). In detail, net interest income in the third quarter was lower than in the second (-3.6%), essentially due to the performance of the financial components, while net fee and commission income showed a slight decrease (-0.4%), mostly attributable to lower revenue from management, dealing and consulting activities, which was not fully offset by the higher contribution of commercial banking activities.

Income from insurance business in the third quarter of 2017 showed a moderate decline compared to the second (-5.4%), and was driven down by the lower technical margin, which was only partially offset by an improved net investment result.

As regards trading, the third quarter showed a decline on the second (approximately -16%).

Operating costs in the third quarter dropped, compared to the second quarter (-1.7%), with decreases in both personnel expenses and administrative expenses.

In relation to revenue and cost trends, the operating margin for the third quarter was lower than the margin in the second (approximately -11% to 1,955 million euro).

Net adjustments to loans in the third quarter were lower than in the second (approximately -12%), also in relation to the favourable development of the economic situation, which resulted in a general improvement in the performing portfolio. Net provisions and net impairment losses on other assets were also down.

Other income amounted to 72 million euro. In the second quarter this caption included the 3.5 billion euro public contribution for the acquisition of certain assets and liabilities and certain legal relationships of Banca Popolare di Vicenza and Veneto Banca.

After the recognition of income tax (374 million euro), charges for integration and exit incentives (20 million euro), the effects of purchase price allocation (26 million euro), levies and other charges concerning the banking industry (179 million euro, as well as minority interests (26 million euro), the income statement for the third quarter closed with net income of 731 million euro (650 million euro including the effect of the acquired operations), compared to 4,337 million euro for the previous quarter, which included the aforementioned public contribution of 3,500 million euro.

As to balance sheet aggregates, at 30 September 2017, net of the acquired operations of the former Venetian banks, loans to customers were substantially stable compared to the figure as at 31 December 2016 (-0.2% to 364 billion euro, net of 27 billion euro in loans included in the segregated scope). The positive trend in commercial banking loans, up 2% overall, due to the positive performance of mortgages, advances and loans, was offset by the lower amount of loans represented by securities (approximately -14%) and of short-term financial loans represented by outstanding repurchase agreements (approximately -6%). Non-performing loans were also down (approximately -9%).

With regard to funding, direct deposits from banking business showed a moderately downward trend compared to the end of 2016 (-1.6% to approximately 387 billion euro, net of 31 billion euro in deposits referring to the segregated scope acquired). This trend was driven by the drop in bond funding (approximately -10%) and in funding through certificates of deposit, although their absolute value was relatively low (-approximately 13%).

Subordinated funding remained stable (+0.1%), while current accounts and deposits increased (+1.4%).

Conversely, repurchase agreements decreased (-11%).

On the other hand, direct deposits from insurance business, which include technical reserves, recorded an increase (+4.1% compared to the end of 2016, to almost 150 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 +14%), with technical reserves – which represent the amounts owed to customers subscribing to traditional policies – slightly down (-2.8%). The new business of Intesa Sanpaolo Vita, Intesa Sanpaolo Life and Fideuram Vita, including pension products, amounted to over 16.7 billion euro for the period.

As at 30 September 2017, indirect deposits exceeded 496 billion euro, up 27.7 billion euro compared to the end of 2016 (+5.9%). Given the favourable conditions of the financial markets, the performance was determined by the increase in both assets under management, driven by mutual funds and insurance segment products, and assets under administration.

Assets under management rose (approximately +17 billion euro, equal to +5.5%, to approximately 331 billion euro), driven primarily by higher net inflows to investment funds, which savers appeared to prefer (approximately +9 billion euro, equal to +8.8%) and towards insurance products (+6.3 billion euro, equal to +4.7%). Pension funds and portfolio management schemes also posted growth (+5.4% and +3% respectively).

Assets under administration recorded an increase (+10.5 billion euro, +6.8%) attributable to securities and third-party products in customer portfolios and dealings with institutional customers.

Including the acquired operations of Banca Popolare di Vicenza and Veneto Banca (approximately 22 billion euro), indirect deposits at the end of September totalled near 519 billion euro.

Highlights

Highlights in the third quarter

The highlights that occurred in the third quarter of 2017 are illustrated below. Reference is made to the Half-yearly Report as at 30 June 2017 for the events that occurred in the first half of the year.

On 26 July 2017 Burlington Loan Management DA, on one side, and Pirelli & C. S.p.A. Intesa Sanpaolo S.p.A., UniCredit S.p.A. and Fenice S.r.l. (the latter four, the “sellers”), on the other, entered into a sale and purchase agreement, pursuant to which Burlington, through a directly or indirectly wholly-owned Italian newco will purchase from the Sellers 611,910,548 shares of Prelios S.p.A. at a price of 0.105 euro per share. The Sellers and Burlington subsequently executed, on 2 August 2017, an amendment agreement by virtue of which the price agreed for the purchase and sale of the shares was set at 0.116 euro per share, with an increase of 10.48%. Therefore, the total, which shall be paid by the purchaser to the sellers in one instalment at closing, is equal to 70,981,624 euro, of which 13,659,289 euro shall be paid to Intesa Sanpaolo. The closing of the operation, subject to a series of conditions precedent, is expected by the end of the year, with final date on 31 January 2018.

Pursuant to art. 106, first paragraph of Legislative Decree no. 58 of 24 February 1998 (Consolidated Law on Finance), the purchaser shall be required to launch a mandatory tender offer on the remaining ordinary shares of Prelios at the same price paid to the sellers for the acquisition of the shares. As a consequence, the market could benefit from the increase in the agreed price per share. At the same time, the sellers will benefit from any possible price increase offered by the purchaser in the context of the tender offer.

On 27 July 2017, Engineering and Intesa Sanpaolo signed an agreement for the sale of 100% of the share capital of Infogroup, held by the Intesa Sanpaolo Group. Infogroup serves companies within the Intesa Sanpaolo Group by providing transaction banking services, corporate customer assistance, competence centres, management services and solutions, bancassurance, compliance and document management. The non-captive revenues are distributed mainly among services for banks and insurance companies, loyalty/e-commerce and financial information services.

The agreement includes, among other things, the establishment of a commercial agreement between Infogroup and the Intesa Sanpaolo Group, and maintaining employment levels. The transaction, expected to be completed by the end of the year, is only subject to the required authorisations from the competent authorities being received.

Pursuant to IFRS 5, the investment in Infogroup was reclassified under discontinued operations starting from the Interim Statement as at 30 September 2017, as illustrated in greater detail in the chapter on “Accounting policies”.

On 23 August 2017, Intesa Sanpaolo and the shareholders of Morval Vonwiller Holding SA reached an agreement for the sale to Intesa Sanpaolo of the Swiss group of the same name, including Banque Morval SA, which has been operating in Switzerland as an asset management company since 1974. After obtaining its banking licence in 1989, the company became Banque Morval SA. With head offices in Geneva and offices in Lugano, Banque Morval specialises in wealth and fund management through the Morval Vonwiller Holding Group. Through Banque Morval and the other companies of the Group, Morval Vonwiller Holding SA offers all the services of a banking organisation that specialises in wealth and fund management.

The agreement is in line with Intesa Sanpaolo's strategic plan to strengthen its presence on international markets in the field of private banking. Morval Vonwiller's presence in Geneva will permit Intesa Sanpaolo's Private Banking Division, currently present in Lugano, London and Luxembourg, to further expand its geographic footprint outside Italy. The transaction is subject to obtaining all necessary regulatory authorisations. This process is expected to be concluded in the initial months of 2018.

On 13 September, 2017 Intesa Sanpaolo and UniCredit completed the sale of 2,971,186 ordinary shares equal to 11.176% of the ordinary share capital of Eramet S.A., a French mining and metal processing company, equal to the respective entire investments held by the two banks in the company. Specifically, Intesa Sanpaolo sold 7.114% of the capital, which was posted under Assets available for sale. The transaction, realised through accelerated book-building targeted at Italian qualified investors and international institutional investors, closed with a final price of 57 euro per share.

On 18 September 2017, an ordinary share buy-back programme was launched and concluded. The programme executes a plan that assigns, free of charge, ordinary shares of Intesa Sanpaolo to the Group's employees; this covers the share-based incentive plan for 2016 reserved for Risk Takers who accrue a bonus in excess of the so-called "materiality threshold", as well as for those who, among Managers or Professionals that are not Risk Takers, accrue "relevant bonuses", as approved by the Intesa Sanpaolo Shareholders' Meeting of 27 April 2017. Several subsidiaries also terminated their purchase programmes of the Parent Company's shares to be assigned, free of charge, to their employees. The programmes were approved by their respective corporate bodies within their remits and are analogous to the programme approved at the Parent Company's Shareholders' Meeting.

Specifically, on the day of execution of the programme, the Intesa Sanpaolo Group purchased a total of 8,091,160 Intesa Sanpaolo ordinary shares, through Banca IMI (which was responsible for the programme execution), representing approximately 0.05% of the ordinary share capital and total share capital of the Parent Company (comprising ordinary shares and savings shares), at an average purchase price of 2.937 euro per share, for a total countervalue of 23,762,245 euro. The Parent Company purchased 4,263,325 shares at an average purchase price of 2.937 euro per share, for a countervalue of 12,520,115 euro.

On 21 September 2017, the offering period relating to the subordinated Tier 2 bond issue targeted at qualified investors and high-net-worth individuals on the domestic market ended with the assignment of a nominal amount of 723,700,000 euro. It is a 7-year, floating-rate bond issue to be redeemed in whole at maturity. The coupon, payable quarterly in arrears on 26 March, 26 June, 26 September and 26 December of each year, from 26 December 2017 to 26 September 2024, is equal to 3-month Euribor plus 190 basis points per annum. The offer price was set at 100%. The settlement date was 26 September 2017. The minimum denomination of each bond is 100,000 euro.

With regard to levies and other charges concerning the banking industry, please note that, after the formal expression of interest from Crédit Agricole-Cariparma to acquire the investment in CR Cesena and in two other banks in favour of which early intervention measures had been adopted by the Voluntary Scheme (Cassa di Risparmio di Rimini and Cassa di Risparmio di San Miniato), the Scheme started the contractual negotiations to define the details of the intervention. This led to the approval by the Management Board of the Scheme, respectively on 20 and 28 September 2017, of the increase in the financial allocation of the Scheme by an additional 95 million euro and the new structure of the restructuring for a total amount of 640 million euro, both aimed at recapitalising the three banks in preparation for their sale to Cariparma.

As stated, in the third quarter the transaction resulted in the recognition of gross charges of 159 million euro (107 million euro net of taxes), a figure which included gross charges of 9 million euro (6 million euro net of taxes) relating to Banca Popolare di Vicenza and Veneto Banca.

On 29 September 2017 Intesa Sanpaolo and other Group companies contributed a series of properties to two closed-end real estate funds managed by InvestIRE SGR. At the same time, the contributing companies sold 70% of the quotas of these two funds to third-party investors. A put & call agreement was signed for the full sale, within 18 months and at the same conditions, of the remaining 30% of the quotas of the two funds. A portion of the properties contributed was then leased by the same Group companies that had contributed them.

Updates on the project relating to IFRS 9

At the end of 2015, the Intesa Sanpaolo Group initiated a project for the implementation of IFRS 9 Financial Instruments, the new financial reporting standard that will replace the current IAS 39. As reported in detail in the 2016 Financial Statements, the introduction of IFRS 9 will impact the methods of classification and measurement of financial instruments and the calculation logics and methods of value adjustments. Given the pervasive impacts of IFRS 9, both on business and under an organisational, application and reporting point of view, the project is aimed at understanding the various areas of influence of the Standard – grouped under "Classification & Measurement", "Impairment", and "Hedge Accounting" – determining its impact in qualitative and quantitative terms, and identifying and implementing the practical and organisational measures required for consistent, systematic and effective adoption within the Group as a whole and for each of the subsidiaries of which it is composed.

In the CFO and CRO Areas, and under the joint responsibility of the Administration and Tax Department, Credit Risk Management Department and Financial and Market Risks Department and with the active involvement of numerous Group Departments, themed working groups were formed on the basis of the areas into which the Standard is divided.

In order to ensure the operational implementation of the standard in a manner that is consistent with international best practices and as faithful as possible to the substantive meaning of the provisions of IFRS 9 (also on the basis of indications from international authorities, where relevant), a specific working table was created to aid the themed working groups in analysing and steering the decisions based on which the implementation activities are organised.

In addition to the involvement of the operating divisions in the analysis of the impacts of the Standard on the business areas, to develop the changes to IT systems it was necessary to create a Coordination Table with the other projects currently in progress, so as to design consistent IT solutions capable of building potential synergies.

For each of the three areas (C&M, Impairment, and Hedge Accounting), the same methodological approach set out in the following (three) macro phases of activity has been used: analysis and preliminary choices, IT simulations and design of the target operating model, IT development, and identification of the operating processes.

Classification and Measurement

To be able to comply with the requirements of IFRS 9 – which introduces a model through which the classification of financial assets is guided, on one hand, by the contractual cash flow characteristics of the instruments and, on the other hand, by the business model within which they are held - methods were identified for testing the contractual cash flow characteristics (SPPI test), while the business models that will be adopted by the various structures through which the Group operates have been formalised.

For the SPPI testing of financial assets, the method to be used has been established and, at the same time, an analysis of the composition of the existing securities and loans portfolios has been performed to identify the correct classification upon First Time Adoption (FTA) of the new Standard.

With regard to debt securities, a detailed examination has been conducted on the cash flow characteristics of the instruments classified at amortised cost and in the Financial assets available for sale category according to IAS 39, in order to identify the assets which do not pass the SPPI test and must therefore be measured at fair value through profit or loss according to IFRS 9. The analyses conducted confirmed the outcomes reported in the 2016 Financial Statements: only an insignificant percentage of debt securities out of the overall Group portfolio do not pass the SPPI test, mainly instruments that create concentrations of credit risk (tranches) and structured securities. Furthermore, based on analyses conducted and recent interpretations provided by the IFRS Interpretation Committee, investment funds (open funds and closed-end funds) are to be measured on a mandatory basis at their fair value through profit or loss, leading to a future increase in the volatility of the income statement for these instruments, currently classified as Financial assets available for sale.

For the loans segment, the project has carried out modular analyses that take account of the significance of the portfolios, of their homogeneity and of the business Division. The analyses used different approaches for the retail loan and corporate loan portfolios. As a result, only marginal cases were found which, due to their specific contractual clauses or the nature of the loan (e.g.: non-recourse asset), would fail an SPPI test. Accordingly, no significant impacts are expected also for the loans segment.

With regard to the second classification driver for the financial assets (business model), the survey and analysis of the current business models and “future” business models (which are organised at the level of single Division) were completed. For the hold to collect portfolios, the limits have been set for frequent but not significant (individually or in aggregate) sales to be considered eligible, or infrequent even if their amount is significant. At the same time, the parameters were established for identifying the sales consistent with that business model, as attributable to an increase in credit risk. Based on the analyses conducted, the securities portfolios currently classified at amortised cost generally have little movement, consistent with the management strategy of a hold to collect business model. With regard to the debt securities currently classified as Financial assets available for sale, a hold to collect and sell business model is was defined for most portfolios, with some portfolio transfers currently being envisaged for a limited number of cases, for portfolios with marginal amounts.

In general terms, the current procedures for managing loans, both with retail and corporate counterparties, are consistent with the hold to collect business model.

As regards equity securities, the analysis for the purpose of assessing which instruments in the portfolio at the date of first-time adoption of IFRS 9 the option of classification at fair value through other comprehensive income (FVTOCI without recycling through profit or loss) will be used for are being finalised, while the general criteria that will guide the choice after adoption have been defined and the related organisational process is being formalised. Lastly, it is noted that on conclusion of a specific valuation process, it was decided not to use the fair value option (with separate recognition through other comprehensive income of the fair value changes attributable to the changes in the Group's credit rating) for the stock of financial liabilities as at 1 January 2018.

Impairment

For the Impairment area (for which specific project streams have been developed for both lending and securities operations), key information was provided in the 2016 Financial Statements. Now that further progress has been made, the following information can be provided:

- the methods for the tracking of the credit quality of the portfolios of financial assets measured at amortised cost and at fair value through other comprehensive income have been established;
- the parameters for determining the significant deterioration of credit risk have been defined, for the correct allocation of performing exposures to stage 1 or stage 2. With regard to impaired exposures, on the other hand, the alignment of the definitions of accounting and regulatory default – already currently present – means that the current criteria for the classification of exposures as “non-performing”/“impaired” can be considered the same as the future classification criteria for exposures within stage 3.
- the models have been prepared – which include the forward-looking information – for the staging (with regard to the use of the lifetime PD as the relative indicator of impairment) and for the calculation of the expected credit losses (ECL) at one year (to be applied to exposures in stage 1) and over lifetime (to be applied to exposures in stage 2 and stage 3). To take into account forward-looking information and the macroeconomic scenarios in which the Group may have to operate, it was decided to adopt, as reported in greater detail below, the so-called “most likely scenario+Add-on” approach.

With regard to the tracking of credit quality, to identify the significant deterioration of the risk of the exposures, in line with the regulatory content of the standard and the guidelines from the Supervisory Authorities regarding the methods for applying the reporting standard for larger sized banks, a specific review of the credit quality of each individual relationship (both in the form of securitised exposure and the form of loans) has been conducted – within specific project streams and as a policy choice to be applied uniformly to all the types of exposures after IFRS 9 enters into force – in order to identify any “significant

deterioration” and, vice versa, the conditions for returning to stage 1 from stage 2. In other words, this operational choice involves, case-by-case and at each reporting date, the comparison – for the purposes of staging – between the credit quality of the financial instrument at the time of measurement and at the time of initial disbursement or purchase. Solely for the first-time adoption of the standard only, for certain categories of exposures (specifically identified), the low credit risk exemption established by IFRS 9 will be used. Based on the exemption, exposures which, at the date of transition to the new standard, have a credit rating equivalent to “investment grade” or above will be considered to have a low credit risk and therefore in stage 1.

Also with regard to the above, the factors that will constitute the main drivers to be taken into consideration for the assessments regarding the “transfers” between the different stages are the following:

- the variation of the lifetime probabilities of default compared to the time of initial recognition of the financial instrument. This is therefore an assessment made on a “relative” basis, which constitutes the main driver;
- the presence of a past due position that – subject to the materiality thresholds identified by the regulations – has been in that status for at least 30 days. If these circumstances apply, the credit risk of the exposure is considered to have “significantly increased” and, the exposure is therefore transferred to stage 2 (when the exposure was previously included in stage 1);
- the presence of any other conditions (e.g. a renegotiation that is classified as forbearance measure), which – again on a presumption basis – result in the classification of the exposure under those whose credit risk has “significantly increased” since initial recognition;
- lastly, for banks belonging to the international scope, some of the indicators from the credit monitoring systems specifically used by each bank will be considered for the purposes of the transfer between “stages” and where appropriate.

Some specific considerations apply for the “staging” of the debt securities. Unlike loans, for this type of exposure, sales and purchases after initial recognition (made using the same ISIN) may form part of the ordinary management of the positions (with the consequent need to identify methods to be adopted for identifying the sales and repayments in order to determine the remaining quantities of the individual transactions that need to be allocated a credit quality/rating upon origination to be compared with that parameter at the reporting date). In this regard, the use of the “first-in-first-out” or “FIFO” method (for the recognition of the recorded ECL in the income statement, in the event of sales or repayments) was considered to help in providing a more transparent management of the portfolio, also for the front office operators, while also enabling the continued updating of the credit rating based on new purchases.

The inclusion of forward-looking factors, and macroeconomic scenarios in particular, is a crucial element for the estimates of the expected losses. In terms of method, various possible alternative approaches designed to take account of these elements have been analysed. Of the various alternatives considered, the Intesa Sanpaolo Group has decided to adopt the “Most likely scenario+Add-on” approach, which, for the calculation of the expected credit losses (ECL) and the “stage assignment”, involves considering the credit losses generated by the base scenario believed to be most likely and used also for other purposes within the Group (for example, for the preparation of the budget and business plan), plus an add-on adjustment aimed at reflecting the effects from the non-linear nature of the variables used, in relation to determining the macroeconomic parameters.

Finally, specific considerations apply to “stage 3” exposures (consisting, as reported above, of the current scope of non-performing assets). While no impact from the adoption of IFRS 9 is forecast in relation to the “classification” of non-performing exposures, analyses conducted in the year found that the need to include forward-looking factors in the assessment of scenarios will have, also for those types of assets, an impact in terms of “measurement”.

Hedge accounting

In the area of Hedge Accounting, the changes to the Standard relate solely to general hedging and are closely tied to the Group’s choice to exercise the opt-in/opt-out (i.e. the possibility of applying the new IFRS 9 rather than maintaining the old IAS 39). Based on the investigations conducted on the current management of hedging transactions, it has been decided to exercise the opt-out option upon FTA of IFRS 9. As a result, all types of hedging operations will continue to be managed in accordance with the provisions of IAS 39 (carve-out), currently in force. The Group will consider whether or not to confirm this choice for the reporting periods after 2018.

Financial and capital impacts

The Intesa Sanpaolo Group expects the main impacts from the adoption of the new standard to come from the application of the new impairment accounting model (based - as indicated above - on “expected loss” rather than on “incurred loss”, as is currently the case under IAS 39), which will determine an increase in impairment losses, and from the application of new rules for transferring exposures among the classification stages established by the new standard.

On the basis of analyses conducted and implementation activities underway, it is estimated that the impact, to be recognised in shareholders’ equity upon first-time adoption of the new standard, will not be critical for the Group’s current levels of balance-sheet and regulatory capital. The final impact will depend on the composition of the loan portfolios at the date of transition and the macroeconomic forecasts for future years that will be defined at the date of transition to IFRS 9.

Impact on the IT systems

The smooth and effective implementation of the changes introduced by IFRS 9 regarding Classification and Measurement and, above all, Impairment, resulted in the need to carry out measures that have a big impact in the area of information technology. To that end, specific analyses have been conducted to identify the main areas of impact and the target application architectures to be developed have been outlined. The applications and procedures to be adapted have been identified, as well as the amendments to be made.

The measures being implemented on the systems – which are designed to achieve compliance with the new requirements established by the standard in terms of classification of the portfolios, tracking and measurement of credit risk, accounting and disclosure – therefore involve both the implementation, within the existing procedures, of the features required for that purpose, and the addition of new software applications required for the more efficient and effective management of the issues concerned.

More specifically, for the Classification and Measurement area, once the methods for conducting the SPPI Test have been defined, the applications and procedures for its implementation have been identified and, where necessary, purchased/adjusted, both for securities and for credit exposures in the strict sense.

For the Impairment area, after having made the main choices regarding the parameters to be considered for the assessment of significant deterioration, as well as for the calculation methods for the ECL (also taking into account forward-looking information), the risk management applications to be used for tracking the credit risk of the individual exposures and calculating the ECL have been identified, together with the necessary adaptations and upgrades, which are currently being developed. Similar analyses and measures are also underway for the adaptation of the accounting applications, also in order to ensure suitable disclosure, as required by the new version of the FINREP, and the information publicly available regarding the update to Circular 262 of the Bank of Italy valid from 1 January 2018, which is still in draft form, among others.

In general, these measures have been defined and developed centrally in Intesa Sanpaolo for all the Group companies that have IT systems that are shared with or are the same as those of the Parent Company. However, these measures are managed independently by the subsidiaries (for example, the international subsidiaries and insurance companies) that have different application systems, also due to the specific nature of their business, with oversight by the Parent Company, to ensure that the solutions are aligned to guidelines issued by it.

Organisational impacts and further developments

The IT Implementations are being accompanied by the finalisation of similar analyses and measures of an organisational nature. Specifically, the main organisational impacts relate to the revision and adaptation of existing operating processes, the design and implementation of new processes and the related controls, as well as the revision of the available resources and expansion of the competencies available within the various operational and administrative and control departments.

Specifically, the work related to the Classification and Measurement area will initially involve business and marketing departments, with the aim of identifying and defining business models and developing management and monitoring procedures for the process of performing the SPPI test.

With regard to Impairment, the Group's objective is the increasingly effective and integrated implementation of the procedures for ongoing monitoring of credit risk, in line with the requirements of IFRS 9, in order to establish preventive measures, aimed at monitoring the potential "sliding" of positions into stage 2 and recording fair and timely impairment adjustments based on the real credit risk.

Lastly, the introduction of IFRS 9 will presumably also have impacts in terms of the commercial offer (and, consequently, as already partly already noted, in terms of revision of the product catalogue). Work on the identification and setting of the scope of possible mitigation actions, initiated in 2016, continued in 2017 (with, among other things, change management activities planned).

That said, the main impacts that may be envisaged for the Intesa Sanpaolo Group's banking business deriving from the combination of the different subject areas of the new standard include:

- the likely need/opportunity – at least for some portfolios – to re-examine the current credit strategies;
- the amendment of some catalogue products (potentially including both their pricing and duration, based on their supporting guarantees, and their repayment mechanisms);
- the possible restatement of the mission of certain operating units, with the related implications for the governance of portfolios, control methods, risk/measurement parameters and the related limits and ceilings. Consequently, the models and incentive schemes may also be subject to revision, in some cases.

Starting in the second half of 2017, the Intesa Sanpaolo Group launched the parallel running of the application of the new standard, which involves a modular approach that will progressively be rendered complete as the necessary information and support applications become available.

For the sake of completeness it is noted that, based on the information available at the date of drawing up what is being discussed herein, the endorsement of the amendments to IFRS 4 by the European Commission (not yet official at the time of drawing up this Statement, but expected to be finalised in time to formalise the choices to be made by the Intesa Sanpaolo Group for the purposes of applying IFRS 9 in its consolidated financial statements) will extend the possibility to apply the "deferral approach" (originally envisaged only for primarily insurance groups) also to financial statements of financial conglomerates that include insurance companies (such as the Intesa Sanpaolo Group). Thus, taking account of the potential impacts in terms of increased volatility on the insurance business attributable to the non-concurrent application of IFRS 9 to assets under management and the new accounting standard on insurance liabilities, the Group is considering whether to apply said "deferral approach", where endorsed, postponing the application of IFRS 9 to financial assets held by the insurance companies until after the entry into force of the new accounting standard on insurance liabilities (2021). In view of this, therefore, suitable analyses were launched in terms of regulations and operational feasibility. More specifically, the interventions to be implemented on the support applications for the consolidated financial statements are being assessed so as to guarantee the concurrent management of results drawn up pursuant to IFRS 9 or, in alternative, in compliance with IAS 39 and, at the same time, the supplementary information to be provided is being defined in terms of specific disclosures.

Lastly, in the first quarter of 2017 the European Central Bank (ECB) conducted a Thematic Review, which also involved Intesa Sanpaolo, focused on the process of implementing IFRS 9. Recently, Intesa Sanpaolo received from the ECB the final version of its conclusions, according to which the implementation of the new standard is generally in line with the authority's expectations. These conclusions also contain several suggestions and findings which have already been included in the implementation plan for the new standard. The findings substantially relate to the definition of internal policies and regulations which, as usual, is planned for the final part of the project and, in any event, shall take place by December 2017. In brief, the findings deal with the need to supplement the processes and define in detail the internal rules and regulations (especially those regarding review and updating the methods of determining the SICR and calculating expected loss), which should be in force at the time of introduction of IFRS 9, and highlight the importance of the role of Internal Validation and back testing. In this regard, the supplementation and updating of internal regulations are underway, specifically with regard to the Group Accounting Rules, the new Impairment Policy and the structure of the business model within the Group, and the approval, where required, by the competent governance structures is expected in December.

**Consolidated
financial statements**

Consolidated balance sheet

Assets	30.09.2017	31.12.2016	(millions of euro)	
			CHANGES amount	%
10. Cash and cash equivalents	5,003	8,686	-3,683	-42.4
20. Financial assets held for trading	41,762	43,613	-1,851	-4.2
30. Financial assets designated at fair value through profit and loss	72,805	63,865	8,940	14.0
40. Financial assets available for sale	143,906	146,692	-2,786	-1.9
50. Investments held to maturity	2,267	1,241	1,026	82.7
60. Due from banks	79,381	53,146	26,235	49.4
70. Loans to customers	390,818	364,713	26,105	7.2
80. Hedging derivatives	4,649	6,234	-1,585	-25.4
90. Fair value change of financial assets in hedged portfolios (+/-)	-228	321	-549	
100. Investments in associates and companies subject to joint control	716	1,278	-562	-44.0
110. Technical insurance reserves reassured with third parties	16	17	-1	-5.9
120. Property and equipment	4,852	4,908	-56	-1.1
130. Intangible assets	7,479	7,393	86	1.2
<i>of which</i>				
- goodwill	4,056	4,059	-3	-0.1
140. Tax assets	15,707	14,444	1,263	8.7
a) current	3,508	3,313	195	5.9
b) deferred	12,199	11,131	1,068	9.6
- of which convertible into tax credit (Law no. 214/2011)	8,576	8,491	85	1.0
150. Non-current assets held for sale and discontinued operations	493	312	181	58.0
160. Other assets	15,733	8,237	7,496	91.0
Total Assets	785,359	725,100	60,259	8.3

Liabilities and Shareholders' Equity	30.09.2017	31.12.2016	(millions of euro)	
			CHANGES	
			amount	%
10. Due to banks	99,281	72,641	26,640	36.7
20. Due to customers	313,066	291,876	21,190	7.3
30. Securities issued	99,213	94,783	4,430	4.7
40. Financial liabilities held for trading	41,476	44,790	-3,314	-7.4
50. Financial liabilities designated at fair value through profit and loss	65,567	57,187	8,380	14.7
60. Hedging derivatives	7,607	9,028	-1,421	-15.7
70. Fair value change of financial liabilities in hedged portfolios (+/-)	563	773	-210	-27.2
80. Tax liabilities	1,927	2,038	-111	-5.4
<i>a) current</i>	361	497	-136	-27.4
<i>b) deferred</i>	1,566	1,541	25	1.6
90. Liabilities associated with non-current assets held for sale and discontinued operations	296	272	24	8.8
100. Other liabilities	12,418	11,944	474	4.0
110. Employee termination indemnities	1,470	1,403	67	4.8
120. Allowances for risks and charges	5,225	3,427	1,798	52.5
<i>a) post employment benefits</i>	973	1,025	-52	-5.1
<i>b) other allowances</i>	4,252	2,402	1,850	77.0
130. Technical reserves	83,211	85,619	-2,408	-2.8
140. Valuation reserves	-1,908	-1,854	54	2.9
150. Redeemable shares	-	-	-	-
160. Equity instruments	4,102	2,117	1,985	93.8
170. Reserves	10,914	9,528	1,386	14.5
180. Share premium reserve	26,006	27,349	-1,343	-4.9
190. Share capital	8,732	8,732	-	-
200. Treasury shares (-)	-86	-72	14	19.4
210. Minority interests (+/-)	391	408	-17	-4.2
220. Net income (loss)	5,888	3,111	2,777	89.3
Total Liabilities and Shareholders' Equity	785,359	725,100	60,259	8.3

Consolidated income statement

(millions of euro)

	30.09.2017	30.09.2016	CHANGES	
			amount	%
10. Interest and similar income	9,338	9,760	-422	-4.3
20. Interest and similar expense	-2,976	-3,223	-247	-7.7
30. Interest margin	6,362	6,537	-175	-2.7
40. Fee and commission income	6,895	6,125	770	12.6
50. Fee and commission expense	-1,527	-1,271	256	20.1
60. Net fee and commission income	5,368	4,854	514	10.6
70. Dividend and similar income	290	398	-108	-27.1
80. Profits (Losses) on trading	325	316	9	2.8
90. Fair value adjustments in hedge accounting	-16	-48	-32	-66.7
100. Profits (Losses) on disposal or repurchase of	550	927	-377	-40.7
<i>a) loans</i>	-7	-23	-16	-69.6
<i>b) financial assets available for sale</i>	580	941	-361	-38.4
<i>c) investments held to maturity</i>	1	-	1	
<i>d) financial liabilities</i>	-24	9	-33	
110. Profits (Losses) on financial assets and liabilities designated at fair value	882	754	128	17.0
120. Net interest and other banking income	13,761	13,738	23	0.2
130. Net losses / recoveries on impairment	-2,107	-2,099	8	0.4
<i>a) loans</i>	-1,596	-2,035	-439	-21.6
<i>b) financial assets available for sale</i>	-522	-115	407	
<i>c) investments held to maturity</i>	-	-	-	
<i>d) other financial activities</i>	11	51	-40	-78.4
140. Net income from banking activities	11,654	11,639	15	0.1
150. Net insurance premiums	5,052	6,784	-1,732	-25.5
160. Other net insurance income (expense)	-6,600	-8,274	-1,674	-20.2
170. Net income from banking and insurance activities	10,106	10,149	-43	-0.4
180. Administrative expenses	-6,959	-6,723	236	3.5
<i>a) personnel expenses</i>	-4,142	-4,005	137	3.4
<i>b) other administrative expenses</i>	-2,817	-2,718	99	3.6
190. Net provisions for risks and charges	-2,072	-164	1,908	
200. Net adjustments to / recoveries on property and equipment	-254	-254	-	-
210. Net adjustments to / recoveries on intangible assets	-366	-413	-47	-11.4
220. Other operating expenses (income)	5,324	505	4,819	
230. Operating expenses	-4,327	-7,049	-2,722	-38.6
240. Profits (Losses) on investments in associates and companies subject to joint control	336	141	195	
250. Valuation differences on property, equipment and intangible assets measured at fair value	-	-	-	
260. Goodwill impairment	-	-	-	
270. Profits (Losses) on disposal of investments	61	21	40	
280. Income (Loss) before tax from continuing operations	6,176	3,262	2,914	89.3
290. Taxes on income from continuing operations	-249	-936	-687	-73.4
300. Income (Loss) after tax from continuing operations	5,927	2,326	3,601	
310. Income (Loss) after tax from discontinued operations	-	121	-121	
320. Net income (loss)	5,927	2,447	3,480	
330. Minority interests	-39	-112	-73	-65.2
340. Parent Company's net income (loss)	5,888	2,335	3,553	
Basic EPS - Euro	0.36	0.14		
Diluted EPS - Euro	0.36	0.14		

Statement of consolidated comprehensive income

	(millions of euro)			
	30.09.2017	30.09.2016	CHANGES amount	%
10. NET INCOME (LOSS)	5,927	2,447	3,480	
Other comprehensive income (net of tax) that may not be reclassified to the income statement	69	-387	456	
20. Property and equipment	-	-	-	
30. Intangible assets	-	-	-	
40. Defined benefit plans	69	-387	456	
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	-125	-388	-263	-67.8
70. Hedges of foreign investments	-	-	-	
80. Foreign exchange differences	-11	-29	-18	-62.1
90. Cash flow hedges	199	-205	404	
100. Financial assets available for sale	-142	-135	7	5.2
110. Non-current assets held for sale	-	-	-	
120. Share of valuation reserves connected with investments carried at equity	-171	-19	152	
130. Total other comprehensive income (net of tax)	-56	-775	-719	-92.8
140. TOTAL COMPREHENSIVE INCOME (CAPTIONS 10 +130)	5,871	1,672	4,199	
150. Total consolidated comprehensive income pertaining to minority interests	37	56	-19	-33.9
160. Total consolidated comprehensive income pertaining to the Parent Company	5,834	1,616	4,218	

Statement of changes in consolidated shareholders' equity as at 30 September 2017

(millions of euro)

	30.09.2017											
	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			1,535						-1,535	-	-	-
Dividends and other allocations									-1,665	-1,665	-1,656	-9
CHANGES IN THE PERIOD												
Changes in reserves										-	-	-
Operations on shareholders' equity												
Issue of new shares								5		5	5	-
Purchase of treasury shares								-19		-19	-19	-
Extraordinary dividends			-1,343							-1,343	-1,343	-
Changes in equity instruments							1,985			1,985	1,985	-
Derivatives on treasury shares										-	-	-
Stock options										-	-	-
Changes in equity investments										-	-	-
Other	-92		-1	-21						-114	-69	-45
Total comprehensive income for the period						-56			5,927	5,871	5,834	37
SHAREHOLDERS' EQUITY AS AT 30.09.2017												
- Group	8,529	485	26,031	10,461	578	-1,986	4,102	-88	5,927	54,039	53,648	391
- minority interests	8,247	485	26,006	10,336	578	-1,908	4,102	-86	5,888	53,648		
	282	-	25	125	-	-78	-	-2	39	391		

^(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 30 September 2016

(millions of euro)

	30.09.2016											
	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			366						-366	-	-	-
Dividends and other allocations									-2,440	-2,440	-2,371	-69
CHANGES IN THE PERIOD												
Changes in reserves										-	-	-
Operations on shareholders' equity												
Issue of new shares								12		12	12	-
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	7			-7						-	-	-
Other	-139		-93	16						-216	-52	-164
Total comprehensive income for the period						-775			2,447	1,672	1,616	56
SHAREHOLDERS' EQUITY AS AT 30.09.2016												
- Group	8,672	485	27,428	8,919	578	-1,725	2,118	-60	2,447	48,862	48,222	640
- minority interests	8,247	485	27,349	8,905	578	-1,737	2,118	-58	2,335	48,222		
	425	-	79	14	-	12	-	-2	112	640		

^(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.

The income statement for the first nine months of 2017 reflects the effects of the acquisition, in the third quarter, of certain assets and liabilities and certain legal relationships of Banca Popolare di Vicenza and Veneto Banca. As indicated in greater detail in the chapter on accounting policies, the scope of assets and liabilities considered for the purposes of the Interim statement as at 30 September 2017 and all associated values should be considered provisional in nature, since they are currently undergoing a specific due diligence process, based on which a detailed inventory will be taken of the items comprising the definitive accounting situation of the portfolio of acquired assets and liabilities as at the execution date. Considering the particular case in question, no adjustments were made to the historic data in the reclassified income statement in order to retroactively reflect the effects of the acquisition. Consequently, unless otherwise indicated the comments in the Report on operations refer to income components net of the effects of the acquired segregated scope. However, in order to improve the reader's understanding, the main amounts referring to the acquired scope and the consolidated figure including said amounts are highlighted in the tables.

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 industry, 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

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

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

In a context characterised by a more favourable economic scenario in the Eurozone, in the first nine months of 2017 the Intesa Sanpaolo Group reported an increase in net income compared to the same period of the previous year. Net income – excluding, for a consistent comparison, the public contribution of 3,500 million euro received to offset the impacts on capital ratios of the acquisition of certain assets and liabilities and certain legal relationships of Banca Popolare di Vicenza and Veneto Banca and the loss in the third quarter of 81 million euro associated with the acquired Aggregate Set – increased to 2,469 million euro, compared to 2,335 million euro in the first nine months of 2016 (+5.7%). The increase is primarily due to a decrease in adjustments and provisions, alongside careful management of operating costs and essentially stable revenues. The negative impact of the greater charges concerning the banking industry was only partly offset by higher gains on the disposal of equity investments and the fair value measurement of some investments.

Quarterly development of the reclassified income statement

(millions of euro)

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

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

Operating income

Operating income amounted to 12,730 million euro, including the 96 million euro deriving from the acquired Aggregate Set, down slightly by 1.2% on an equivalent basis compared to the same period of 2016, as a result of the decline in net interest income (-3.2%), in profits on trading (-15.3%), in income from insurance business (-9.5%) and the lower profits on investments carried at equity, mostly offset by the excellent performance of net fee and commission income (+6.4%), which constitutes the most important source of revenues.

Net interest income

	30.09.2017		30.09.2016		Changes		Quarterly development Net interest income
	Consolidated figure (a)	Of which: figure of operations acquired (b)	Consolidated figure net of operations acquired (c) = (a) - (b)	Consolidated figure (d)	amount (e) = (c) - (d)	% (e) / (d)	
	(millions of euro)						
Relations with customers	5,543	92	5,451	5,678	-227	-4.0	
Securities issued	-2,045	-46	-1,999	-2,464	-465	-18.9	
Customer dealing	3,498	46	3,452	3,214	238	7.4	
Financial assets held for trading	67	2	65	115	-50	-43.5	
Investments held to maturity	32	1	31	42	-11	-26.2	
Financial assets available for sale	515	24	491	569	-78	-13.7	
Financial assets	614	27	587	726	-139	-19.1	
Relations with banks	138	-5	143	67	76		
Differentials on hedging derivatives	38	-8	46	397	-351	-88.4	
Non-performing assets	1,099	-	1,099	1,143	-44	-3.8	
Other net interest income	40	-2	42	-1	43		
Net interest income	5,427	58	5,369	5,546	-177	-3.2	

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

Net interest income, which amounted to 5,369 million euro, excluding the contribution from the former Venetian banks, declined by 3.2% compared to the same period of the previous year. With a spread at very low historical levels, the result was influenced by the gradual depreciation of the Egyptian pound since November 2016, which penalised the result 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, confirmed by the decrease in volumes. Income from customer dealing amounted to 3,452 million euro, higher than the 3,214 million euro recorded in the corresponding period of 2016, as a result of lesser interest expenses on securities. Interest on financial assets fell by 19.1%, due to the decline in interest on assets available for sale (-78 million euro) and, to a lesser extent, in interest on trading activities and on assets held to maturity. Net interest income on the interbank market came to 143 million euro compared to the 67 million euro recorded in the first nine months of 2016, due to the reduction in interest expense on interbank funding. The contribution of differentials on hedging derivatives to net interest income decreased considerably (-351 million euro). The interest income accrued on the TLTRO II deposit at negative rates signed with the Bank of Italy, regarding an exposure that amounted on average to 52.3 billion euro, amounted to 157 million euro and was recorded among other net interest income.

	2017					Changes %	
	Third quarter			Second quarter	First quarter	(C/D)	(D/E)
	Consolidated figure (a)	Of which: figure of operations acquired (b)	Consolidated figure net of operations acquired (c) = (a) - (b)	(d)	(e)		
Relations with customers	1,914	92	1,822	1,806	1,823	0.9	-0.9
Securities issued	-704	-46	-658	-647	-694	1.7	-6.8
Customer dealing	1,210	46	1,164	1,159	1,129	0.4	2.7
Financial assets held for trading	18	2	16	26	23	-38.5	13.0
Investments held to maturity	11	1	10	10	11	-	-9.1
Financial assets available for sale	193	24	169	160	162	5.6	-1.2
Financial assets	222	27	195	196	196	-0.5	-
Relations with banks	54	-5	59	42	42	40.5	-
Differentials on hedging derivatives	-29	-8	-21	29	38	-23.7	
Non-performing assets	358	-	358	362	379	-1.1	-4.5
Other net interest income	-8	-2	-6	27	21	-	28.6
Net interest income	1,807	58	1,749	1,815	1,805	-3.6	0.6

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

In the third quarter of 2017, net interest income amounted to 1,749 million euro, net of the 58 million euro attributable to the contribution of the former Venetian banks, marking a decline compared to the first two quarters of the current year. In particular, the decrease in differentials on hedging derivatives compared to the first two quarters should be tied to the maturity of fully hedged inflation-linked securities and the lesser benefits of hedging of core deposits.

			(millions of euro)		Business areas	
	30.09.2017	30.09.2016	Changes amount	%		
Banca dei Territori	3,382	3,456	-74	-2.1		
Corporate and Investment Banking	1,188	1,094	94	8.6		
International Subsidiary Banks	1,005	1,095	-90	-8.2		
Private Banking	131	132	-1	-0.8		
Asset Management	-	-	-	-		
Insurance	-	-	-	-		
Total business areas (excluding operations acquired)	5,706	5,777	-71	-1.2		
Corporate Centre	-337	-231	106	45.9		
Intesa Sanpaolo Group (excluding operations acquired)	5,369	5,546	-177	-3.2		
Corporate Centre (operations acquired)	58					
Intesa Sanpaolo Group	5,427					

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

The Banca dei Territori Division, which accounts for nearly 60% of business area results, though benefiting from growing customer dealing, recorded a decline of 2.1% (-74 million euro) in net interest income, driven also by the more limited contribution from the hedging of core deposits. The net interest income of the Corporate and Investment Banking Division is up (+8.6%, or +94 million euro) in relation to the greater contribution from customer dealing. The net interest income of the International Subsidiary Banks decreased by 8.2% (-90 million euro), due to the gradual depreciation of the Egyptian pound as from November 2016. Lastly, the interest income of Private Banking – which in relative terms has a lower incidence on the consolidated result – was essentially in line with the first nine months of 2016.

It should be noted that the contribution to the net interest income of the former Venetian banks (58 million euro) has temporarily been fully allocated to the "Corporate Centre (operations acquired)" and will be broken down into the various divisions once the processes are integrated starting from 2018.

Net fee and commission income

	30.09.2017		30.09.2016		Changes		Quarterly development Net fee and commission income
	Consolidated figure (a)	Of which: figure of operations acquired (b)	Consolidated figure net of operations acquired (c) = (a) - (b)	Consolidated figure (d)	amount (e) = (c) - (d)	% (e) / (d)	
Guarantees given / received	230	-17	247	256	-9	-3.5	
Collection and payment services	299	10	289	287	2	0.7	
Current accounts	805	28	777	764	13	1.7	
Credit and debit cards	270	5	265	282	-17	-6.0	
Commercial banking activities	1,604	26	1,578	1,589	-11	-0.7	
Dealing and placement of securities	513	13	500	381	119	31.2	
Currency dealing	32	1	31	30	1	3.3	
Portfolio management	1,666	-1	1,667	1,509	158	10.5	
Distribution of insurance products	1,124	5	1,119	1,024	95	9.3	
Other	123	2	121	126	-5	-4.0	
Management, dealing and consultancy activities	3,458	20	3,438	3,070	368	12.0	
Other net fee and commission income	635	11	624	642	-18	-2.8	
Net fee and commission income	5,697	57	5,640	5,301	339	6.4	

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

Net fee and commission income for the first nine months of 2017, which makes up nearly 45% of operating income, came to 5,640 million euro, with an increase of 6.4% on an equivalent basis compared to the same period of 2016, essentially as a result of the positive performance of the management and dealing activity, which benefited from a recovery in prices and an increase in volumes placed.

Fee and commission income on commercial banking activities amounted to 1,578 million euro, compared to 1,589 million euro in the first nine months of 2016, due to the decline in the fees and commissions on debit card and credit card services and on guarantees given, only partially offset by greater fees and commission on current accounts. Management, dealing and financial consultancy activities, which provided the greatest contribution, generated net fee and commission income of 3,438 million euro, up 12%.

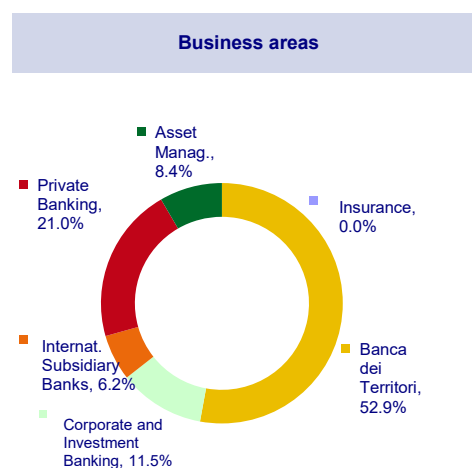
The significant commercial effort devoted by the Group's distribution network to asset management products, accompanied by an improvement in the situation on the stock markets and the volumes of securities traded, produced notable growth in fee and commission income on portfolio management, securities dealing and placement and the distribution of insurance products. Other net fee and commission income showed a decline of 2.8%.

	2017					Changes %	
	Third quarter		Consolidated figure net of operations acquired (c) = (a) - (b)	Second quarter (d)	First quarter (e)	(C/D)	(D/E)
	Consolidated figure (a)	Of which: figure of operations acquired (b)					
Guarantees given / received	63	-17	80	86	81	-7.0	6.2
Collection and payment services	107	10	97	97	95	-	2.1
Current accounts	300	28	272	253	252	7.5	0.4
Credit and debit cards	95	5	90	92	83	-2.2	10.8
Commercial banking activities	565	26	539	528	511	2.1	3.3
Dealing and placement of securities	155	13	142	182	176	-22.0	3.4
Currency dealing	11	1	10	11	10	-9.1	10.0
Portfolio management	567	-1	568	560	539	1.4	3.9
Distribution of insurance products	385	5	380	366	373	3.8	-1.9
Other	44	2	42	39	40	7.7	-2.5
Management, dealing and consultancy activities	1,162	20	1,142	1,158	1,138	-1.4	1.8
Other net fee and commission income	219	11	208	210	206	-1.0	1.9
Net fee and commission income	1,946	57	1,889	1,896	1,855	-0.4	2.2

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

In the third quarter of 2017, net fee and commission income was essentially in line with the second quarter and exceeded the first quarter, primarily due to the greater revenue on commercial banking activities.

	30.09.2017		30.09.2016		Changes	
	amount	%	amount	%	amount	%
Banca dei Territori	3,116	2,935	181	6.2		
Corporate and Investment Banking	675	698	-23	-3.3		
International Subsidiary Banks	365	360	5	1.4		
Private Banking	1,240	1,128	112	9.9		
Asset Management	497	407	90	22.1		
Insurance	-	-	-	-		
Total business areas (excluding operations acquired)	5,893	5,528	365	6.6		
Corporate Centre	-253	-227	26	11.5		
Intesa Sanpaolo Group (excluding operations acquired)	5,640	5,301	339	6.4		
Corporate Centre (operations acquired)	57					
Intesa Sanpaolo Group	5,697					



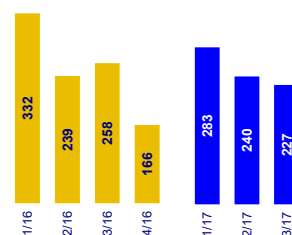
Figures restated, where necessary, considering the changes in the scope of consolidation and in business unit constituents. The figures concerning assets and liabilities in relation to the acquired operations of Banca Popolare di Vicenza and Veneto Banca have not been restated.

In relation to the business areas, the Banca dei Territori Division, which represents more than half the result of the business units, showed an increase in fee and commission income (+6.2%, or +181 million euro), mostly coming from the asset management segment - which has benefited from more placements of asset-management products and certificates - and the fees on protection products, driven by the positive trend in medium-/long-term loan disbursements; Private Banking recorded growth of 9.9%, or +112 million euro, confirming the strong performance of assets under management; Asset Management posted an increase of 22.1% (+90 million euro), due to the favourable performance of management fees relating to the increase in average assets managed; finally the Corporate and Investment Banking Division recorded a decline of 3.3% (-23 million euro), as a result of lower fee and commission income from the commercial banking area (loans, guarantees and interbank services), only partially offset by the positive performance recorded in the capital markets sector.

It should be noted that the contribution to net fee and commission income of the former Venetian banks (57 million euro) has temporarily been fully allocated to the "Corporate Centre (operations acquired)" and will be broken down into the various divisions once the processes are integrated starting from 2018.

Income from insurance business

Captions (a)	30.09.2017			30.09.2016			(millions of euro) Changes	
	Life	Non-life	Total	Life	Non-life	Total	amount	%
Technical margin	42	73	115	13	59	72	43	59.7
Net insurance premiums (b)	4,795	257	5,052	6,565	222	6,787	-1,735	-25.6
Net charges for insurance claims and surrenders (c)	-7,095	-65	-7,160	-6,120	-64	-6,184	976	15.8
Net charges for changes in technical reserves (d)	1,470	-	1,470	-1,401	-	-1,401	2,871	
Gains (Losses) on investments pertaining to insured parties on insurance products (e)	1,042	-	1,042	1,164	-	1,164	-122	-10.5
Net fees on investment contracts (f)	218	1	219	187	1	188	31	16.5
Commission expenses on insurance contracts (g)	-379	-82	-461	-386	-72	-458	3	0.7
Other technical income and expense (h)	-9	-38	-47	4	-28	-24	23	95.8
Net investment result	737	10	747	877	24	901	-154	-17.1
Operating income from investments	3,195	10	3,205	2,782	24	2,806	399	14.2
<i>Net interest income</i>	1,462	3	1,465	1,494	5	1,499	-34	-2.3
<i>Dividends</i>	177	2	179	178	2	180	-1	-0.6
<i>Gains/losses on disposal</i>	1,185	5	1,190	410	17	427	763	
<i>Valuation gains/losses</i>	428	-	428	756	-	756	-328	-43.4
<i>Portfolio management fees paid (i)</i>	-57	-	-57	-56	-	-56	1	1.8
Gains (Losses) on investments pertaining to insured parties	-2,458	-	-2,458	-1,905	-	-1,905	553	29.0
<i>Insurance products (j)</i>	-1,107	-	-1,107	-1,120	-	-1,120	-13	-1.2
<i>Investment's unrealized capital gains/losses pertaining to insured parties on insurance products (k)</i>	66	-	66	-44	-	-44	110	
<i>Investment products (l)</i>	-1,417	-	-1,417	-741	-	-741	676	91.2
Income from insurance business gross of consolidation effects	779	83	862	890	83	973	-111	-11.4
Consolidation effects	-112	-	-112	-141	-3	-144	-32	-22.2
Income from insurance business	667	83	750	749	80	829	-79	-9.5

Quarterly development
Income from insurance business

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 nine months of the current financial year, 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 750 million euro, compared to the 829 million euro recorded in the same period of 2016. This performance was determined by the worsening of the net investment result (-154 million euro), affected by a greater incidence of the result from investments pertaining to insured parties, in particular of investment products. The technical margin, despite being negatively impacted by the lower weight of traditional life policies, yielded a positive contribution of 43 million euro.

Captions (a)	(millions of euro)				
	2017			Changes %	
	Third quarter (A)	Second quarter (B)	First quarter (C)	(A/B)	(B/C)
Technical margin	46	94	-25	-51.1	
Net insurance premiums (b)	1,798	1,455	1,799	23.6	-19.1
Net charges for insurance claims and surrenders (c)	-2,449	-2,484	-2,227	-1.4	11.5
Net charges for changes in technical reserves (d)	431	866	173	-50.2	
Gains (Losses) on investments pertaining to insured parties on insurance products (e)	353	356	333	-0.8	6.9
Net fees on investment contracts (f)	89	55	75	61.8	-26.7
Commission expenses on insurance contracts (g)	-157	-143	-161	9.8	-11.2
Other technical income and expense (h)	-19	-11	-17	72.7	-35.3
Net investment result	217	185	345	17.3	-46.4
Operating income from investments	1,085	497	1,623		-69.4
<i>Net interest income</i>	465	511	489	-9.0	4.5
<i>Dividends</i>	55	80	44	-31.3	81.8
<i>Gains/losses on disposal</i>	310	481	399	-35.6	20.6
<i>Valuation gains/losses</i>	274	-556	710		
<i>Portfolio management fees paid (i)</i>	-19	-19	-19	-	-
Gains (Losses) on investments pertaining to insured parties	-868	-312	-1,278		-75.6
<i>Insurance products (j)</i>	-383	-408	-316	-6.1	29.1
<i>Investment's unrealized capital gains/losses pertaining to insured parties on insurance products (k)</i>	31	52	-17	-40.4	
<i>Investment products (l)</i>	-516	44	-945		
Income from insurance business gross of consolidation effects	263	279	320	-5.7	-12.8
Consolidation effects	-36	-39	-37	-7.7	5.4
Income from insurance business	227	240	283	-5.4	-15.2

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

For notes, see the previous table.

In the third quarter of 2017, income from insurance business, including the life and non-life businesses, was lower than in the second quarter due to the decline in the technical margin, and in the first quarter, due to the drop in the net investment result.

	(millions of euro)				
	30.09.2017			30.09.2016	
	Periodic premiums	Single premiums	Total	of which new business	
Life insurance business	121	4,675	4,796	4,675	6,566
Premiums issued on traditional products	107	4,265	4,372	4,266	6,184
Premiums issued on unit-linked products	5	6	11	5	15
Premiums issued on capitalisation products	-	-	-	-	-
Premiums issued on pension funds	9	404	413	404	367
Non-life insurance business	68	196	264	114	225
Premiums issued	65	264	329	255	289
Change in premium reserves	3	-68	-65	-141	-64
Premiums ceded to reinsurers	-4	-4	-8	-6	-7
Net premiums from insurance products	185	4,867	5,052	4,783	6,784
Business on index-linked contracts	-	-	-	-	-
Business on unit-linked contracts	62	11,952	12,014	11,958	11,424
Total business from investment contracts	62	11,952	12,014	11,958	11,424
Total business	247	16,819	17,066	16,741	18,208

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

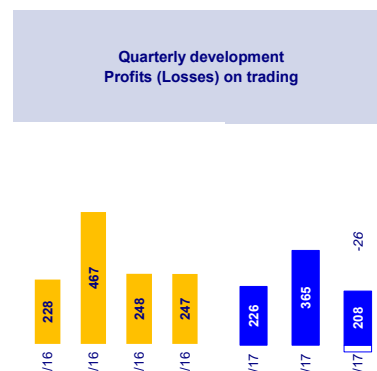
In the first nine months of 2017, business in the insurance segment remained at high levels, at approximately 17 billion euro, though below the premiums of the corresponding period of 2016 (18 billion euro). The shift towards unit-linked investment contracts (which have lower capital requirements) from traditional life business policies, which had already been observed last year, continued during the period.

New business was nearly 16.7 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

	30.09.2017		30.09.2016		Changes			
	Consolidated figure (a)	Of which: figure of operations acquired (b)	Consolidated figure net of operations acquired (c) = (a) - (b)	Consolidated figure (d)	amount			%
					(e) = (c) - (d)	(e) / (d)		
Interest rates	255	-23	278	26	252			
Equity instruments	180	-1	181	72	109			
Currencies	-62	1	-63	178	-241			
Structured credit products	25	-	25	15	10	66.7		
Credit derivatives	-9	-	-9	39	-48			
Commodity derivatives	7	-	7	17	-10	-58.8		
Trading result	396	-23	419	347	72	20.7		
Trading on AFS securities and financial liabilities	377	-3	380	596	-216	-36.2		
Profits (Losses) on trading	773	-26	799	943	-144	-15.3		

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



Profits on trading posted a result of 799 million euro in the first nine months of 2017; the decrease on an equivalent basis compared to the same period of the previous financial year is primarily due to the lower dividend received on the stake held in the Bank of Italy, which fell from 121 million euro last year to 10 million euro in the current year. The drop in trading in AFS securities and financial liabilities was only partly offset by the results of trading activities, especially those on interest rates and equity instruments.

	2017			Second quarter (d)	First quarter (e)	Changes %	
	Third quarter					(C/D)	(D/E)
	Consolidated figure (a)	Of which: figure of operations acquired (b)	Consolidated figure net of operations acquired (c) = (a) - (b)				
Interest rates	43	-23	66	115	97	-42.6	18.6
Equity instruments	73	-1	74	49	58	51.0	-15.5
Currencies	11	1	10	-45	-28	60.7	
Structured credit products	5	-	5	12	8	-58.3	50.0
Credit derivatives	-31	-	-31	2	20	-90.0	
Commodity derivatives	2	-	2	3	2	-33.3	50.0
Trading result	103	-23	126	136	157	-7.4	-13.4
Trading on AFS securities and financial liabilities	79	-3	82	229	69	-64.2	
Profits (Losses) on trading	182	-26	208	365	226	-43.0	61.5

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

The third quarter of this year recorded a decline (208 million euro of revenues compared to the 365 million euro recorded in the second quarter), due to the lower profits achieved by the Parent Company, Banca IMI and VUB Banka on trading on AFS securities and financial liabilities.

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)

Other operating income and expenses, which totalled 76 million euro, compared to the 172 million euro recognised 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. The negative performance on an annual basis is attributable to this latter aggregate, which presents a positive balance of 82 million euro, a significant reduction compared to the 188 million euro recorded in the same period of last year.

Operating costs

	30.09.2017		30.09.2016		Changes		Quarterly development Operating costs
	Consolidated figure (a)	Of which: figure of operations acquired (b)	Consolidated figure net of operations acquired (c) = (a) - (b)	Consolidated figure (d)	amount (e) = (c) - (d)	% (e) / (d)	
Wages and salaries	2,789	96	2,693	2,698	-5	-0.2	
Social security charges	724	24	700	685	15	2.2	
Other	551	10	541	547	-6	-1.1	
Personnel expenses	4,064	130	3,934	3,930	4	0.1	
Information technology expenses	474	9	465	455	10	2.2	
Management of real estate assets expenses	411	20	391	402	-11	-2.7	
General structure costs	289	9	280	295	-15	-5.1	
Professional and legal expenses	276	4	272	277	-5	-1.8	
Advertising and promotional expenses	67	-	67	75	-8	-10.7	
Indirect personnel costs	68	-	68	66	2	3.0	
Other costs	258	21	237	243	-6	-2.5	
Indirect taxes and duties	664	21	643	654	-11	-1.7	
Recovery of expenses and charges	-611	-24	-587	-602	-15	-2.5	
Administrative expenses	1,896	60	1,836	1,865	-29	-1.6	
Property and equipment	244	6	238	251	-13	-5.2	
Intangible assets	332	4	328	292	36	12.3	
Adjustments	576	10	566	543	23	4.2	
Operating costs	6,536	200	6,336	6,338	-2	-	

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



Operating costs amounted to 6,536 million euro. Excluding the 200 million euro attributable to the former Venetian banks, these costs were in line with those recognised in the first nine months of 2016. Personnel expenses of 3,934 million euro remained essentially unchanged on an equivalent basis. Administrative expenses continued their positive performance, which has distinguished the Intesa Sanpaolo Group since its establishment, and stood at 1,836 million euro, down 1.6% on an equivalent basis thanks to the savings achieved on general structure costs, property management expenses and advertising and promotional costs.

Considering a like-for-like scope, amortisation and depreciation, amounting to 566 million euro, showed an increase of 4.2% compared to the first nine months of 2016, which is related to capitalisation of investments in intangible assets by Intesa Sanpaolo Group Services.

The cost/income ratio for the period was 50.2%, excluding the former Venetian banks (51.3% including them), compared to 49.6% in the same period of 2016, as a result of revenue performance.

	2017					Changes %	
	Third quarter		Consolidated figure net of operations acquired (c) = (a) - (b)	Second quarter (d)	First quarter (e)	(C/D)	(D/E)
	Consolidated figure (a)	Of which: figure of operations acquired (b)					
Wages and salaries	993	96	897	916	880	-2.1	4.1
Social security charges	256	24	232	239	229	-2.9	4.4
Other	191	10	181	183	177	-1.1	3.4
Personnel expenses	1,440	130	1,310	1,338	1,286	-2.1	4.0
Information technology expenses	168	9	159	155	151	2.6	2.6
Management of real estate assets expenses	150	20	130	130	131	-	-0.8
General structure costs	100	9	91	91	98	-	-7.1
Professional and legal expenses	95	4	91	105	76	-13.3	38.2
Advertising and promotional expenses	22	-	22	27	18	-18.5	50.0
Indirect personnel costs	18	-	18	25	25	-28.0	-
Other costs	100	21	79	84	74	-6.0	13.5
Indirect taxes and duties	210	21	189	255	199	-25.9	28.1
Recovery of expenses and charges	-183	-24	-159	-239	-189	-33.5	26.5
Administrative expenses	680	60	620	633	583	-2.1	8.6
Property and equipment	84	6	78	79	81	-1.3	-2.5
Intangible assets	118	4	114	109	105	4.6	3.8
Adjustments	202.0	10.0	192.0	188.0	186.0	2.1	1.1
Operating costs	2,322	200	2,122	2,159	2,055	-1.7	5.1

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

At the level of quarterly analysis, operating costs in the third quarter were lower than in the second quarter and higher than in the first quarter.

	(millions of euro)				Business areas	
	30.09.2017	30.09.2016	Changes			
			amount	%		
Banca dei Territori	3,615	3,659	-44	-1.2		
Corporate and Investment Banking	700	683	17	2.5		
International Subsidiary Banks	682	718	-36	-5.0		
Private Banking	401	391	10	2.6		
Asset Management	107	97	10	10.3		
Insurance	127	115	12	10.4		
Total business areas (excluding operations acquired)	5,632	5,663	-31	-0.5		
Corporate Centre	704	675	29	4.3		
Intesa Sanpaolo Group (excluding operations acquired)	6,336	6,338	-2	-		
Corporate Centre (operations acquired)	200					
Intesa Sanpaolo Group	6,536					

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

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 64% of all costs for the business areas, reported savings compared to the first nine months of 2016 (-1.2%, or -44 million euro) thanks to lower administrative and personnel expenses. Operating costs also fell for the International Subsidiary Banks (-36 million euro, or -5%), due to the reduction in personnel expenses and, to a lesser extent, administrative expenses and adjustments. In contrast, the other Business Units posted increases in operating costs: Corporate and Investment Banking (+17 million euro, or +2.5%), Insurance (+12 million euro, or +10.4%) and Asset Management (+10 million euro, or +10.3%) due to higher personnel and administrative expenses, and Private Banking (+10 million euro, or +2.6%) due to higher personnel expenses.

It should be noted that the operating costs of the former Venetian banks (200 million euro) have temporarily been fully allocated to the "Corporate Centre (operations acquired)" and will be broken down into the various divisions once the processes are integrated starting from 2018.

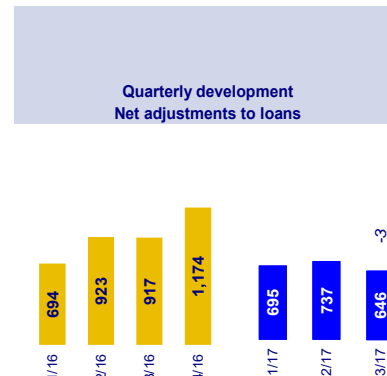
Operating margin

The operating margin in the first nine months of 2017 was 6,194 million euro, including the negative contribution of the former Venetian banks of 104 million euro. Excluding this impact for a consistent basis of comparison, the operating margin declined by 2.4% compared to the same period of 2016 due to the moderate decrease in revenues.

Net adjustments to loans

	(millions of euro)				Changes	
	30.09.2017		30.09.2016			
	Consolidated figure (a)	Of which: figure of operations acquired (b)	Consolidated figure net of operations acquired (c) = (a) - (b)	Consolidated figure (d)	amount (e) = (c) - (d)	% (e) / (d)
Bad loans	-1,253	-	-1,253	-1,488	-235	-15.8
Unlikely to pay	-754	-	-754	-955	-201	-21.0
Past due loans	-176	-4	-172	-199	-27	-13.6
Performing loans	97	7	90	57	33	57.9
Net losses/recoveries on impairment of loans	-2,086	3	-2,089	-2,585	-496	-19.2
Net adjustments to/recoveries on guarantees and commitments	11	-	11	51	-40	-78.4
Net adjustments to loans	-2,075	3	-2,078	-2,534	-456	-18.0

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



The reduction of adjustments to loans on an annual basis continues, while still increasing the coverage of the total non-performing assets and decreasing the incidence of non-performing loans on total loans; the cost of credit, expressed as the ratio of net adjustments to net loans, decreased to 76 bps considering a like-for-like scope (71 bps also considering the performing loans of Veneto Banca e Banca Popolare di Vicenza) from 102 bps in the previous financial year and 93 bps in the first nine months of 2016.

Net adjustments to loans amounted to 2,078 million euro, down by 18% on an annual basis, and extended to all categories of non-performing loans. Bad loans required total net adjustments of 1,253 million euro, compared to 1,488 million euro in the first nine months of 2016, with an average coverage ratio of 60.8%. Net impairment losses on unlikely to pay loans, totalling 754 million euro, dropped by 201 million euro compared to the same period of 2016, with a coverage ratio of 28.7%. Net impairment losses on past due loans amounted to 172 million euro, with a coverage ratio of 19.4%. The coverage ratio for forbore positions within the non-performing loans category was 32.8% at the end of September 2017.

Lastly, the generic reserve offers a stable coverage ratio of 0.5% for the ordinary risk inherent in the performing loans portfolio.

	(millions of euro)						Changes %	
	2017			Second quarter (d)	First quarter (e)	(C/D)	(D/E)	
	Third quarter	Consolidated figure (a)	Of which: figure of operations acquired (b)					Consolidated figure net of operations acquired (c) = (a) - (b)
Bad loans	-428	-	-428	-431	-394	-0.7	9.4	
Unlikely to pay	-296	-	-296	-197	-261	50.3	-24.5	
Past due loans	-49	-4	-45	-55	-72	-18.2	-23.6	
Performing loans	89	7	82	-25	33			
Net losses/recoveries on impairment of loans	-684	3	-687	-708	-694	-3.0	2.0	
Net adjustments to/recoveries on guarantees and commitment	41	-	41	-29	-1			
Net adjustments to loans	-643	3	-646	-737	-695	-12.3	6.0	

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

The flow of adjustments in the third quarter of 2017 was more modest than in the previous quarters.

Net provisions and net impairment losses on other assets

	(millions of euro)						Net provisions and net impairment losses on other assets	
	30.09.2017			30.09.2016				Changes
	Consolidated figure (a)	Of which: figure of operations acquired (b)	Consolidated figure net of operations acquired (c) = (a) - (b)	Consolidated figure (d)	amount (e) = (c) - (d)	% (e) / (d)		
Net provisions	-58	2	-60	-164	-104	-63.4		
Net impairment losses on other assets	-25	-	-25	-153	-128	-83.7		
Net provisions and net impairment losses on other assets	-83	2	-85	-317	-232	-73.2		

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

Within the layout of the reclassified income statement, this caption consists of the net provisions for risks and charges and net impairment losses on other assets. Both components recorded a decrease: in the first nine months of the current financial year the net provisions for risks and charges amounted to 60 million euro, compared to 164 million euro in the same period of 2016; net impairment losses on other assets (financial assets available for sale and property and equipment and intangible assets) recorded a negative balance of 25 million euro, down considerably from the 153 million euro recorded in the first nine months of 2016, thanks to lower impairment on equities and equity investments.

	(millions of euro)						Changes %	
	2017			Second quarter (d)	First quarter (e)	(C/D)	(D/E)	
	Third quarter	Consolidated figure (a)	Of which: figure of operations acquired (b)					Consolidated figure net of operations acquired (c) = (a) - (b)
Net provisions	-20	2	-22	-37	-1	-40.5		
Net impairment losses on other assets	-3	-	-3	-20	-2	-85.0		
Net provisions and net impairment losses on other assets	-23	2	-25	-57	-3	-56.1		

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

With reference to the quarterly analysis, both the net provisions for risks and charges and net impairment losses on other assets in the third quarter of 2017 are lower compared to the second quarter of the current year.

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 nine months of 2017, other net income amounted to 3,885 million euro, of which 3,500 million euro related to the public contribution received to offset the impact on the capital ratios and such as to ensure a phased-in Common Equity Tier 1 Ratio of 12.5% of the risk-weighted assets (RWA) included in the acquired segregated scope of Banca Popolare di Vicenza and Veneto Banca. Net of this contribution, revenues amounted to 385 million euro, compared to the 217 million euro recorded in the first nine months of 2016. During the current year, a positive effect was recorded in particular due to the disposal of a stake in NTV and the fair value measurement following the reclassification of both the remaining equity investment held in NTV (109 million euro) and the investment in Bank of Qingdao (190 million euro), no longer included under entities subject to

significant influence. The NTV transaction was overseen by the Structured Finance team of Banca IMI, as part of the core business of the Corporate and Investment Banking Division.

Income (Loss) from discontinued operations

No income or loss from discontinued operations was recorded in the first nine months of 2017, compared to 71 million euro in the same period of 2016, referring to the capital gain realised and the ordinary profit of Setefi and ISP Card, which were sold in the fourth quarter of the previous year.

Gross income

Income before tax from continuing operations and net of the aforementioned public contribution of 3,500 million euro and of the quarterly contribution of the former Venetian banks was 4,520 million euro, up 16.2% compared to the 3,890 million euro posted in the same period of 2016.

Income tax

Current and deferred taxes came to 1,263 million euro. The tax rate dropped drastically to 15.7% following the non-taxable public contribution; excluding this contribution the tax rate would be approximately 28%, near the levels of 2016.

Charges (net of tax) for integration and exit incentives

The caption amounts to 73 million euro, slightly higher than the value recorded in the same period of the previous year. This reclassified income statement caption also includes - net of the relevant tax effect - the additional public contribution of 1,285 million euro received to cover the integration and rationalisation charges relating to the acquisition of certain assets and liabilities and certain legal relationships of Banca Popolare di Vicenza and Veneto Banca. The same caption also includes the specific provision for risks and charges, net of the relevant deferred tax assets. Consequently, the aforementioned contribution had no impact on the caption and on the income statement for the first nine months of the year.

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 nine months of 2017, these costs amounted to 37 million euro, below the 82 million euro recorded in the same period of 2016.

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 these first nine months of 2017, levies and other charges concerning the banking industry, net of taxes, amounted to 639 million euro (excluding the 13 million euro attributable to the acquired operations), up sharply from the 182 million euro recorded in the same period of the previous year. The charges for the current year include 301 million euro attributable to the impairment of the investment in the Atlante Fund and 101 million euro to the impairment of the investment in the Interbank Deposit Guarantee Fund Voluntary Scheme, both established to tackle the banking crisis, in addition to 114 million euro of ordinary contributions to the European Resolution Fund for all of 2017, 75 million euro of contributions to the National Deposit Guarantee Fund estimated for all of 2017, 13 million euro of contributions to the Deposit Guarantee Scheme of some international subsidiaries and 35 million euro of charges as a result of the compulsory administrative liquidation of Banca Popolare di Vicenza and Veneto Banca.

Minority interests

Minority interests, amounting to 39 million euro, were down compared to the 110 million euro in the first nine months of 2016, mainly as a result of the lower income from the Group's indirect private equity investments.

Net income (loss)

As a result of the above trends, the Group closed the first nine months of 2017 with net income of 2,388 million euro (excluding the effect of the public contribution of 3,500 million euro as a result of the acquisition of certain assets and liabilities and certain legal relationships of Banca Popolare di Vicenza and Veneto Banca). This result, excluding the negative contribution of the Venetian banks in the third quarter, was 5.7% higher than in the first nine months of 2016. This performance was driven by higher net fee and commission income and lower provisions and adjustments to loans, which offset the greater charges in support of the stability of the banking system and the decline in net interest income, profits on trading and other operating income.

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.

The balance sheet as at 30 September 2017 includes the acquisition, effective from 26 June 2017, of certain assets and liabilities and certain legal relationships of Banca Popolare di Vicenza and Veneto Banca, including the investments in Banca Apulia, Banca Nuova, Veneto Banka (Croatia), Sec Servizi and Servizi Bancari, consolidated since 30 September 2017. As indicated in greater detail in the chapter on accounting policies, the scope of assets and liabilities considered for the purposes of the Interim statement as at 30 September 2017 and all associated values should be considered provisional in nature, since they are currently undergoing a specific due diligence process, based on which a detailed inventory will be taken of the items comprising the definitive accounting situation of the portfolio of acquired assets and liabilities as at the execution date. Considering the particular case in question, no adjustments were made to the historic data in the reclassified balance sheet in order to retroactively reflect the effects of the acquisition. Consequently, unless otherwise indicated the comments in the Report on operations, refer to the balance sheet figures net of the acquired segregated scope. However, in order to improve the reader's understanding, the main amounts subject to acquisition and the consolidated figure including said amounts are highlighted in the tables.

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.

Again, 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 tables and in the relative comments.

Other assets include the imbalance between assets and liabilities acquired from Banca Popolare di Vicenza and Veneto Banca. The figure as at 30 September 2017 amounts to 5,844 million euro and refers to the scope subject to consolidation which does not include the acquired investments in Veneto Banka (Albania) and Eximbank – Moldova, for which the authorisation processes and related fulfilments have not been completed.

As indicated, once the final amount of the imbalance has been calculated following the due diligence, it will be offset by a loan of equal amount disbursed by Intesa Sanpaolo to the banks in liquidation and guaranteed by the government up to 6,351 million euro.

Reclassified balance sheet

Assets	(millions of euro)					
	Consolidated figure (a)	30.09.2017		31.12.2016 Consolidated figure (d)	Changes	
		Of which: figure of the assets acquired (b)	Consolidated figure net of the assets acquired (c) = (a) - (b)		amount (e) = (c) - (d)	% (e) / (d)
Financial assets held for trading	41,762	1,807	39,955	43,613	-3,658	-8.4
<i>of which: Insurance Companies</i>	485	-	485	514	-29	-5.6
Financial assets designated at fair value through profit and loss	72,805	3	72,802	63,865	8,937	14.0
<i>of which: Insurance Companies</i>	71,806	-	71,806	62,743	9,063	14.4
Financial assets available for sale	143,906	2,993	140,913	146,692	-5,779	-3.9
<i>of which: Insurance Companies</i>	78,098	-	78,098	79,286	-1,188	-1.5
Investments held to maturity	2,267	1,092	1,175	1,241	-66	-5.3
Due from banks	79,381	3,203	76,178	53,146	23,032	43.3
Loans to customers	390,818	26,940	363,878	364,713	-835	-0.2
Investments in associates and companies subject to joint control	716	94	622	1,167	-545	-46.7
Property, equipment and intangible assets	12,331	276	12,055	12,294	-239	-1.9
Tax assets	15,707	1,449	14,258	14,442	-184	-1.3
Non-current assets held for sale and discontinued operations	493	-	493	478	15	3.1
Other assets	25,173	7,517	17,656	23,487	-5,831	-24.8
Total Assets	785,359	45,374	739,985	725,138	14,847	2.0
Liabilities and Shareholders' Equity						
	Consolidated figure (a)	30.09.2017 Of which: figure of the liabilities acquired (b)	Consolidated figure net of the liabilities acquired (c) = (a) - (b)	31.12.2016 Consolidated figure (d)	Changes amount (e) = (c) - (d)	% (e) / (d)
Due to banks	99,281	9,680	89,601	72,641	16,960	23.3
Due to customers and securities issued	412,279	30,769	381,510	386,666	-5,156	-1.3
<i>of which: Insurance Companies</i>	1,376	-	1,376	1,295	81	6.3
Financial liabilities held for trading	41,476	1,234	40,242	44,790	-4,548	-10.2
<i>of which: Insurance Companies</i>	68	-	68	86	-18	-20.9
Financial liabilities designated at fair value through profit and loss	65,567	166	65,401	57,187	8,214	14.4
<i>of which: Insurance Companies</i>	65,398	-	65,398	57,184	8,214	14.4
Tax liabilities	1,927	-34	1,961	2,038	-77	-3.8
Liabilities associated with non-current assets held for sale and discontinued operations	296	-	296	300	-4	-1.3
Other liabilities	20,588	3,438	17,150	21,754	-4,604	-21.2
Technical reserves	83,211	-	83,211	85,619	-2,408	-2.8
Allowances for specific purpose	6,695	216	6,479	4,824	1,655	34.3
Share capital	8,732	-	8,732	8,732	-	-
Reserves	36,834	-16	36,850	36,805	45	0.1
Valuation reserves	-1,908	2	-1,910	-1,854	56	3.0
Equity instruments	4,102	-	4,102	2,117	1,985	93.8
Minority interests	391	-	391	408	-17	-4.2
Net income (loss)	5,888	-81	5,969	3,111	2,858	91.9
Total Liabilities and Shareholders' Equity	785,359	45,374	739,985	725,138	14,847	2.0

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

Quarterly development of the reclassified balance sheet

(millions of euro)

Assets	30.09.2017			2017			2016		
	Consolidated figure (a)	Of which: figure of the assets acquired (b)	Consolidated figure net of the assets acquired (c) = (a) - (b)	30/6	31/3	31/12	30/9	30/6	31/3
Financial assets held for trading	41,762	1,807	39,955	42,350	44,484	43,613	50,232	52,499	54,786
<i>of which: Insurance Companies</i>	485	-	485	486	498	514	524	648	721
Financial assets designated at fair value through profit and loss	72,805	3	72,802	70,012	67,438	63,865	61,338	57,948	54,480
<i>of which: Insurance Companies</i>	71,806	-	71,806	68,961	66,330	62,743	60,187	56,908	53,358
Financial assets available for sale	143,906	2,993	140,913	140,098	150,000	146,692	146,885	152,465	142,816
<i>of which: Insurance Companies</i>	78,098	-	78,098	78,174	78,916	79,286	80,792	80,379	78,393
Investments held to maturity	2,267	1,092	1,175	1,202	1,229	1,241	1,231	1,246	1,317
Due from banks	79,381	3,203	76,178	72,082	58,897	53,146	37,528	36,879	33,540
Loans to customers	390,818	26,940	363,878	369,089	366,648	364,713	364,836	360,240	358,478
Investments in associates and companies subject to joint control	716	94	622	699	736	1,167	1,253	1,266	1,281
Property, equipment and intangible assets	12,331	276	12,055	12,178	12,198	12,294	12,102	12,109	12,107
Tax assets	15,707	1,449	14,258	14,480	14,341	14,442	14,161	14,396	14,581
Non-current assets held for sale and discontinued operations	493	-	493	483	488	478	961	1,154	3,721
Other assets	25,173	7,517	17,656	19,318	23,028	23,487	23,909	27,126	23,289
Total Assets	785,359	45,374	739,985	741,991	739,487	725,138	714,436	717,328	700,396
Liabilities and Shareholders' Equity	30.09.2017			2017			2016		
	Consolidated figure (a)	Of which: figure of the liabilities acquired (b)	Consolidated figure net of the liabilities acquired (c) = (a) - (b)	30/6	31/3	31/12	30/9	30/6	31/3
Due to banks	99,281	9,680	89,601	89,410	92,584	72,641	69,641	67,656	60,343
Due to customers and securities issued	412,279	30,769	381,510	376,310	377,374	386,666	372,383	379,655	373,239
<i>of which: Insurance Companies</i>	1,376	-	1,376	1,339	1,331	1,295	1,320	1,362	1,361
Financial liabilities held for trading	41,476	1,234	40,242	41,080	43,360	44,790	48,143	49,340	48,936
<i>of which: Insurance Companies</i>	68	-	68	68	78	86	117	104	95
Financial liabilities designated at fair value through profit and loss	65,567	166	65,401	62,827	60,562	57,187	54,373	51,360	48,031
<i>of which: Insurance Companies</i>	65,398	-	65,398	62,823	60,559	57,184	54,373	51,360	48,031
Tax liabilities	1,927	-34	1,961	1,872	2,084	2,038	2,235	2,186	2,564
Liabilities associated with non-current assets held for sale and discontinued operations	296	-	296	295	302	300	442	364	375
Other liabilities	20,588	3,438	17,150	26,670	22,994	21,754	25,945	26,800	25,180
Technical reserves	83,211	-	83,211	83,593	84,405	85,619	87,370	86,813	86,664
Allowances for specific purpose	6,695	216	6,479	6,413	4,731	4,824	5,042	4,981	4,786
Share capital	8,732	-	8,732	8,732	8,732	8,732	8,732	8,732	8,732
Reserves	36,834	-16	36,850	36,930	39,903	36,805	36,774	36,830	39,184
Valuation reserves	-1,908	2	-1,910	-1,838	-2,159	-1,854	-1,737	-1,860	-1,387
Equity instruments	4,102	-	4,102	4,102	3,358	2,117	2,118	2,118	2,118
Minority interests	391	-	391	357	356	408	640	646	825
Net income (loss)	5,888	-81	5,969	5,238	901	3,111	2,335	1,707	806
Total Liabilities and Shareholders' Equity	785,359	45,374	739,985	741,991	739,487	725,138	714,436	717,328	700,396

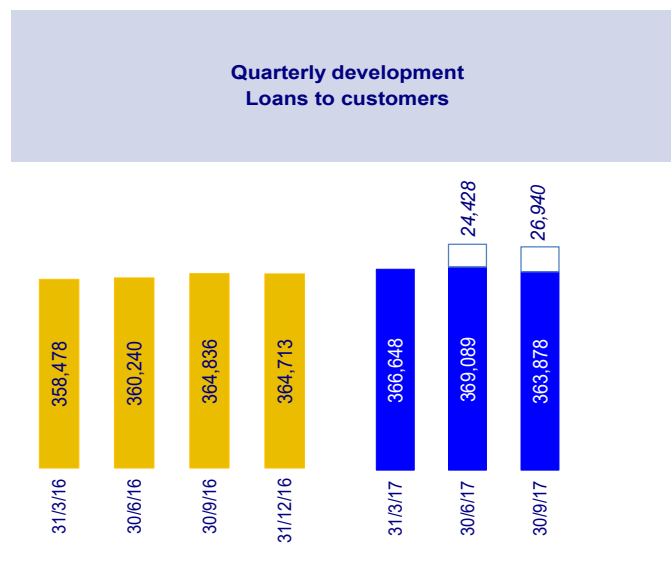
Figures restated, where necessary, considering the changes in the scope of consolidation and discontinued operations. The figures concerning assets and liabilities in relation to the acquired operations of Banca Popolare di Vicenza and Veneto Banca have not been restated.

As at 30 September 2017, the consolidated assets and liabilities of the Intesa Sanpaolo Group highlighted a 2% increase compared to 31 December 2016, on a like-for-like basis. Assets showed an increase driven by amounts due from banks and financial assets designated at fair value through profit and loss of insurance companies. Likewise, the trend in liabilities was mainly the result of the increase in amounts due to banks and financial liabilities designated at fair value through profit and loss, attributable to primarily financial policies of the Group's insurance companies. The total balance sheet value, including the assets and liabilities of the former Venetian banks acquired amounts to 785 billion euro.

Loans to customers

	30.09.2017				31.12.2016		Changes	
	Consolidated figure (a)	Of which: figure of operations acquired (b)	Consolidated figure excluding operations acquired (c) = (a) - (b)	% breakdown	Consolidated figure (d)	% breakdown	amount (e) = (c) - (d)	% (e) / (d)
Current accounts	22,304	2,937	19,367	5.3	21,142	5.8	-1,775	-8.4
Mortgages	169,576	19,072	150,504	41.4	145,342	39.8	5,162	3.6
Advances and other loans	130,681	4,205	126,476	34.8	124,099	34.0	2,377	1.9
Commercial banking loans	322,561	26,214	296,347	81.5	290,583	79.6	5,764	2.0
Repurchase agreements	28,097	56	28,041	7.7	29,940	8.2	-1,899	-6.3
Loans represented by securities	12,670	246	12,424	3.4	14,423	4.0	-1,999	-13.9
Non-performing loans	27,490	424	27,066	7.4	29,767	8.2	-2,701	-9.1
Loans to customers	390,818	26,940	363,878	100.0	364,713	100.0	-835	-0.2

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



As at 30 September 2017, Intesa Sanpaolo Group loans to customers reached 364 billion euro, substantially stable (-0.2%) compared to the end of the previous year. Including the contribution of the former Venetian banks, loans amount to 391 billion euro.

The development of loans was driven by the positive performance of commercial banking loans (+5.8 billion, or +2%), offset by the decrease in reverse repurchase agreements (-1.9 billion euro), particularly with regard to institutional counterparties, loans represented by securities (-2 billion euro) and non-performing loans (-2.7 billion euro). Commercial banking loans, which benefited from the improvement in the economy, included an increase in advances and other loans (+2.4 billion euro, or +1.9%) and mortgages (+5.2 billion euro, or +3.6%). Given the favourable market conditions for customers, increases were observed in loans to individual customers, through consumer credit and mortgage loans for home purchase, and in loans to businesses aimed at financing investments and working capital.

In the domestic medium-/long-term loan market, disbursements to households in the first nine months of 2017 (including the small business accounts having similar needs to family businesses) approached 15 billion euro, while disbursements to businesses under the Banca dei Territori scope (including customers with turnover of up to 350 million euro) amounted to over 11 billion euro. During the same period, medium-/long-term disbursements to segments included in the scope of the Corporate Division amounted to 9 billion euro. Including the extra-captive activities of Mediocredito, disbursements within Italy came to approximately 36 billion euro. On the whole, medium-/long-term disbursements for the Group during the first nine months of 2017 exceeded 47 billion euro.

As at 30 September 2017, the Group's share of the domestic market was estimated at 17.4% for total loans, including loans to customers of the former Venetian banks. 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 September is not yet available.

	30.09.2017	31.12.2016	Changes		Business areas
			amount	%	
Banca dei Territori	192,538	188,317	4,221	2.2	
Corporate and Investment Banking	101,872	98,183	3,689	3.8	
International Subsidiary Banks	28,085	26,492	1,593	6.0	
Private Banking	9,350	9,597	-247	-2.6	
Asset Management	265	298	-33	-11.1	
Insurance	22	26	-4	-15.4	
Total business areas (excluding operations acquired)	332,132	322,913	9,219	2.9	
Corporate Centre	31,746	41,800	-10,054	-24.1	
Intesa Sanpaolo Group (excluding operations acquired)	363,878	364,713	-835	-0.2	
Corporate Centre (operations acquired)	26,940				
Intesa Sanpaolo Group	390,818				

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

In the analysis of loans by business area, the Banca dei Territori Division, which accounts for almost 60% of the aggregate of the Group's business areas, made the biggest contribution in absolute terms, recording an increase (+4.2 billion euro, or +2.2%) compared to the end of last year, due essentially to medium-/long-term loans to individuals (households and personal loans) and to companies. Corporate and Investment Banking loans also showed favourable performance (+3.7 billion, or +3.8%), also due to increased operations in repurchase agreements by Banca IMI and to the higher loans by Intesa Sanpaolo Bank Luxembourg, and loans of the International Subsidiary Banks (+1.6 billion euro, or +6%), specifically those disbursed by subsidiaries operating in Slovakia, Hungary and Croatia. Conversely, Private Banking loans are down (-2.6%), due to the drop in repurchase agreement transactions with institutional customers, along with those of Asset Management (-11.1%) and Insurance (-15.4%), whose overall volume is small. The decline in Corporate Centre loans (-24.1%) 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.

The acquired balances of the former Venetian banks (26.9 billion euro) have been temporarily allocated in full to the "Corporate Centre (operations acquired)" and will be broken down into the various divisions once the processes are integrated starting from 2018.

Loans to customers: credit quality

	30.09.2017				31.12.2016		Change Net exposure (e) = (c) - (d)
	Consolidated figure (a)	Net exposure Of which: figure of operations acquired (b)	Consolidated figure excluding operations acquired (c) = (a) - (b)	% breakdown	Net exposure Consolidated figure (d)	% breakdown	
Bad loans	13,873	222	13,651	3.7	14,895	4.1	-1,244
Unlikely to pay	13,223	156	13,067	3.6	14,435	4.0	-1,368
Past due loans	394	46	348	0.1	437	0.1	-89
Non-performing loans	27,490	424	27,066	7.4	29,767	8.2	-2,701
<i>of which forborne</i>	<i>7,730</i>	<i>85</i>	<i>7,645</i>		<i>8,204</i>		<i>-559</i>
Performing loans	350,658	26,270	324,388	89.2	320,523	87.8	3,865
<i>of which forborne</i>	<i>8,077</i>	<i>733</i>	<i>7,344</i>		<i>7,828</i>		<i>-484</i>
Loans represented by performing securities	12,670	246	12,424	3.4	14,423	4.0	-1,999
<i>of which forborne</i>	<i>93</i>	<i>-</i>	<i>93</i>		<i>96</i>		<i>-3</i>
Loans to customers	390,818	26,940	363,878	100.0	364,713	100.0	-835

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

As at 30 September 2017, the Group's non-performing loans, net of adjustments, came to 27.1 billion euro, below the levels of the end of 2016 (-9.1%) on a like-for-like basis, confirming the gradual decrease shown during the last year. Since the beginning of the year, a significant decrease has also been recorded in non-performing assets as a percentage of total net loans to customers, down to 8.2% from 7.4%, on a like-for-like basis. Including the 26.3 billion euro in performing loans to customers of the former Venetian banks, the percentage of non-performing loans decreases further to 6.9% (this excludes the 424 million euro in non-performing loans subject to securitisation relating to Banca Nuova and Banca Apulia, to be returned to the banks under compulsory administrative liquidation).

In further detail, bad loans came to 13.7 billion euro, net of adjustments, at the end of September 2017, down (-8.4%) from the beginning of the year, also based on the write-offs and sales carried out, and represented 3.7% of total loans (3.5%

including the performing loans of the former Venetian banks), compared to 4.1% at the end of 2016. During the same period, the coverage ratio was 60.8% (60.6% in December 2016). Loans included in the unlikely to pay category amounted to 13.1 billion euro, down by 9.5%, accounting for 3.6% of total loans to customers (3.3% including the performing loans of the former Venetian banks), with a coverage ratio of 28.7% (26.9% in December 2016). Past due loans amounted to 348 million euro, down 20.4% since the beginning of the year, with a coverage ratio of 19.4%. Within the non-performing loan category, forbore exposures, generated by forbearance measures for borrowers experiencing difficulty in meeting their financial obligations, according to the definition introduced by the European Banking Authority, amounted to 7.6 billion euro, with an average coverage ratio of 32.8%, whereas those in the performing loan category were slightly lower (7.3 billion euro). The overall coverage ratio of performing loans was 0.5%.

Customer financial assets

	30.09.2017				31.12.2016		Changes	
	Consolidated figure	Of which: figure of operations acquired	Consolidated figure excluding operations acquired	%	Consolidated figure	%	amount	%
	(a)	(b)	(c) = (a) - (b)	breakdown	(d)	breakdown	(e) = (c) - (d)	(e) / (d)
Direct deposits from banking business	418,407	30,935	387,472	43.8	393,805	45.6	-6,333	-1.6
Direct deposits from insurance business and technical reserves	149,985	-	149,985	16.9	144,098	16.7	5,887	4.1
Indirect customer deposits	518,705	22,133	496,572	56.1	468,855	54.2	27,717	5.9
Netting (*)	-148,609	-	-148,609	-16.8	-142,803	-16.5	5,806	4.1
Customer financial assets	938,488	53,068	885,420	100.0	863,955	100.0	21,465	2.5

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

(*) 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 and technical reserves).

As at 30 September 2017, customer financial assets amounted to 885 billion euro, up 2.5% compared to the beginning of the year due to the increase in indirect deposits, growing 27.7 billion euro, and to a lesser extent direct deposits from insurance business, which offset the drop in direct deposits from banking business attributable to a lesser use of bonds. Including the direct and indirect deposits of the former Venetian banks, the total amount exceeds 938 billion euro.

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.

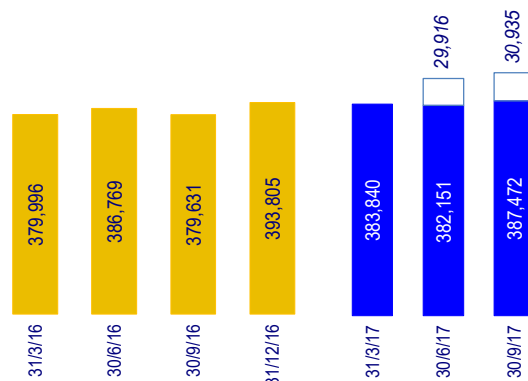
	30.09.2017				31.12.2016		Changes	
	Consolidated figure	Of which: figure of operations acquired	Consolidated figure excluding operations acquired	%	Consolidated figure	%	amount	%
	(a)	(b)	(c) = (a) - (b)	breakdown	(d)	breakdown	(e) = (c) - (d)	(e) / (d)
Current accounts and deposits	278,678	17,275	261,403	67.4	257,740	65.5	3,663	1.4
Repurchase agreements and securities lending	22,602	733	21,869	5.6	24,561	6.2	-2,692	-11.0
Bonds	76,166	10,416	65,750	17.0	73,214	18.6	-7,464	-10.2
of which designated at fair value (*)	166	166	-	-	-	-	-	-
Certificates of deposit	3,486	56	3,430	0.9	3,933	1.0	-503	-12.8
Subordinated liabilities	13,857	31	13,826	3.6	13,813	3.5	13	0.1
Other deposits	23,618	2,424	21,194	5.5	20,544	5.2	650	3.2
of which designated at fair value (**)	7,338	-	7,338	1.9	8,434	2.1	-1,096	-13.0
Direct deposits from banking business	418,407	30,935	387,472	100.0	393,805	100.0	-6,333	-1.6

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

(*) 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.

**Quarterly development
Direct deposits from banking business**



The total of direct deposits from banking business, exceeding 387 billion euro, was down 1.6% on a like-for-like basis compared to the end of December 2016, with diverging performances by the main deposit types.

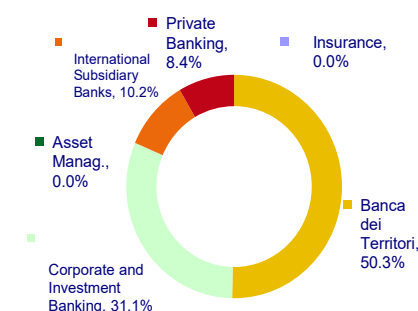
In particular, there was a reduction in bonds (-7.5 billion euro, or -10.2%), repurchase agreements (-2.7 billion euro, or -11%) and, to a lesser extent, certificates of deposit (-0.5 billion euro, or -12.8%). Conversely, there were increases in current accounts and deposits (+3.7 billion euro, or +1.4%) and other deposits, thanks to commercial papers.

Including the contribution of the former Venetian banks, the total aggregate exceeds 418 billion euro.

At the end of September 2017, the domestic market share of the Group's direct deposits, consisting of deposits and bonds, was estimated at 18.4%, including the deposits contributed by the former Venetian banks. 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.

	30.09.2017	31.12.2016	Changes	
			amount	%
Banca dei Territori	173,766	173,599	167	0.1
Corporate and Investment Banking	107,378	112,661	-5,283	-4.7
International Subsidiary Banks	35,329	32,978	2,351	7.1
Private Banking	29,167	27,540	1,627	5.9
Asset Management	6	8	-2	-25.0
Insurance	-	-	-	-
Total business areas (excluding operations acquired)	345,646	346,786	-1,140	-0.3
Corporate Centre	41,826	47,019	-5,193	-11.0
Intesa Sanpaolo Group (excluding operations acquired)	387,472	393,805	-6,333	-1.6
Corporate Centre (operations acquired)	30,935			
Intesa Sanpaolo Group	418,407			

Business areas



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

The breakdown by Group business areas shows that the direct deposits from banking business of the Banca dei Territori Division, which accounts for one-half of the aggregate attributable to the Group's total business areas, was substantially stable (+0.1%) from the end of December 2016, due to the divergent performance of amounts due to customers, which increased mainly for the personal and business segments, and bonds, which decreased. Corporate and Investment Banking deposits were down as well (-4.7%, or -5.3 billion euro), due to the declining trend in both securities issued, specifically certificates and bonds of Banca IMI and those of the Financial Institutions Department, and amounts due to customers of the International Department and Banca IMI. On the other hand, there were improvements in the funding of Private Banking (+5.9%, or +1.6 billion euro), primarily as a result of current account deposits and repurchase agreements, and of the International Subsidiary Banks (+7.1%, or +2.4 billion euro), both in amounts due to customers and securities issued. The funding for the Corporate Centre decreased (-11%) compared to the end of 2016, due to reduction of amounts due to customers related to transactions with institutional customers.

The acquired balances of the former Venetian banks (30.9 billion euro) have been temporarily allocated in full to the “Corporate Centre (operations acquired)” and will be broken down into the various divisions once the processes are integrated starting from 2018.

Direct deposits from insurance business and technical reserves

	30.09.2017		31.12.2016		Changes	
		% breakdown		% breakdown	amount	%
Financial liabilities of the insurance business designated at fair value (*)	65,398	43.6	57,184	39.7	8,214	14.4
Index-linked products	1	-	1	-	-	-
Unit-linked products	65,397	43.6	57,183	39.7	8,214	14.4
Technical reserves	83,211	55.5	85,619	59.4	-2,408	-2.8
Life business	82,552	55.1	85,026	59.0	-2,474	-2.9
Mathematical reserves	71,803	47.9	73,508	51.0	-1,705	-2.3
Technical reserves where the investment risk is borne by the policyholders (**) and reserves related to pension funds	5,650	3.8	5,455	3.8	195	3.6
Other reserves	5,099	3.4	6,063	4.2	-964	-15.9
Non-life business	659	0.4	593	0.4	66	11.1
Other insurance deposits (***)	1,376	0.9	1,295	0.9	81	6.3
Direct deposits from insurance business and technical reserves	149,985	100.0	144,098	100.0	5,887	4.1

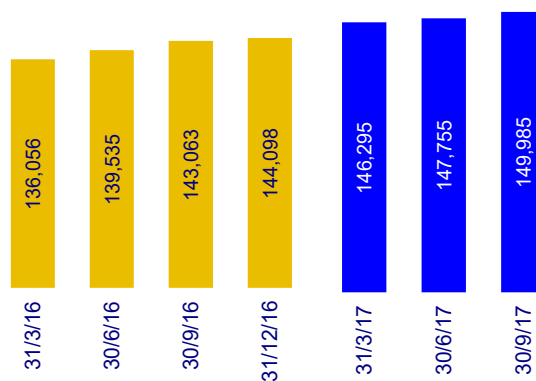
Figures restated, where necessary, considering the changes in the scope of consolidation and discontinued operations.

(*) 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.

Quarterly development Direct insurance deposits and technical reserves



Direct deposits from insurance business came to 150 billion euro at the end of September 2017, up 4.1% 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 8.2 billion euro (+14.4%), entirely as a result of 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 2.8% since the beginning of the year, due to the decrease in mathematical reserves and other reserves of the life insurance business.

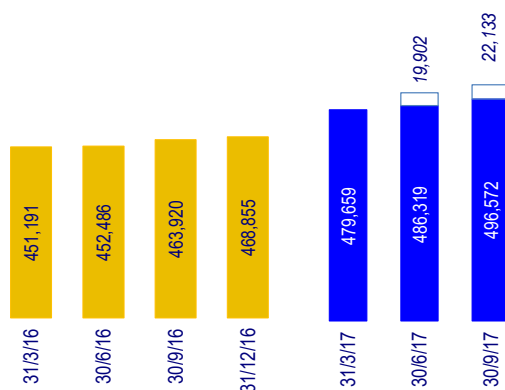
Indirect customer deposits

	30.09.2017				31.12.2016		Changes	
	Consolidated figure (a)	Of which: figure of operations acquired (b)	Consolidated figure excluding operations acquired (c) = (a) - (b)	% breakdown	Consolidated figure (d)	% breakdown	amount (e) = (c) - (d)	% (e) / (d)
	(millions of euro)							
Mutual funds (*)	115,566	471	115,095	23.2	105,787	22.6	9,308	8.8
Open-ended pension funds and individual pension plans	7,892	-	7,892	1.6	7,489	1.6	403	5.4
Portfolio management (**)	57,791	45	57,746	11.6	56,064	12.0	1,682	3.0
Technical reserves and financial liabilities of the insurance business	138,979	-	138,979	28.0	132,727	28.3	6,252	4.7
Relations with institutional customers	11,558	-	11,558	2.3	12,014	2.5	-456	-3.8
Assets under management	331,786	516	331,270	66.7	314,081	67.0	17,189	5.5
Assets under administration and in custody	186,919	21,617	165,302	33.3	154,774	33.0	10,528	6.8
Indirect customer deposits	518,705	22,133	496,572	100.0	468,855	100.0	27,717	5.9

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

(*) The caption includes mutual funds established and managed by Eurizon Capital, Fideuram - Intesa Sanpaolo Private Banking (former 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, or the contribution of funds established by third parties and managed by Fideuram - Intesa Sanpaolo Private Banking, whose value is included in assets under administration and in custody.

(**) 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.

**Quarterly development
Indirect deposits**


As at 30 September 2017, indirect deposits came to near 497 billion euro, up 27.7 billion euro on a like-for-like basis, compared to the end of 2016 (+5.9%). Given the favourable conditions of the financial markets, the performance was determined by the increase in both assets under management, mainly driven by mutual funds and insurance segment products, and assets under administration.

Assets under management, which account for two-thirds of the total aggregate, were up 17.2 billion euro in the first nine months of 2017 (+5.5%), mainly due to the high net inflows achieved by the distribution networks. Investment funds, in which investor preferences were concentrated, increased by 9.3 billion (+8.8%). Insurance products increased by 6.3 billion euro (+4.7%): during the period the new life business of Intesa Sanpaolo Vita (including Intesa Sanpaolo Life) and Fideuram Vita, including pension products, amounted to 16.6 billion euro. Portfolio management schemes and pension funds also posted growth (+3%, or +1.7 billion euro and +5.4%, or +0.4 billion euro, respectively). Relations with institutional customers are the only declining component (-0.5 billion euro).

Assets under administration recorded an increase (+10.5 billion euro, or +6.8%) attributable to securities and third-party products in customer portfolios and dealings with institutional customers.

Indirect deposits of the Intesa Sanpaolo Group, including the contribution of the former Venetian banks (around 22 billion euro, primarily assets under administration) came to slightly less than 519 billion euro at the end of September.

Financial assets and liabilities

	(millions of euro)							
	30.09.2017				31.12.2016		Changes	
	Consolidated figure (a)	Of which: figure of operations acquired (b)	Consolidated figure excluding operations acquired (c) = (a) - (b)	of which Insurance Companies	Consolidated figure (d)	of which Insurance Companies	amount (e) = (c) - (d)	% (e) / (d)
Financial assets held for trading	41,762	1,807	39,955	485	43,613	514	-3,658	-8.4
of which derivatives at fair value	26,048	1,709	24,339	4	30,220	12	-5,881	-19.5
Financial assets designated at fair value through profit and loss	72,805	3	72,802	71,806	63,865	62,743	8,937	14.0
Financial assets available for sale	143,906	2,993	140,913	78,098	146,692	79,286	-5,779	-3.9
Investments held to maturity	2,267	1,092	1,175	-	1,241	-	-66	-5.3
Total financial assets	260,740	5,895	254,845	150,389	255,411	142,543	-566	-0.2
Financial liabilities held for trading (*)	-34,141	-1,234	-32,907	-68	-36,359	-86	-3,452	-9.5
of which derivatives at fair value	-26,217	-1,234	-24,983	-68	-32,201	-86	-7,218	-22.4

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

(*) 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 were down by 0.2% during the first nine months, on a like-for-like basis, following a generalised decline in all components, except for financial assets designated at fair value, which recorded an increase (+8.9 billion, or 14%), essentially due to equities and units of UCI attributable to insurance companies. Among the other components, financial assets available for sale showed a decline of 5.8 billion euro (-3.9%), along with financial assets held for trading, which decreased by 3.7 billion euro (-8.4% compared to December 2016), due to the decline in derivative contracts (-19.5%), not sufficiently offset by growth in bonds and other debt securities. Financial liabilities held for trading also declined during the period (-3.5 billion euro, or -9.5%), due to derivative contracts.

Net interbank position

The net interbank position as at 30 September 2017 recorded a negative balance (-13.4 billion euro), down compared to the figure recorded at the end of 2016 (-19.5 billion euro). Amounts due to banks, equal to 89.6 billion, include a 56.4 billion exposure to the ECB, following participation in the TLTRO II refinancing operations. Including the refinancing of the former Venetian banks, the exposure to the ECB amounts to 63.5 billion euro.

Shareholders' equity

As at 30 September 2017, the Group's shareholders' equity, including net income for the period, came to 53,743 million euro (50,243 net of the public contribution of 3.5 billion euro related to the acquisition of the Venetian banks), compared to the 48,911 million euro at the end of the previous year. The positive change in equity was due to the issue of Additional Tier 1 equity instruments for 2 billion euro and to net income for the period, which offset the payment of dividends.

Valuation reserves

	(millions of euro)			
	Valuation reserves as at 31.12.2016	Change in the period	Valuation reserves as at 30.09.2017	% breakdown
	Financial assets available for sale	471	-159	312
of which: Insurance Companies	503	-85	418	-21.9
Property and equipment	-	-	-	-
Cash flow hedges	-1,146	116	-1,030	53.9
Legally-required revaluations	348	-3	345	-18.1
Other	-1,527	-10	-1,537	80.5
Valuation reserves	-1,854	-56	-1,910	100.0

As at 30 September 2017, the negative balance of the Group's valuation reserves came to -1,910 million euro, slightly up 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 (-159 million euro) related to debt securities, only partly offset by cash flow hedge reserves (+116 billion euro).

Own funds and capital ratios

Own funds and capital ratios	(millions of euro)	
	30.09.2017	31.12.2016
Own funds		
Common Equity Tier 1 capital (CET1) net of regulatory adjustments	37,901	35,926
Additional Tier 1 capital (AT1) net of regulatory adjustments	5,418	3,533
TIER 1 CAPITAL	43,319	39,459
Tier 2 capital net of regulatory adjustments	8,005	8,815
TOTAL OWN FUNDS	51,324	48,274
Risk-weighted assets		
Credit and counterparty risks	251,352	243,351
Market and settlement risk	17,487	19,199
Operational risks	21,231	19,545
Other specific risks ^(a)	1,236	1,823
RISK-WEIGHTED ASSETS	291,306	283,918
% Capital ratios		
Common Equity Tier 1 capital ratio	13.0%	12.7%
Tier 1 capital ratio	14.9%	13.9%
Total capital ratio	17.6%	17.0%

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

The figures as at 30 September 2017 include assets and liabilities in relation to the acquired operations of Banca Popolare di Vicenza and Veneto Banca

Own Funds, risk-weighted assets and the capital ratios as at 30 September 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).

Accordingly, the prudential ratios as at 30 September 2017 take account of the adjustments envisaged by the transitional provisions for 2017.

As at 30 September 2017, total Own Funds came to 51,324 million euro, against risk-weighted assets of 291,306 million euro, resulting primarily from credit and counterparty risk and, to a lesser extent, operational and market risk.

In January and May 2017, Intesa Sanpaolo issued two Additional Tier 1 (AT 1) equity instruments, respectively for 1.25 and 0.75 billion euro. These two issues complete the issue of 4 billion euro of Additional Tier 1 instruments envisaged in the 2014-17 Business Plan (a first issue of AT1 instruments had already been carried out in September 2015 for 1 billion dollars and a second one in January 2016 for 1.25 billion euro). The instruments issued in January and May 2017, both targeted to the international markets, have, as the issues of 2015 and 2016, characteristics in line with the provisions of CRD IV and the CRR, are perpetual (with maturity date tied to the duration of Intesa Sanpaolo, as set in its articles of association) and may be redeemed in advance by the issuer respectively after 10 and 7 years from the issue date and on every coupon payment date thereafter.

With regard to the January 2017 issue for 1.25 billion euro, 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. With regard to the May 2017 issue for 0.75 billion euro, the issuer will pay a fixed rate coupon of 6.25% per annum, payable semi-annually in arrears on 16 May and 16 November of each year, with first coupon payment on 16 November 2017. For both issues, if the early redemption option is not exercised on 11 January 2027 and 16 May 2024, respectively, a new fixed-rate coupon will be determined for the following five years (until the next recalculation date). As envisaged by the regulations applicable to AT 1 instruments, the payment of coupons for both instruments is discretionary and subject to certain limitations.

Moreover, the offering period relating to the subordinated Tier 2 bond issue targeted to qualified investors and high-net-worth individuals on the domestic market ended on 21 September 2017 with the assignment of a nominal amount of 723.7 million euro. This floating-rate bond has a 7-year duration and will be redeemed in whole at maturity. The coupon, payable quarterly in arrears on 26 March, 26 June, 26 September and 26 December of each year, from 26 December 2017 to 26 September 2024, is equal to 3-month Euribor plus 190 basis points per annum.

Common Equity Tier 1 capital includes the 3.5 billion euro public contribution received to offset the impact of the acquisition of certain assets and liabilities of Banca Popolare di Vicenza and Veneto Banca; this amount was recognised in the income statement for the period and shall not be considered as a distributable amount. Conversely, net income for the period, net of the abovementioned contribution, was not included in Common Equity Tier 1 capital (just as the relative 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.

With regard to the acquisition of certain assets and liabilities of Banca Popolare di Vicenza and Veneto Banca, please note that, in calculating the Group's prudential ratios as at 30 September 2017, risk-weighted assets of the acquired operations and the subsidiary banks included in the aggregated scope of the sale contract for which the authorisation process for inclusion in the banking Group had been completed as at 30 September 2017 were taken into consideration. Conversely, the banking subsidiaries for which the authorisation process and related fulfilments were still pending, in the case in point Veneto Banka sh.a. (Albania) and Eximbank s.a. (Moldova), were considered among the elements deducted from own funds.

Based on the foregoing, the Total capital ratio was 17.6%, while the ratio of the Group's Tier 1 capital to its total risk-weighted assets (Tier 1 ratio) was 14.9%. The ratio of Common Equity Tier 1 capital (CET1) to risk-weighted assets (the Common Equity ratio) was 13.0%.

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

Captions	(millions of euro)	
	30.09.2017	31.12.2016
Group Shareholders' equity	53,648	48,911
Minority interests	391	408
Shareholders' equity as per the Balance Sheet	54,039	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	-4,120	-2,121
- Minority interests eligible for inclusion in AT1	-8	-6
- Minority interests eligible for inclusion in T2	-5	-2
- Ineligible minority interests on full phase-in	-333	-356
- Ineligible net income for the period ^(a)	-2,388	-3,111
- Treasury shares included under regulatory adjustments	96	98
- Other ineligible components on full phase-in	-24	-38
Common Equity Tier 1 capital (CET1) before regulatory adjustments	46,772	43,298
Regulatory adjustments (including transitional adjustments)	-8,871	-7,372
Common Equity Tier 1 capital (CET1) net of regulatory adjustments	37,901	35,926

^(a) Common Equity Tier 1 capital includes the public contribution of 3.5 billion euro recognised in the income statement, received to offset the impact of the acquisition of certain assets and liabilities of Banca Popolare di Vicenza and Veneto Banca on the capital ratios. Conversely, net income for the period, net of the abovementioned contribution, was not included in Common Equity Tier 1 capital (just as the related 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 2014-2017 Business Plan.

The figures as at 30 September 2017 include assets and liabilities in relation to the acquired operations of Banca Popolare di Vicenza and Veneto Banca.

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 in accordance with 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 nine months of 2017.

The following itemised analysis of the business areas illustrates the 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. With regard to the acquired operations of the former Venetian banks, the income statement contribution for the third quarter of 2017 and the balance sheet balances as at 30 September 2017 have been temporarily allocated in full to Corporate Centre and will be broken down into the various divisions once the processes are integrated starting from 2018.

	(millions of euro)							
	Banca dei Territori	Corporate and Investment Banking	International Subsidiary Banks	Private Banking	Asset Management	Insurance	Corporate Centre	Total
Operating income								
30.09.2017	6,578	2,394	1,451	1,402	555	857	-507	12,730
30.09.2017 (Excluding operations acquired)	6,578	2,394	1,451	1,402	555	857	-603	12,634
30.09.2016	6,457	2,390	1,535	1,290	468	970	-319	12,791
% change ^(a)	1.9	0.2	-5.5	8.7	18.6	-11.6	89.0	-1.2
Operating costs								
30.09.2017	-3,615	-700	-682	-401	-107	-127	-904	-6,536
30.09.2017 (Excluding operations acquired)	-3,615	-700	-682	-401	-107	-127	-704	-6,336
30.09.2016	-3,659	-683	-718	-391	-97	-115	-675	-6,338
% change ^(a)	-1.2	2.5	-5.0	2.6	10.3	10.4	4.3	-
Operating margin								
30.09.2017	2,963	1,694	769	1,001	448	730	-1,411	6,194
30.09.2017 (Excluding operations acquired)	2,963	1,694	769	1,001	448	730	-1,307	6,298
30.09.2016	2,798	1,707	817	899	371	855	-994	6,453
% change ^(a)	5.9	-0.8	-5.9	11.3	20.8	-14.6	31.5	-2.4
Net income (loss)								
30.09.2017	1,055	1,148	677	677	352	512	1,467	5,888
30.09.2017 (Excluding operations acquired)	1,055	1,148	677	677	352	512	1,548	5,969
30.09.2016	840	1,055	579	529	282	560	-1,510	2,335
% change ^(a)	25.6	8.8	16.9	28.0	24.8	-8.6		
Loans to customers								
30.09.2017	192,538	101,872	28,085	9,350	265	22	58,686	390,818
30.09.2017 (Excluding operations acquired)	192,538	101,872	28,085	9,350	265	22	31,746	363,878
31.12.2016	188,317	98,183	26,492	9,597	298	26	41,800	364,713
% change ^(b)	2.2	3.8	6.0	-2.6	-11.1	-15.4	-24.1	-0.2
Direct deposits from banking business								
30.09.2017	173,766	107,378	35,329	29,167	6	-	72,761	418,407
30.09.2017 (Excluding operations acquired)	173,766	107,378	35,329	29,167	6	-	41,826	387,472
31.12.2016	173,599	112,661	32,978	27,540	8	-	47,019	393,805
% change ^(b)	0.1	-4.7	7.1	5.9	-25.0	-	-11.0	-1.6
Risk-weighted assets								
30.09.2017	86,749	80,905	31,009	10,245	1,253	-	81,145	291,306
31.12.2016	84,165	103,744	30,013	9,727	1,130	-	55,139	283,918
% change ^(c)	3.1	-22.0	3.3	5.3	10.9	-	47.2	2.6
Absorbed capital								
30.09.2017	8,024	7,487	3,211	995	130	4,488	7,523	31,858
31.12.2016	7,785	9,600	3,106	934	118	4,186	5,136	30,865
% change ^(c)	3.1	-22.0	3.4	6.5	10.2	7.2	46.5	3.2

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

^(a) The change expresses the ratio between 30.09.2017 and 30.09.2016.

For the Corporate Centre the change expresses the ratio between 30.09.2017, excluding operations acquired, and 30.09.2016.

^(b) The change expresses the ratio between 30.09.2017 and 31.12.2016.

For the Corporate Centre the change expresses the ratio between 30.09.2017, excluding operations acquired, and 31.12.2016.

^(c) The change expresses the ratio between 30.09.2017 and 31.12.2016.

BUSINESS AREAS

Banca dei Territori

Income statement	30.09.2017	30.09.2016	(millions of euro)	
			Changes amount	%
Net interest income	3,382	3,456	-74	-2.1
Net fee and commission income	3,116	2,935	181	6.2
Income from insurance business	-	-	-	-
Profits (Losses) on trading	50	48	2	4.2
Other operating income (expenses)	30	18	12	66.7
Operating income	6,578	6,457	121	1.9
Personnel expenses	-2,249	-2,269	-20	-0.9
Other administrative expenses	-1,363	-1,387	-24	-1.7
Adjustments to property, equipment and intangible assets	-3	-3	-	-
Operating costs	-3,615	-3,659	-44	-1.2
Operating margin	2,963	2,798	165	5.9
Net adjustments to loans	-1,154	-1,499	-345	-23.0
Net provisions and net impairment losses on other assets	-31	-40	-9	-22.5
Other income (expenses)	-	109	-109	
Income (Loss) from discontinued operations	-	69	-69	
Gross income (Loss)	1,778	1,437	341	23.7
Taxes on income	-695	-569	126	22.1
Charges (net of tax) for integration and exit incentives	-25	-15	10	66.7
Effect of purchase price allocation (net of tax)	-3	-4	-1	-25.0
Levies and other charges concerning the banking industry (net of tax)	-	-	-	-
Impairment (net of tax) of goodwill and other intangible assets	-	-	-	-
Minority interests	-	-9	-9	
Net income (loss)	1,055	840	215	25.6

	30.09.2017	31.12.2016	(millions of euro)	
			Changes amount	%
Loans to customers	192,538	188,317	4,221	2.2
Direct deposits from banking business	173,766	173,599	167	0.1
Risk-weighted assets	86,749	84,165	2,584	3.1
Absorbed capital	8,024	7,785	239	3.1

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 6,578 million euro in the first nine months of 2017, equal to over half of the Group's consolidated revenue, up 1.9% on the same period of the previous year. In further detail, there was an increase in net fee and commission income (+6.2%), specifically for the asset management segment - which benefited from greater placements of asset management products and certificates - and for the fees on protection products, driven by the positive performance of medium/long-term loan disbursements. Net interest income, though benefiting from growing customer dealing, recorded a drop (-2.1%) driven also by the more limited contribution from the hedging of core deposits. Among the other revenue components, which nevertheless provide a marginal contribution to the Division's income, both profits on trading (50 million euro) and other net operating income (30 million euro) showed positive performance. Operating costs, equal to 3,615 million euro, were down compared to the first nine months of 2016 (-1.2%) due to the savings on administrative expenses and on personnel expenses: the Division benefited from both the gradual reduction in staff and the efficiencies achieved in the real estate service, back-office and postage and printing costs. The operating margin amounted to 2,963 million euro, up 5.9% on the same period of 2016. Gross income, equal to 1,778 million euro, increased by 23.7% due to

lower adjustments to loans and provisions, which benefited from the lower gross flows of new non-performing loans, and despite the lack of the extraordinary income in relation to the sale of the investment in VISA Europe and the ordinary income of Setefi, a subsidiary subject to disposal, both recorded in 2016. Net income amounted to 1,055 million euro, up 25.6%, after allocation to the Division of integration charges of 25 million euro and the economic effects of purchase price allocation for 3 million euro.

In terms of quarterly development, the operating margin grew in the third quarter compared to the second, due to the slight improvement in revenues and the reduction in operating costs. Net income also improved, benefiting from the recording of lower charges for integration.

Loans to customers of the Banca dei Territori Division came to 192,538 million euro at the end of September 2017, up (+4.2 billion euro, or +2.2%) 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, equal to 173,766 million euro, was stable on the end of December 2016: the increase in amounts due to customers, mainly in the personal and corporate segments, was offset by the fall in bonds.

Corporate and Investment Banking

Income statement	30.09.2017	30.09.2016	(millions of euro)	
			Changes amount	%
Net interest income	1,188	1,094	94	8.6
Net fee and commission income	675	698	-23	-3.3
Income from insurance business	-	-	-	-
Profits (Losses) on trading	521	592	-71	-12.0
Other operating income (expenses)	10	6	4	66.7
Operating income	2,394	2,390	4	0.2
Personnel expenses	-270	-258	12	4.7
Other administrative expenses	-428	-422	6	1.4
Adjustments to property, equipment and intangible assets	-2	-3	-1	-33.3
Operating costs	-700	-683	17	2.5
Operating margin	1,694	1,707	-13	-0.8
Net adjustments to loans	-174	-195	-21	-10.8
Net provisions and net impairment losses on other assets	-1	-3	-2	-66.7
Other income (expenses)	89	20	69	
Income (Loss) from discontinued operations	-	-	-	-
Gross income (Loss)	1,608	1,529	79	5.2
Taxes on income	-458	-470	-12	-2.6
Charges (net of tax) for integration and exit incentives	-2	-4	-2	-50.0
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)	1,148	1,055	93	8.8

	30.09.2017	31.12.2016	(millions of euro)	
			Changes amount	%
Loans to customers	101,872	98,183	3,689	3.8
Direct deposits from banking business ^(a)	107,378	112,661	-5,283	-4.7
Risk-weighted assets	80,905	103,744	-22,839	-22.0
Absorbed capital	7,487	9,600	-2,113	-22.0

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 nine months of 2017, the Corporate and Investment Banking Division recorded operating income of 2,394 million euro (representing 19% of the Group's consolidated total), essentially stable (+0.2%) compared to the same period of 2016. In detail, net interest income of 1,188 million euro was up (+8.6%), mainly as a result of the greater contribution from customer dealing. Net fee and commission income, equal to 675 million euro, declined by 3.3%, primarily due to the negative performance of the commercial banking segment (which includes loans, guarantees and interbank services) which was only partially offset by the increase in fee and commission income in the capital markets segment. Profits on trading, equal to 521 million euro, decreased by 12% essentially due to the lower contribution of the global markets business. Operating costs amounted to 700 million euro, up compared to the first nine months of 2016 (+2.5%), especially due to greater personnel expenses as a result of the increase in the average workforce related to business development. Administrative expenses were essentially impacted by higher legal fees of Banca IMI on its international operations. As a result of the revenues and costs dynamics described above, the operating margin came to 1,694 million euro, slightly lower than in the same period of the previous year (-0.8%). Gross income, equal to 1,608 million euro, grew by 5.2%, benefiting from the partial disposal of the stake in NTV and the fair value measurement of the remaining equity investment following its reclassification under companies not subject to significant influence. The NTV transaction was overseen by the Structured Finance team of Banca IMI, as part of the core business of the Corporate and Investment Banking Division. Finally, net income came to 1,148 million euro, compared to 1,055 million in the first nine months of 2016 (+8.8%).

In the third quarter, the Corporate and Investment Banking Division recorded a decrease in revenues and in the main income margins compared to the second quarter, due to the customary seasonal factors of the quarter and the lack of the capital gain deriving from the NTV transaction, recorded in the second quarter.

With regard to intermediated volumes, loans to customers, amounting to 101,872 million euro at the end of September 2017, grew by 3.7 billion euro (+3.8%) also in relation to increased operations in repurchase agreements by Banca IMI and higher loans of Intesa Sanpaolo Bank Luxembourg, while direct deposits from banking business, equal to 107,378 million euro, decreased by 5.3 billion euro (-4.7%), mainly due to securities issued - in particular those of the Financial Institutions Department and Banca IMI bonds and certificates, as well as amounts due to customers of the International Department and Banca IMI.

International Subsidiary Banks

Income statement	30.09.2017	30.09.2016	(millions of euro)	
			Changes amount	%
Net interest income	1,005	1,095	-90	-8.2
Net fee and commission income	365	360	5	1.4
Income from insurance business	-	-	-	-
Profits (Losses) on trading	129	91	38	41.8
Other operating income (expenses)	-48	-11	37	
Operating income	1,451	1,535	-84	-5.5
Personnel expenses	-375	-401	-26	-6.5
Other administrative expenses	-246	-250	-4	-1.6
Adjustments to property, equipment and intangible assets	-61	-67	-6	-9.0
Operating costs	-682	-718	-36	-5.0
Operating margin	769	817	-48	-5.9
Net adjustments to loans	-158	-147	11	7.5
Net provisions and net impairment losses on other assets	15	15	-	-
Other income (expenses)	195	65	130	
Income (Loss) from discontinued operations	-	4	-4	
Gross income (Loss)	821	754	67	8.9
Taxes on income	-132	-155	-23	-14.8
Charges (net of tax) for integration and exit incentives	-13	-20	-7	-35.0
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	1	-	1	-
Net income (loss)	677	579	98	16.9

	30.09.2017	31.12.2016	(millions of euro)	
			Changes amount	%
Loans to customers	28,085	26,492	1,593	6.0
Direct deposits from banking business	35,329	32,978	2,351	7.1
Risk-weighted assets	31,009	30,013	996	3.3
Absorbed capital	3,211	3,106	105	3.4

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 nine months of 2017, the Division's operating income came to 1,451 million euro, down 5.5% compared to the same period of the previous year (+7.8% 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 1,005 million euro compared to 1,095 million euro of the first nine months of 2016 (-8.2%), mainly due to the trends reported by Bank of Alexandria (-69 million euro), VUB Banka (-14 million euro) and CIB Bank (-7 million euro). Net fee and commission income, equal to 365 million euro, increased (+1.4%) compared to the same period of 2016. Profits on trading, amounting to 129 million euro, increased (+41.8%) thanks to increased contributions from VUB Banka (+19 million euro) and Banca Intesa - Russia (+4 million euro) and dividends from Bank of Qingdao (+16 million euro).

Operating costs of 682 million euro decreased by 5% compared to the same period of 2016 (+4.7% at like-for-like exchange rates). As a result of the above revenue and cost trends, the operating margin came to 769 million euro, down 5.9% (+10.4% at like-for-like exchange rates). Gross income, amounting to 821 million euro, increased compared to the 754 million euro of

the first nine months of last year (+8.9%), 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 16.3% decrease is recorded compared with the same period of 2016 (+0.4% at like-for-like exchange rates), when a portion of the capital gain deriving from the sale of the equity investment in VISA Europe was recorded. The Division closed the first nine months of 2017 with net income of 677 million euro, up compared to the 579 million euro recorded in the same period of 2016 (+16.9%).

In the third quarter of 2017, the operating margin recorded an improvement compared with the second quarter, benefiting from increased revenues. Gross income and net income were favoured by the decline in adjustments to loans.

The Division's intermediated volumes grew compared to the end of December 2016 (+6.6%) owing to positive performance by loans to customers (+6%) and direct deposits from banking business (+7.1%), in both amounts due to customers and securities issued.

Private Banking

Income statement	30.09.2017	30.09.2016	(millions of euro)	
			Changes amount	%
Net interest income	131	132	-1	-0.8
Net fee and commission income	1,240	1,128	112	9.9
Income from insurance business	-	-	-	-
Profits (Losses) on trading	21	22	-1	-4.5
Other operating income (expenses)	10	8	2	25.0
Operating income	1,402	1,290	112	8.7
Personnel expenses	-228	-215	13	6.0
Other administrative expenses	-162	-165	-3	-1.8
Adjustments to property, equipment and intangible assets	-11	-11	-	-
Operating costs	-401	-391	10	2.6
Operating margin	1,001	899	102	11.3
Net adjustments to loans	6	5	1	20.0
Net provisions and net impairment losses on other assets	-25	-40	-15	-37.5
Other income (expenses)	8	-	8	-
Income (Loss) from discontinued operations	-	-	-	-
Gross income (Loss)	990	864	126	14.6
Taxes on income	-290	-249	41	16.5
Charges (net of tax) for integration and exit incentives	-19	-23	-4	-17.4
Effect of purchase price allocation (net of tax)	-4	-63	-59	-93.7
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)	677	529	148	28.0

	30.09.2017	31.12.2016	(millions of euro)	
			Changes amount	%
Assets under management ⁽¹⁾	111,777	104,129	7,648	7.3
Risk-weighted assets	10,245	9,727	518	5.3
Absorbed capital	995	934	61	6.5

⁽¹⁾ Figures restated 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 nine months of 2017, the Division generated gross income of 990 million euro, up (+126 million euro, or +14.6%) compared with the corresponding period of 2016, mainly as a result of higher operating income (+112 million euro) - attributable to the increase in net fee and commission income and lower provisions (-15 million euro), as well as the recording of a capital gain on the sale of a property (+8 million euro). The drop in provisions was mainly due to the discounting of the allowances for risks, which, due to the rising trend of the interest rate curve, led to a lower charge to the income statement. Operating costs moved in the opposite direction (+10 million euro), mostly due to the increase in personnel expenses related to the quantitative and qualitative strengthening of the workforce, only partially offset by a reduction in advisory, real estate and structure fees.

Net income was 677 million euro (+148 million euro, or +28%).

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 30 September 2017, assets under administration, which also include the contribution of the trust mandates for Sirefid, amounted to 179.9 billion euro (+13.9 billion euro compared to the end of 2016). That performance was largely due to higher net inflows and, to a lesser extent, the effect of performance on assets. The assets under management component amounted to 111.8 billion euro, up by 7.6 billion euro (+7.3%) compared to 31 December 2016.

Asset Management

Income statement	30.09.2017	30.09.2016	(millions of euro)	
			Changes amount	%
Net interest income	-	-	-	-
Net fee and commission income	497	407	90	22.1
Income from insurance business	-	-	-	-
Profits (Losses) on trading	4	8	-4	-50.0
Other operating income (expenses)	54	53	1	1.9
Operating income	555	468	87	18.6
Personnel expenses	-49	-42	7	16.7
Other administrative expenses	-58	-55	3	5.5
Adjustments to property, equipment and intangible assets	-	-	-	-
Operating costs	-107	-97	10	10.3
Operating margin	448	371	77	20.8
Net adjustments to loans	-	-	-	-
Net provisions and net impairment losses on other assets	-	-	-	-
Other income (expenses)	-	-	-	-
Income (Loss) from discontinued operations	-	-	-	-
Gross income (Loss)	448	371	77	20.8
Taxes on income	-86	-81	5	6.2
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	-10	-8	2	25.0
Net income (loss)	352	282	70	24.8

	30.09.2017	31.12.2016	(millions of euro)	
			Changes amount	%
Assets under management	250,750	238,804	11,946	5.0
Risk-weighted assets	1,253	1,130	123	10.9
Absorbed capital	130	118	12	10.2

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 June 2017 came to 250.8 billion euro, up (+5%, equal to +11.9 billion euro) compared to 31 December 2016, mainly as a result of net inflows (+9.3 billion euro). The trend in inflows is attributable to the contribution of mutual funds (+6.7 billion euro) and institutional mandates (+3.2 billion euro), mostly concentrated in insurance contracts, which more than offset the outflows relating to the retail sale of portfolio management schemes (-0.6 billion euro).

As at 30 September 2017, Eurizon Capital's market share of assets under management was 15.2% (gross of duplications and excluding the closed-end funds segment, in which the company does not operate), up since the beginning of the year.

Operating income came to 555 million euro in the first nine months of 2017, up 18.6% compared to the same period of the previous year, mainly due to the positive performance of net fee and commission income (+22.1%), 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 (+10.3%) 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 set out in the Division's development plan. As a result of the above revenue and cost trends, the

operating margin came to 448 million euro, up 20.8%. The Division closed the first nine months of 2017 with net income of 352 million euro (+24.8%).

On a quarterly basis, the third quarter showed a decrease in revenue and the main income margins compared to the second quarter, which had benefited from the recording of the dividends collected from Allfunds Bank, for which a sale contract was finalised in respect of the disposal of the entire stake.

Insurance

Income statement	30.09.2017	30.09.2016	(millions of euro)	
			Changes amount	%
Net interest income	-	-	-	-
Net fee and commission income	-	-	-	-
Income from insurance business	863	973	-110	-11.3
Profits (Losses) on trading	-	-	-	-
Other operating income (expenses)	-6	-3	3	
Operating income	857	970	-113	-11.6
Personnel expenses	-57	-49	8	16.3
Other administrative expenses	-68	-64	4	6.3
Adjustments to property, equipment and intangible assets	-2	-2	-	-
Operating costs	-127	-115	12	10.4
Operating margin	730	855	-125	-14.6
Net adjustments to loans	-	-	-	-
Net provisions and net impairment losses on other assets	-1	-11	-10	-90.9
Other income (expenses)	-	-	-	-
Income (Loss) from discontinued operations	-	-	-	-
Gross income (Loss)	729	844	-115	-13.6
Taxes on income	-199	-265	-66	-24.9
Charges (net of tax) for integration and exit incentives	-4	-3	1	33.3
Effect of purchase price allocation (net of tax)	-14	-16	-2	-12.5
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)	512	560	-48	-8.6

	30.09.2017	31.12.2016	(millions of euro)	
			Changes amount	%
Assets under management	150,225	144,321	5,904	4.1
Risk-weighted assets	-	-	-	-
Absorbed capital	4,488	4,186	302	7.2

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 nine months of 2017, the Insurance Division reported income from insurance business of 863 million euro, showing a decline of 110 million euro (-11.3%) compared to the same period of the previous year, due to the lower net investment result, which more than offset the positive trend in the technical margin. In the presence of an increase in operating costs (+12 million euro), due to both personnel expenses as a result of the higher average workforce associated with business development and administrative expenses in the real estate, ICT and advisory sectors, gross income stood at 729 million euro, a decrease of 115 million euro (-13.6%) compared to the same period of 2016 and net income amounted to 512 million euro (-8.6%).

Direct deposits from insurance business, amounting to 150,225 million euro, increased by 5.9 billion euro (+4.1%) compared to the end of December 2016, essentially as a result of higher financial liabilities for the insurance segment designated at fair value.

Collected premiums for life policies amounted to 16.8 billion euro, down 6.6% compared to the first nine months of 2016. During 2017 the diversification of the product range continued, in favour of efficient products in terms of capital absorption.

Collected premiums for the non-life business, amounting to 329 million euro, recorded a favourable performance on the same period of the previous year, 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.

With regard to the acquired operations of the former Venetian banks, as previously indicated, the income statement contribution for the third quarter of 2017 and the balance sheet balances as at 30 September 2017 have been temporarily allocated in full to the Corporate Centre and will be broken down into the various divisions once the processes are integrated starting from 2018.

Excluding this contribution for a consistent basis of comparison, the Corporate Centre Departments generated a negative operating margin of 1,307 million euro in the first nine months of 2017, compared to a flow of -994 million euro in the corresponding period of the previous year. The largest decreases were recorded in profits (losses) on trading and net interest income. The latter is attributable to the Treasury securities portfolio, due to the drop in both volumes and returns, and the portfolio of non-performing loans of Capital Light Bank, subject to deleveraging. The operating costs of the Corporate Centre are charged back to the business units, based on the amounts relating to the performance of services, governed by specific agreements. Net of the services, the Corporate Centre costs for steering, control and coordination (in addition to those of the CLB and Treasury business units) increased on the same period of 2016 due to the increase in the cost of labour, linked to the greater average workforce in service, as a result of the growth in the ICT component and other structure costs. Gross income, net of the public contribution of 3,500 million euro related to the Venetian banks operation, amounted to -1,854 million euro (-1,909 million euro in the first nine months of 2016). The first nine months of 2017 ended with a net loss of 1,952 million euro (also net of the aforementioned contribution), higher compared to the -1,510 million euro recorded in the same period of the previous year, mainly due to the charges related to the Atlante Fund (301 million euro) and the National Interbank Deposit Guarantee Fund (101 million euro) both established to tackle the banking crisis.

Capital Light Bank

In the third 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 further in the quarter, bringing the deleveraging since the beginning of the year to around 5 billion euro and total deleveraging since 2013 to 22 billion euro; considering the extended scope (including the assets contributed after the definition of the Business Plan), the decrease amounts to around 26 billion euro. At the end of February, 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 300 million euro in the third quarter, which were high despite the seasonality effect. This result was also achieved thanks to initiatives aimed at improving recovery performances, setting up dedicated incentive systems, as well as through recovery campaigns targeted to specific portfolios with specific objectives. During the period, Re.O.CO. carried out activities through both direct involvement in auctions and "auction support", whereby external investors are encouraged to intervene with a view to managing real estate collateral in a more pro-active manner, 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 third quarter of 2017, driven by supporting action and direct participation in auctions for about 70 properties, approximately 13 million euro of properties were bought. Concerning 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 third quarter of the year, Intesa Sanpaolo continued to carry out its role in various projects, confirming its role as a critical participant on the ECB settlement platforms (Target2 and Target2 Securities) and cooperating in relation to "Instant Payments". The work of the Task Force on the future of the RTGS Services (Real Time Gross Settlement System) was completed. The next steps involve the formal approval of the project by the Governing Council and the launch of the implementation phase, planned for the initial months of 2018.

As regards the money market, recovery in the Eurozone continued in the third quarter. Nonetheless, inflation figures have not yet reached the optimum levels established by the ECB. In July, the ECB decided to keep the benchmark interest rate, the deposit rate and the marginal rate unchanged. It also confirmed the monetary stimulus programme until the end of the year, leaving the possibility of future intervention open. The short-term euro curves saw slight volatility at the beginning of the quarter, keeping expectations on interest rates more or less stable up to the initial months of next year. The Federal Reserve, for its part, kept its monetary policy unchanged, reserving the option to take action on interest rates near the end of the year. The amount of Intesa Sanpaolo's short-term securities funding programmes was in line with that in the previous quarter. There were still transactions of significant amounts with 12-month maturities.

Concerning the government bond portfolio, in the third quarter transactions remained at low levels, with slight reductions in credit risk on the overall portfolios in order to exploit the favourable trend in the markets. As regards repo transactions, volumes remained substantially unchanged in the third quarter of 2017. The spread between repo rates on the government

bonds of core countries and those on Italian government bonds remained substantially stable, deviating from the slight tightening observed in the previous quarters, with an exception at the end of the quarter, when spreads expanded in line with the interest rates at the end of June. Italian repo rates stood at levels just below that of the depo facility.

In terms of medium/long-term funding operations, the total amount of Group securities placed on the domestic market via its own networks and direct listings was 3.1 billion euro in the first nine months of the year. Among the securities placed, there was a prevalence of the component consisting of structured financial instruments (primarily represented by index-linked structures) at 71%. The residual share consisted of plain-vanilla instruments. A breakdown by average maturity shows that 8% is comprised of financial instruments with 2- and 3-year maturities, 42% is represented by 4-, 5- and 6-year securities and the remaining 50% by 7-, 8- and 10-year securities. In particular, in the third quarter of 2017, the Private Banking Division network placed a subordinated Tier 2 bond issue targeted to qualified investors and high-net-worth individuals, for a total amount of 724 million euro, with floating rate and a 7-year duration.

On the international markets, medium/long-term funding was completed for a total of 10.8 billion euro through the issue of senior and subordinated bonds as well as, to a minimum extent, certificates, placed on the Euromarket with institutional investors. In particular, in July a fixed-rate senior note for the US market, in dual tranche format, was issued for 2.5 billion USD (corresponding to around 2.2 billion euro), of which 1.25 billion USD with a 5-year duration and 1.25 billion USD with a 10-year duration. 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 a maturity of 9 and 10 years respectively. The securities 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. In May the 13th series was issued for 1.65 billion euro, at a floating rate and maturing in 7 years. As part of the covered bond issue programme guaranteed by ISP CB Ipotecario, in June a new issue of covered bonds was placed on the institutional market, the 22nd fixed-rate series, for 1 billion and a 10-year maturity.

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 September 2017, the outstanding amount of loans (gross of applicable hair-cuts) lodged as pledge by the Group was 14.5 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 30 September 2017, both regulatory indicators LCR and NSFR, also adopted as internal liquidity risk measurement metrics, were well above fully phased-in requirements established by Regulation 575/2013 and Directive 2013/36/EU. At the end of September, the eligible liquidity reserves for the Central Banks came to 170 billion euro (159 billion euro at the end of June 2017), of which 93 billion euro, net of haircut, was unencumbered (81 billion euro at the end of June 2017).

The loan to deposit ratio at the end of September 2017, calculated as the ratio of loans to customers to direct deposits from banking business, including the components relating to the acquisition of certain assets and liabilities and certain legal relationships of Banca Popolare di Vicenza and Veneto Banca, came to 93%.

In terms of funding, the widespread branch network remains a stable, reliable source: 74% of direct deposits from banking business come from retail operations (285 billion euro). Moreover, during the nine months 2 billion euro in Additional Tier 1 instruments, 2.5 billion euro in senior Eurobonds, 2.5 billion dollars of senior bonds, 1 billion euro in covered bonds and 500 million euro in green bonds were placed on the international markets.

With regard to the targeted refinancing operation TLTRO II, at the end of September 2017, the Group's participation amounted to 57 billion euro, equal to the maximum borrowing allowance (45 billion euro as at 31 December 2016). Including the components relating to the acquisition of certain assets and liabilities and certain legal relationships of Banca Popolare di Vicenza and Veneto Banca, the amount as at 30 September 2017 is equal to approximately 64 billion euro.

The Intesa Sanpaolo Group's leverage was 6.4% as at 30 September 2017.

The capital base also remains high. Own funds, risk weighted assets and the capital ratios at 30 September 2017 are 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.

In this calculation, account has been taken of the risk weighted assets of the acquired operations and the banking subsidiaries included within the aggregated scope envisaged in the sale contract for which the authorisation procedure for inclusion in the Banking Group had been completed as at 30 September 2017. At the end of the third quarter, total Own Funds came to 51,324 million euro, against risk-weighted assets of 291,306 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 17.6%, while the ratio of the Group's Tier 1 capital to its total risk-weighted assets (Tier 1 ratio) was 14.9%. The ratio of Common Equity Tier 1 capital (CET1) to risk-weighted assets (the Common Equity Tier 1 ratio) was 13%.

With regard to the extraordinary circumstances which led, at the end of the first half, to the acquisition of certain assets and liabilities of Banca Popolare di Vicenza and Veneto Banca, the Common Equity Tier 1 capital includes – as the regulatory conditions for its inclusion pursuant to art. 26, paragraph 2 of the CRR were met – the 3.5 billion euro contribution received on 26 June 2017 by the government to ensure the absolute neutrality of the operation for CET 1 Ratio purposes. This amount, which is included in net income for the period, will not be distributed as dividend.

Conversely, the portion of net income exceeding the aforementioned 3.5 billion euro was not included in CET 1, since its inclusion will not be required until it exceeds the dividend announced to the market (3.4 billion euro for 2017).

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 nine months of 2017 was approximately 72 million euro, compared to an average amount of approximately 101 million euro in the same period of 2016. The trend in the Group's VaR in the first nine months - mainly determined by Banca IMI - is described in greater detail later in this chapter.

The macroeconomic environment and the 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, "collective" adjustments, equal to 1,478 million euro (1,661 million euro including loans within the segregated scope of the former Venetian banks) provide a portfolio coverage ratio of 0.5%.

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 (60.8%) and unlikely to pay positions (28.7%).

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 88%) were measured using the level 2 approach. Investment levels in structured credit products and hedge funds remained low. During the period, the former generated a positive contribution of 25 million euro (23 million euro including the adjustments to the positions acquired from the former Venetian banks).

Also for the hedge funds, the economic result of the investments in this segment was positive and amounted to approximately 17 million euro during the nine months, compared to the loss of approximately 42 million euro in the same period of 2016.

In volatile market environments, measuring the recoverable amount of intangible assets is also particularly delicate. No problematic issues requiring the remeasurement of the recoverable values of intangible assets and goodwill were identified during the period. 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 and governance policies are defined by the Board of Directors. The Management Control Committee, which is the body with control functions, supervises the adequacy, efficiency and functionality of the risk management process and of the Risk Appetite Framework. The Board of Directors carries out its tasks with the support of 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 Steering Committee, as well as by the Chief Risk Officer, reporting directly to the Chief Executive Officer.

The Chief Risk Officer is responsible for: (i) governing the macro-process of definition, approval, control and implementation of the Group's Risk Appetite Framework with the support of the other corporate functions involved; (ii) setting the Group's risk management guidelines and policies in accordance with the company's strategies and objectives; (iii) coordinating and verifying the implementation of those guidelines and policies by the responsible units of the Group, including within the various corporate departments; (iv) ensuring the 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 performs a guidance and coordination role with respect to the Group Companies, aimed at ensuring effective and efficient risk management at Group level. For the corporate control functions in particular, there are two different types of models within the Group: (i) the centralised management model based on the centralisation of the activities at the Parent Company and (ii) the decentralised management model that involves the presence of locally established corporate control functions that conduct their activities under the direction and coordination of the same corporate control functions of the Parent Company, to which they report in functional terms.

Irrespective of the control model adopted within their company, the corporate bodies of the Group companies are aware of the choices made by the Parent Company and are responsible for the implementation, within their respective organisations, of the control strategies and policies pursued and promoting their integration within the group controls.

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. The assessment of capital is included in business reporting and is submitted quarterly to the Steering 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 risks, in the third quarter, and specifically on 28 August 2017, the Group received notice from the ECB of authorisation to use the internal estimates of the credit conversion factor (CCF) to calculate EAD for the Corporate segment, starting with Supervisory reporting as at 30 September 2017, on a scope including the Parent Company, the network banks in the Banca dei Territori Division, the main Italian companies of the Group, Intesa Sanpaolo Bank Ireland and Intesa Sanpaolo Bank Luxembourg.

For the changes that occurred during the first half of the year, reference is made to the description provided in the Half-yearly Report as at 30 June 2017.

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 risks 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.

As mentioned above, on 28 August 2017 the Group received authorisation from the ECB, starting with Supervisory reporting as at 30 September 2017, to use internal estimates of the credit conversion factor (CCF) to calculate EAD for the Corporate segment.

The credit conversion factor (CCF) is the percentage of the margin on a given credit line that will become an exposure over a given time horizon. When multiplied by the credit line's available undrawn margin, it generates exposure at default (EAD).

The estimation model is based on an analysis of drawdowns over the 12 months prior to the event of default and yields a grid specific to each type of business ("International" and "Domestic"), portfolio ("Corporate" and "Large Corporate"), product macro-aggregate ("On-Balance Sheet Portfolio" and "Medium-/Long-term Products"), type of credit line ("Revocable" and "Irrevocable"), percent margin bracket on agreed amounts (thresholds of 15%, 30% and 55%), borrower's turnover (thresholds of 0.5 and 2 million euro) and business sector ("Industrial" and "Non-industrial").

The EAD of credit products without margins has been determined by multiplying the drawdown by the "K-Factor" calculated as the ratio of drawn amounts at default to performing drawn amounts. The statistical analysis supported the choice of a K-Factor of 100% (exposure at default equivalent to drawdowns).

Credit quality

	30.09.2017									31.12.2016		Changes	
	Gross exposure			Total adjustments			Net exposure			Gross exposure	Total adjustments	Net exposure	Net exposure
	Consolidated figure (a)	Of which: figure of operations acquired (b)	Consolidated figure excluding operations acquired (c) = (a) - (b)	Consolidated figure (a)	Of which: figure of operations acquired (b)	Consolidated figure excluding operations acquired (c) = (a) - (b)	Consolidated figure (a)	Of which: figure of operations acquired (b)	Consolidated figure excluding operations acquired (c) = (a) - (b)				
Bad loans	35,324	469	34,855	-21,451	-247	-21,204	13,873	222	13,651	37,834	-22,939	14,895	-1,244
Unlikely to pay	18,506	186	18,320	-5,283	-30	-5,253	13,223	156	13,067	19,745	-5,310	14,435	-1,368
Past due loans	485	53	432	-91	-7	-84	394	46	348	558	-121	437	-89
Non-performing loans	54,315	708	53,607	-26,825	-284	-26,541	27,490	424	27,066	58,137	-28,370	29,767	-2,701
<i>of which forborne</i>	<i>11,494</i>	<i>113</i>	<i>11,381</i>	<i>-3,764</i>	<i>-28</i>	<i>-3,736</i>	<i>7,730</i>	<i>85</i>	<i>7,645</i>	<i>11,727</i>	<i>-3,523</i>	<i>8,204</i>	<i>-559</i>
Performing loans	352,319	26,453	325,866	-1,661	-183	-1,478	350,658	26,270	324,388	322,130	-1,607	320,523	3,865
<i>of which forborne</i>	<i>8,281</i>	<i>747</i>	<i>7,534</i>	<i>-204</i>	<i>-14</i>	<i>-190</i>	<i>8,077</i>	<i>733</i>	<i>7,344</i>	<i>8,036</i>	<i>-208</i>	<i>7,828</i>	<i>-484</i>
Performing loans represented by securities	12,863	262	12,601	-193	-16	-177	12,670	246	12,424	14,651	-228	14,423	-1,999
<i>of which forborne</i>	<i>94</i>	<i>-</i>	<i>94</i>	<i>-1</i>	<i>-</i>	<i>-1</i>	<i>93</i>	<i>-</i>	<i>93</i>	<i>97</i>	<i>-1</i>	<i>96</i>	<i>-3</i>
Loans to customers	419,497	27,423	392,074	-28,679	-483	-28,196	390,818	26,940	363,878	394,918	-30,205	364,713	-835

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

As at 30 September 2017, the Group's non-performing loans, net of adjustments, came to 27.1 billion euro, below the levels of the end of 2016 (9.1%) on a like-for-like basis, confirming the gradual decrease shown during the last year. Since the beginning of the year, a significant decrease has also been recorded in non-performing assets as a percentage of total net loans to customers, down to 8.2% from 7.4%, on a like-for-like basis. Including the 26.3 billion euro in performing loans to customers of the former Venetian banks, the percentage of non-performing loans decreases further to 6.9% (this excludes the 424 million euro in non-performing loans subject to securitisation relating to Banca Nuova and Banca Apulia, to be returned to the banks under compulsory administrative liquidation).

In further detail, bad loans came to 13.7 billion euro, net of adjustments, at the end of September 2017, down (-8.4%) from the beginning of the year, also based on the write-offs and sales carried out, and represented 3.7% of total loans (3.5% including the performing loans of the former Venetian banks), compared to 4.1% at the end of 2016. During the same period, the coverage ratio was 60.8% (60.6% in December 2016). Loans included in the unlikely to pay category amounted to 13.1 billion euro, down by 9.5%, accounting for 3.6% of total loans to customers (3.3% including the performing loans of the former Venetian banks), with a coverage ratio of 28.7% (26.9% in December 2016). Past due loans amounted to 348 million euro, down 20.4% since the beginning of the year, with a coverage ratio of 19.4%. Within the non-performing loan category, forborne exposures, generated by forbearance measures for borrowers experiencing difficulty in meeting their financial obligations, according to the definition introduced by the European Banking Authority, amounted to 7.6 billion euro, with an average coverage ratio of 32.8%, whereas those in the performing loan category were slightly lower (7.3 billion euro).

The overall coverage ratio of performing loans was 0.5%.

MARKET RISKS

TRADING BOOK

The measurements concerning market risk include the risks from the scope formerly of Banca Popolare di Vicenza and Veneto Banca, based on the information available as at the date of preparation of the Interim Statement at 30 September 2017.

During the third quarter of 2017, the market risks generated by Intesa Sanpaolo and Banca IMI decreased compared to the average values of the second quarter. The average VaR for the period totalled 61.5 million euro compared to 70 million euro in the second quarter of 2017.

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

(millions of euro)

	average 3 rd quarter	minimum 3 rd quarter	2017 maximum 3 rd quarter	average 2 nd quarter	average 1 st quarter	average 4 th quarter	2016 average 3 rd quarter	average 2 nd quarter	average 1 st quarter
Intesa Sanpaolo	8.9	7.9	10.0	11.6	11.5	11.7	11.5	11.5	14.9
Banca IMI	52.6	47.4	58.1	58.4	73.7	63.8	90.6	85.5	90.0
Total	61.5	56.4	67.8	70.0	85.3	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 respectively of Intesa Sanpaolo and Banca IMI; minimum and maximum values for the two companies are estimated using aggregate historical time-series and therefore do not correspond to the sum of the individual values in the column.

In the first nine months of 2017, the Group's average VaR was 72.4 million euro, down from 101.3 million euro in the same period of 2016.

(millions of euro)

	average 30.09	2017 minimum 30.09	maximum 30.09	average 30.09	2016 minimum 30.09	maximum 30.09
Intesa Sanpaolo	10.2	7.9	14.2	12.6	9.8	17.5
Banca IMI	61.7	47.4	93.2	88.7	60.1	125.6
Total	72.4	56.4	104.8	101.3	71.9	137.9

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

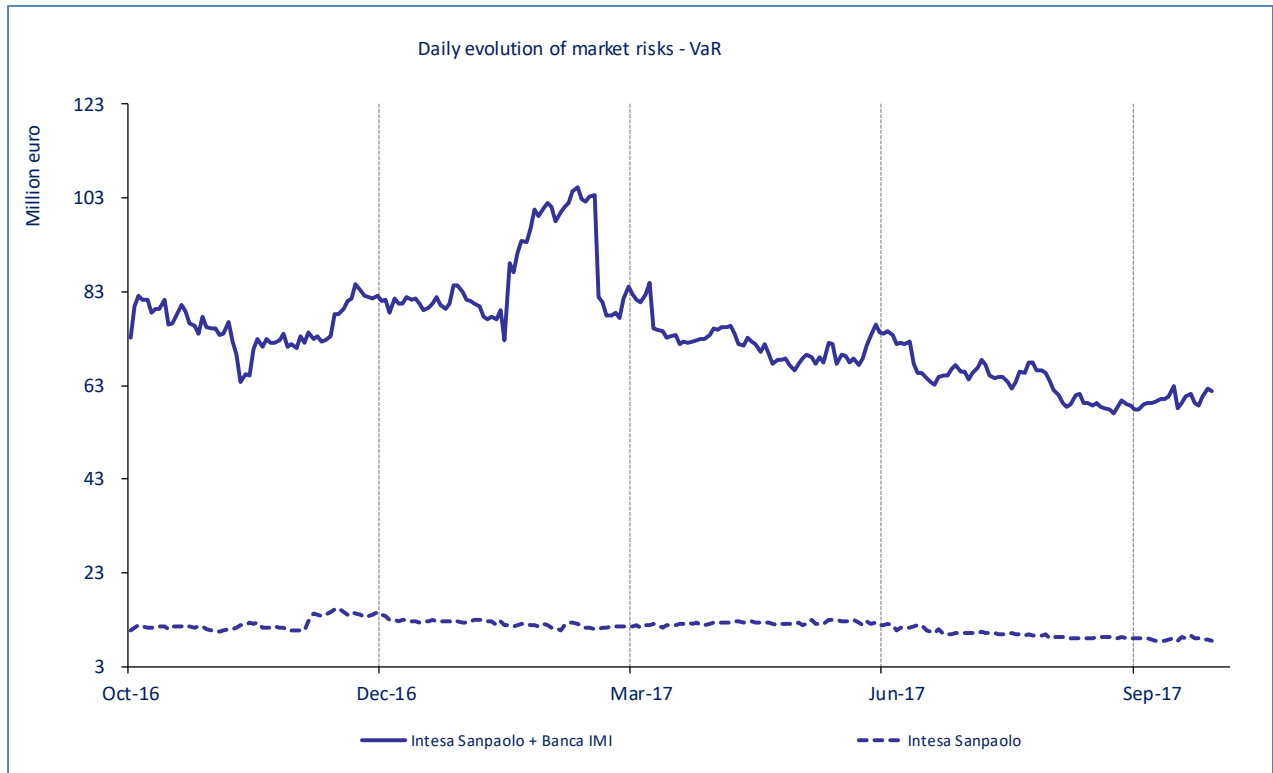
For Intesa Sanpaolo, the breakdown of risk profile in the third quarter of 2017 with regard to the various factors shows the prevalence of credit spread risk, equal to 38% of total operational VaR; for Banca IMI too credit spread risk was the most significant, representing 79% of total VaR.

Contribution of risk factors to total VaR^(a)

3rd quarter 2017	Shares	Hedge funds	Interest rates	Credit spreads	Foreign exchange rates	Other parameters	Commodities
Intesa Sanpaolo	4%	5%	24%	38%	27%	2%	0%
Banca IMI	5%	0%	8%	79%	1%	6%	1%
Total	5%	1%	10%	73%	5%	5%	1%

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

The trend in VaR is mainly attributable to Banca IMI. The risk profile declined in the third quarter of 2017 as a result of the lesser exposure to the government bond portfolio and interest rate risk. In addition, volatile scenarios had a lesser impact due to the technical effect linked to the passage of time.



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 September is summarised in the following table: The shocks applied to the portfolio were updated annually.

(millions of euro)

	EQUITY		INTEREST RATES		CREDIT SPREADS		FOREIGN EXCHANGE RATES		COMMODITIES	
	Crash	Bullish	+40bp	lower rate	-25bp	+25bp	-10%	+10%	Crash	Bullish
Total	-29	37	-12	-3	288	-285	60	-16	1	5

In particular:

- on stock market positions, a 15% decrease in stock prices with a resulting 70% increase in volatility would have led to a loss of approximately 29 million euro;
- on interest rate exposures, a rise of the curves of 40 basis points would have had a negative impact of 12 million euro, whereas a scenario with near zero rates would have led to a negative impact of 3 million euro;
- on exposures sensitive to credit spread fluctuations, a 25 basis point widening in spreads would have led to a 285 million euro loss;
- on foreign exchange exposures, were the Euro to appreciate against the US dollar by 10%, a loss of approximately 16 million euro would be recorded;
- lastly, for commodities exposures there would be potential gains in both scenarios.

Backtesting

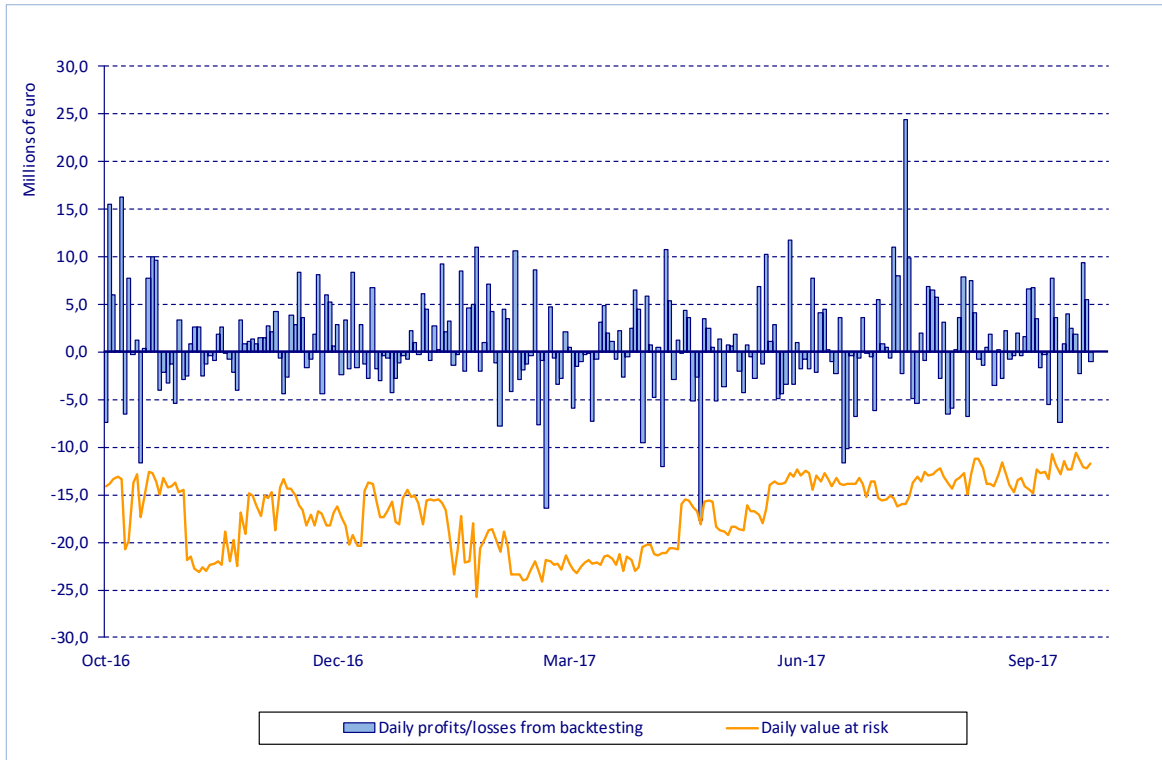
The effectiveness of the VaR calculation methods must be monitored daily via backtesting which, as concerns regulatory backtesting, compares:

- 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.

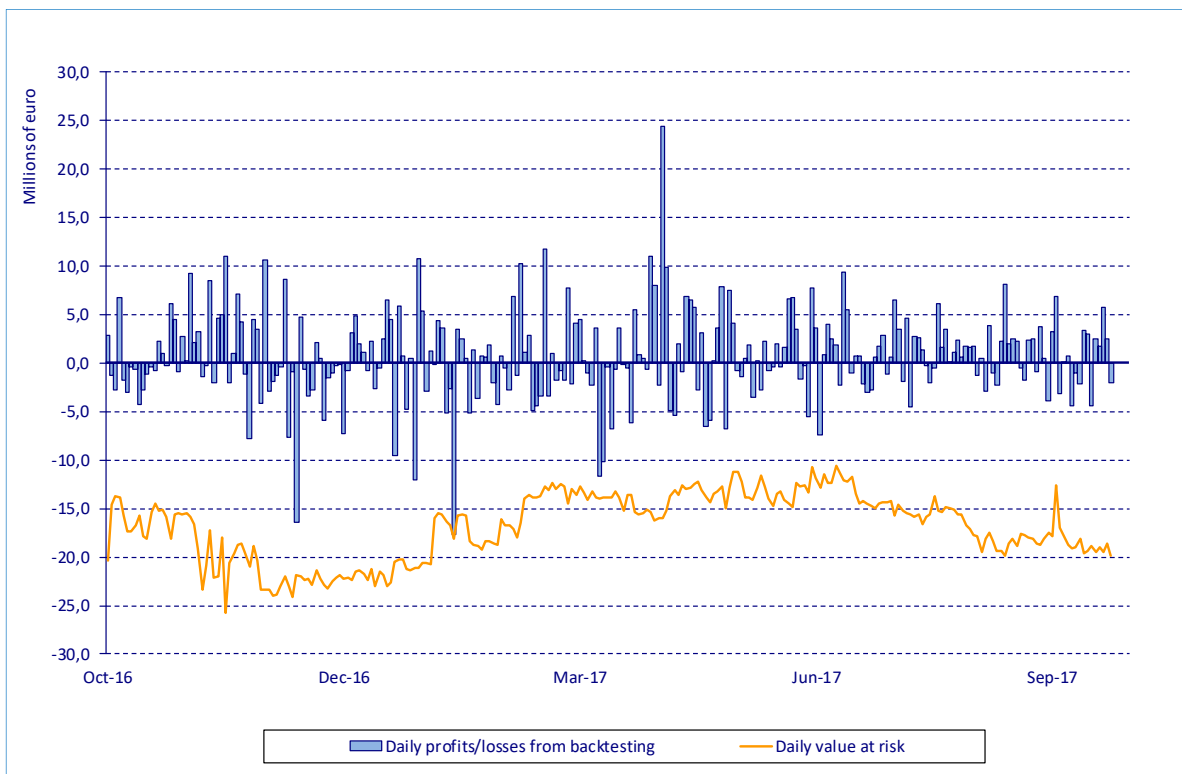
Backtesting in Intesa Sanpaolo

In the past twelve months, no backtesting exceptions were recorded



Backtesting in Banca IMI

In the past twelve months, there were no backtesting exceptions



BANKING BOOK

In the first nine 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 1,100 million euro settling at 1,194 million euro at the end of September 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 1,306 million euro, 658 million euro and -817 million euro respectively, at the end of September 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 127 million euro in the first nine months of 2017 (117 million euro at the end of 2016), with a maximum value of 153 million euro and a minimum value of 85 million euro; this figure compares with an exact end-of-quarter value of 137 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 116 million euro in the first nine months of 2017 (161 million euro at the end of 2016), with a maximum value of 146 million euro and a minimum value of 72 million euro; the latter figure coincides with the value at the end of September 2017.

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 3 million euro at the end of September 2017.

The measurements concerning interest rate risk include the items from the segregated scope formerly of Banca Popolare di Vicenza and Veneto Banca, based on the information available as at the date of preparation of the Interim Statement at 30 September 2017.

LIQUIDITY RISK

In the first nine months of 2017, the Group's liquidity position remained within the risk limits provided for in the current 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 30 September 2017, the eligible liquidity reserves for the Central Banks, considering cash components, came to 170 billion euro (159 billion euro at the end of June 2017), of which 93 billion euro, net of haircut, was unencumbered (81 billion euro at the end of June 2017).

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.

The measurements concerning liquidity risk include the items from the segregated scope formerly of Banca Popolare di Vicenza and Veneto Banca, based on the information available as at the date of preparation of the Interim Statement as at 30 September 2017.

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	30.09.2017			31.12.2016		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Financial assets held for trading	13,187	27,791	784	10,685	31,978	950
<i>of which: Equities</i>	671	-	-	885	-	-
<i>of which: quotas of UCI</i>	890	49	145	584	86	165
2. Financial assets designated at fair value through profit or loss	71,411	973	421	62,341	1,072	452
<i>of which: Equities</i>	1,524	-	-	1,295	-	-
<i>of which: quotas of UCI</i>	65,835	-	124	57,438	-	127
3. Financial assets available for sale	134,737	6,129	3,040	137,354	6,341	2,997
<i>of which: Equities</i>	2,060	2,477	915	1,765	2,728	970
<i>of which: quotas of UCI</i>	8,007	106	1,594	7,942	30	1,663
4. Hedging derivatives	-	4,636	13	-	6,214	20
5. Property and equipment	-	-	-	-	-	-
6. Intangible assets	-	-	-	-	-	-
Total	219,335	39,529	4,258	210,380	45,605	4,419
1. Financial liabilities held for trading	15,027	26,211	238	12,983	31,541	266
2. Financial liabilities designated at fair value through profit or loss	-	65,567	-	-	57,187	-
3. Hedging derivatives	-	7,602	5	-	9,024	4
Total	15,027	99,380	243	12,983	97,752	270

Figures restated, where necessary, considering the changes in the scope of consolidation and discontinued operations. The figures as at 30 June 2017 include assets and liabilities in relation to the acquired operations of Banca Popolare di Vicenza and Veneto Banca. The figures for comparison have not been restated.

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.

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 2,275 million euro as at 30 September 2017, with respect to funded and unfunded ABSs/CDOs; excluding the positions attributable to the Venetian banks for 227 million euro, the exposure stands at 2,048 million euro compared to 2,471 million euro as at 31 December 2016. The nil exposure to structured packages as at 30 September 2017 due to the sales during the period compares to 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 exposure to funded and unfunded ABSs/CDOs designated at fair value, excluding the positions coming from the Venetian banks for 8 million euro, dropped from 2,081 million euro in December 2016 to 1,832 million euro in September 2017. The decrease 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 in 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, while the Parent Company confirmed its transactions in European RMBS with mainly AAA ratings, aimed at seizing market opportunities.

The exposure represented by securities classified under the loan portfolio, excluding the positions coming from the Venetian banks for 219 million euro, recorded a decrease (from 390 million euro in December 2016 to 216 million euro in September 2017) attributable in equal measure to the sales that concerned the portfolio of Banca IMI and of the Parent Company.

The decrease in the exposure of structured packages is attributable to sales during the period.

From the perspective of the income statement, a profit of +23 million euro was posted in the first nine months of 2017. Excluding value adjustments due to impairment of 2 million euro recognised on the items acquired from the Venetian banks, this profit amounted to +25 million euro, compared with a profit of +13 million euro in 2016.

As at 30 September 2017 the "Profits (losses) on trading – caption 80" of the exposure to funded and unfunded ABSs/CDOs came to +14 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 generated a profit of +4 million euro and U.S. subprime positions 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 decrease in fair value of 1 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 +4 million euro in September 2017) and a nil net impact on the income statement for sales made in the period (+5 million euro in 2016). As at 30 September 2017, securities classified under the Loan portfolio recorded a nil net impact (-6 million euro in 2016) comprising gains on disposals for +3 million euro and value adjustments due to impairment for -3 million euro.

For the "Monoline risk" and "Non-monoline packages" the contribution to "Profits (Losses) on trading – caption 80" of +7 million euro as at 30 September 2017 mostly refers to the sales taking place and is 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 period, 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, while in May the 13th series was issued for 1.650 billion euro, at a floating rate and maturing in 7 years.

The securities, which are listed on the Luxembourg Stock Exchange and rated A1 by Moody's, were subscribed by the Parent Company and are eligible on the Eurosystem.

As part of the covered bond issue programme guaranteed by ISP CB Ipotecario, in June a new issue of covered bonds was placed on the institutional market, the 22nd fixed-rate series, for 1 billion euro and a 10-year maturity. The securities are listed on the Luxembourg Stock Exchange and rated Aa2 by Moody's.

No collateralised funding was raised in the third quarter of 2017.

There were no significant changes to the other categories of SPEs subject to disclosure. Accordingly, reference should be made to the 2016 financial statements.

LEVERAGED FINANCE TRANSACTIONS

Pending the application of a 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 30 September 2017, 99 transactions for a total amount granted of 2,480 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. In line with disclosure requirements, breakdown of exposures by geographical area, economic sector and by level of subordination is set out below.

INFORMATION ON INVESTMENTS IN HEDGE FUNDS

The hedge fund portfolio held for trading as at 30 September 2017 totalled 306 million euro, compared to 352 million euro recorded in December 2016, 80% of which were funds on the MAP platform, and 448 million euro in September 2016.

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 also this year, aimed at reducing the risk level of the exposure.

In particular, the most significant redemptions to date have concerned the MAP 5A Fund for 13.5 million dollars, the Eurizon Penghua Fund for almost 12 million euro and, to a lesser extent, the Mount Kellett 14th MAF Fund and the Cyrus Opportunities Fund.

As at the same date, the economic result of the investments in this segment was positive, standing at 17 million euro, compared to the negative 42 million euro of Profits (Losses) on trading in September 2016, connected with severe turbulence on the markets. This profit of 17 million euro is mainly attributable to the improvement in the NAV of the Halcyon, MAP 19, 4A and 1A funds and to the Charity Investment Fund.

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 30 September 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 6,945 million euro (of which 92 million euro from the Venetian banks), compared to 7,532 million euro as at 31 December 2016. The notional value of these derivatives totalled 51,253 million euro (of which 2,025 million euro from the Venetian banks) and 47,698 million euro as at 31 December 2016.

Please note that the positive fair value of contracts outstanding with the 10 customers with the highest exposures came to 4,841 million euro (of which 39 million euro attributable to the Venetian banks), compared to 5,175 million euro as at 31 December 2016.

Conversely, the negative fair value referring to total contracts outstanding, determined with the same criteria, for the same types of contracts and with the same counterparties, totalled 1,502 million euro as at 30 September 2017 (of which 54 million euro from the Venetian banks) and 1,971 million euro as at 31 December 2016. The notional value of these derivatives totalled 26,389 million euro (of which 1,764 from the Venetian banks) and 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 30 September 2017, this led to a positive effect of 41 million euro being recorded under "Profits (Losses) on trading" in the income statement.

As regards the means of calculation, for the various methodologies used in the determination of the fair value of financial instruments, see the information provided in the 2016 Annual Report and the Half-yearly Report as at 30 June 2017.

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 also includes legal risk, compliance risk, model risk, ICT risk and financial reporting risk. Strategic and reputational risks 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 1,698 million euro as at 30 September 2017, up from 1,658 million euro as at 30 June 2017, due to the inclusion of the operational risks requirements of Banca Nuova, Banca Apulia and Veneto Banka Croazia, which were consolidated in the third quarter.

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.

No new significant legal disputes were initiated during the third quarter.

The following is a discussion of the most significant developments during the period with regard to the disputes reported in the Notes to the 2016 Financial Statements, to which reference is made for further information, without prejudice to the disclosures presented in the Consolidated Half-yearly Report as at 30 June 2017.

SEC and DOJ proceedings against IMI Securities Corp. of New York - The SEC proceedings were concluded in the third quarter through the payment of a total sum of approximately 35 million dollars – entirely covered by provision – levied on the basis of violations of Articles 15(b)(4)(E) of the Exchange Act and 17(a)(3) of the Securities Act. As to the investigation launched in October 2016 by the Antitrust Division of the Department of Justice (DoJ), cooperation is being provided through the submission of specific documents and information in order to clarify the position of IMI Securities Corp.

Tax litigation

With regard to tax disputes in the third quarter of 2017, Intesa Sanpaolo has incurred no new disputes for significant amounts. The tax audit relating to tax period 2014, which was launched by the Piedmont Regional Office – Large Taxpayers Office on 15 May 2015 and already disclosed in the Half-yearly Report as at 30 June 2017, is still in progress. It is being carried out in cooperation with the Central Directorate for Tax Assessment and the Cooperative Compliance Office of the Italian Revenue Agency. No observations or objections have been formulated so far.

As to the tax litigation cases pending in Italy, the assessment regarding the opportunity to opt, within 2 October 2017, for the settlement of tax disputes pursuant to Art. 11 of Law Decree No. 50/2017 (converted, after amendments, into Law No. 96/2017) has been completed. The rule allowed the taxpayer to settle tax disputes with the Italian Revenue Agency, pending in all degrees and instances of the proceedings, including before the Court of Cassation, provided the claim was served on the adverse party by 24 April 2017 and no final judgment has been issued by that date. As already mentioned in the Half-yearly Report as at 30 June 2017, the impact of the relief measure on the pending disputes of Intesa Sanpaolo was very limited, since it was deemed appropriate to opt for a settlement in only four cases, the most significant one relating to the tax dispute deriving from an assessment notice issued by the Italian Revenue Agency – Bologna Provincial Office, concerning IRES and IRAP for tax period 2006, notified on 29 November 2013 to Intesa Sanpaolo in its capacity as the acquiring company of Banco Emiliano Romagnolo (value of the dispute estimated approximately at 3.5 million euro of taxes, interest and penalties). The settlement did not entail financial disbursements, since an appropriate amount had already been paid on a provisional basis, nor did it affect the income statement for the period, given that the risk of a liability had already been appropriately estimated in previous financial statements.

The following foreign tax audits have been initiated: i) a general tax audit of the Paris branch, which commenced on 28 August 2017 and concerns tax periods 2014, 2015 and 2016. This audit is currently focused on transfer pricing, employees' tax returns and tax treatment; ii) the audit of the Innsbruck branch of the former Banca di Trento e Bolzano, which commenced on 29 September 2017 and is currently focused on employees' tax treatment.

As regards the huge amount of tax credit reimbursements, a total of 10 million euro related to the refund of tax payments made on a provisional basis in the course of proceedings but no longer due as a result of judgments favourable to the Bank, was refunded on 12 October by the Italian Revenue Agency.

The main developments involving Group companies that occurred in the third quarter of 2017 are reported hereunder.

Intesa Sanpaolo Group Services is continuing discussions with the Piedmont Regional Office on a dispute – anticipated with a questionnaire served in May 2017 – concerning the contribution of a branch of activity from ISP to ISGS which took place in 2012. The case originates from a report made by the Tuscany Regional Office during an audit conducted in 2015 on Cassa di Risparmio di Firenze and concerns the VAT treatment of fees paid for services provided by Intesa Sanpaolo to some subsidiaries, through the above mentioned branch of activity in the fraction of the year preceding the transfer, but which were subsequently invoiced by ISGS without VAT pursuant to Art. 10, paragraph 2 of the Italian VAT decree (the amount at issue in the dispute is about 7 million euro of VAT, plus interest, and penalties of approximately 8 million euro). Further to the response to the questionnaire, the Italian Revenue Agency indicated that they were willing to consider a settlement concerning tax only, without any penalties. The Parent Company and Intesa Sanpaolo Group Services have therefore decided to submit a formal settlement proposal.

As regards Banca IMI, it should be noted that, pursuant to the aforementioned Art. 11 of Law Decree No. 50, the dispute on withholding taxes for the years 2005 and 2006 involving the former Banca d'Intermediazione Mobiliare IMI was settled (the value of the dispute amounted to approximately 17.2 million euro – as recalculated according to the more favourable new penalty rules – for which provisional payments of 0.5 million euro had already been made). The settlement involved the payment of an additional 8.1 million euro, with a total effective outlay of approximately 8.6 million euro, without any impact on the income statement given this amount had already been covered by previous provisions. The settlement had an immediate

impact on the proceedings against Banca IMI, leaving only pending before the Court of Cassation the tax disputes relating to annual instalments for which significant payments have already been made on a provisional basis and recognised in the income statement.

As regards Intesa Sanpaolo Private Banking, a claim has been lodged concerning the goodwill's deductibility for IRES and IRAP purposes in 2012 by means of separate assessment notices served on 9 August 2017 and resulting from the tax audit report of 23 November 2012 issued by the Lombardy Regional Office – Large Taxpayers Office. The above auditors' report alleged, pursuant to Art. 103, paragraph 3-bis, of the Italian Income Tax Legislation (TUIR), the unlawful deduction of the amortisation charge (11.9 million euro) of the goodwill deriving from the contribution of the private banking business by Intesa Sanpaolo for a value of 115.6 million euro, by Cassa dei Risparmi di Forlì e della Romagna for a value of 0.3 million euro, by Banca di Trento e Bolzano for a value of 0.3 million euro and by Cassa di Risparmio di Firenze for a value of 3 million euro. The recipient ISPB did align the relevant tax base of those assets (goodwill) to their higher accounting value pursuant to Art. 15, paragraph 10, of the Law Decree No. 185 of 29 November 2008. The greater taxable amount assessed results in a higher IRES of 3.3 million euro, penalties for the same amount, plus interest, and a higher IRAP of 0.66 million, penalties for the same amount, plus interest.

The same dispute, which had already been brought against the Company in respect of tax period 2011 by notices served in December 2016, was thoroughly discussed in last year's annual report. The appeals against the assessment notices have been heard by the Provincial Tax Commission. The related decision is pending (the value of the dispute amounts to IRES of 3.2 million euro, plus interest, and a penalty of 2.8 million euro and IRAP of 0.6 million euro, plus interest, and a penalty of 0.6 million euro).

At the international level, it must be mentioned that a general tax audit of the Ukrainian subsidiary Pravex Bank covering tax years 2010 to 2017 was launched on 29 September 2017.

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 Investment Framework Resolution is the main control and monitoring instrument for market and credit risks.

The Resolution defines 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 variations in risk factors and Value at Risk (VaR).

Investment portfolios

The investments of the insurance companies of the 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 30 September 2017, the investment portfolios of Group companies, recorded at book value, amounted to 154,285 million euro. Of these, a part amounting to 83,074 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 71,210 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, 86.5% of assets, i.e. approximately 71,890 million euro, were bonds, whereas assets subject to equity risk represented 2.2% of the total and amounted to 1,809 million euro. The remainder (9,436 million euro) consisted of investments relating to UCI, Private Equity and Hedge Funds (11.4%).

The carrying value of derivatives came to approximately -61 million euro, of which -63 million euro relating to effective management derivatives¹, while the remaining portion (2 million euro) is attributable to hedging derivatives.

At the end of the first nine months of 2017, investments made with the free capital of Intesa Sanpaolo Vita and Fideuram Vita amounted to approximately 1,594 million euro at market value, and presented a risk in terms of VaR (99% confidence level, 10-day holding period) of approximately 33 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 3,950 million euro.

The distribution of the portfolio by rating class is as follows. AAA/AA bonds represented approximately 3.9 % of total investments and A bonds approximately 5.7%. Low investment grade securities (BBB) were 87.6 % of the total and the portion of speculative grade or unrated was minimal (2.7%).

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 made up 75.1% of the total investments, while financial companies (mostly banks) contributed 13.5% of exposure and industrial securities made up approximately 11.4%.

At the end of the third 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 -4,016 million euro, with -3,125 million euro due to government issuers and -891 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, and as already disclosed in the Interim Statement at 31 March 2017, 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 the 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 approves the interim statements, basically providing continuity with the interim statements published in the past.

The "Interim Statement as at 30 September 2017" has been prepared, in consolidated form, in compliance with the recognition and measurement 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 30 September 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 the amounts for the reporting period, the financial statements also indicate the corresponding comparison figures for the period ended 30 September 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 30 September 2016 and in the Annual Report as at 31 December 2016, together with specific reconciliations between these and the reclassified statements.

With respect to the acquisition of certain assets and liabilities and certain legal relationships of Banca Popolare di Vicenza and Veneto Banca, within the framework of the measures whereby the two banks were placed in compulsory administrative liquidation, as described in detail in the Half-yearly Report as at 30 June 2017, to which reference is made, it should be recalled that the sale contract envisages, among others, the acquisition of the shareholdings of the two Venetian banks, now in liquidation, in Banca Nuova S.p.A., Servizi Bancari S.c.p.A., Banca Apulia S.p.A., SEC Servizi S.c.p.A., Veneto Banka d.d. (Croatia), Veneto Banka Sh.a. (Albania) and Eximbank s.a. (Moldova): these investments were not included in the scope of consolidation at 30 June 2017 as the authorisations from the competent authorities (e.g., ECB, Antitrust, etc.) were lacking. As at 30 September 2017, in view of the conclusion of the authorisation procedures, the above subsidiaries have all been included in the scope of consolidation, with the exception of Veneto Banka sh.a. (Albania) and Eximbank s.a. (Moldova), for which the authorisation procedures and related formalities were still pending as at 30 September 2017.

As regards the subsidiaries included in the scope of consolidation as at 30 September 2017, for the purposes of this Interim Report, only the balance sheet figures were consolidated, as the date of acquisition - determined based on the issue of the authorisations required to exercise control - was close to 30 September 2017. On the other hand, for the individual operations referring to the banks now in compulsory administrative liquidation, in addition to the balance sheet figures as at 30 September 2017, the contribution of the income statement for the third quarter 2017 were considered.

The scope of the assets and liabilities considered for the purposes of this Interim Statement as at 30 September 2017 and all associated values should be considered still provisional in nature until the related ongoing due diligence activities are completed. The acquisition contract envisaged the appointment of a board of three independent experts, identified pursuant to Decree Law No. 99 of 25 June 2017, "Urgent provisions for the compulsory administrative liquidation proceedings of Banca Popolare di Vicenza S.p.A. and Veneto Banca S.p.A." (so-called "Venetian Banks Decree"), subsequently converted into Law No. 121 of 31 July 2017. This board is conducting a specific due diligence which will lead to the generation of a detailed and analytic inventory of the captions comprising the final accounting position of assets and liabilities included within the acquired operations as at the execution date.

With regard to discontinued operations, 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. Pursuant to IFRS 5, the investment in Allfunds Bank was reclassified under discontinued operations starting from the Interim

Statement as at 31 March 2017. Since the sale process for Allfunds Bank was still ongoing, in the Interim Statement as at 30 September 2017, the investment has continued to be carried among discontinued operations.

In addition, on the 26 July 2017, Intesa Sanpaolo and Engineering signed an agreement for the sale of 100% of the share capital of Infogroup, held by the Intesa Sanpaolo Group. The transaction is expected to be completed by the end of the year and is only subject to the usual authorisations from the competent authorities. Pursuant to IFRS 5, the investment in Infogroup was reclassified under discontinued operations starting from the Interim Statement as at 30 September 2017.

Finally, certain real properties (the sale process for which is still ongoing) owned by Risanamento S.p.A., subject to line-by-line consolidation by Intesa Sanpaolo pursuant to IFRS 10, have been classified among discontinued operations.

Since the above assets do not qualify as "discontinued operations" (i.e. separate major lines of business or geographical areas of operations) based on the provisions of IFRS 5, the reclassification only concerned balance sheet data.

The Interim Statement as at 30 September 2017 is accompanied by 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 European Union Regulation no. 575/2013 and 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 the 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.

Pursuant to the international financial reporting standard applicable to the acquisition of business combinations (IFRS 3), Intesa Sanpaolo - with effect from the reporting date of the Half-yearly condensed consolidated financial statements as at 30 June 2017 - has recorded the legal relationships identified at a preliminary stage based on the accounting results of Banca Popolare di Vicenza and Veneto Banca, recognising the value of the assets and liabilities acquired as provisional (applying the principle of continuity of values). As known, the contract envisages, among other provisions, the acquisition of the shareholdings of Banca Popolare di Vicenza in Banca Nuova S.p.A. and of Veneto Banca in Banca Apulia S.p.A., Veneto Banka d.d. (Croatia), Veneto Banka sh.a. (Albania) and Eximbank s.a. (Moldova), as well as the shareholding of the two banks in SEC Servizi S.c.p.a and in Servizi Bancari S.c.p.a. subject to obtaining the related authorisations from the Supervisory Authority.

The above investments were not included in the scope of consolidation as at 30 June 2017, in the absence of the authorisations from the competent authorities (e.g., ECB, Antitrust, etc.). As at 30 September 2017, in view of the conclusion of the authorisation procedures, the above subsidiaries have all been included in the scope of consolidation, with the exception of Veneto Banka sh.a. (Albania) and Eximbank s.a. (Moldova), for which the authorisation procedures and related formalities were still pending as at 30 September 2017.

The two shareholdings in the Albanian and Moldovan subsidiaries have thus been temporarily recognised as shareholdings within the acquired segregated scope.

In addition to the above, the scope of consolidation did not show significant changes compared to 31 December 2016.

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 nine months of 2017, the partial demerger of CIB Factor into CIB Bank and the merger by incorporation of Accedo into Intesa Sanpaolo.

Finally, please note that, during the period, the conditions no longer applied for the significant influence previously exercised by Intesa Sanpaolo on Bank of Qingdao and Nuovo Trasporto Viaggiatori. With reference to Bank of Qingdao, by signing the “new Co-operation Agreement”, 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) are no longer present. Instead, in the case of Nuovo Trasporto Viaggiatori, as a result of the sale of 4.74% of the company’s capital, leading to a reduction in the stake currently held by Intesa Sanpaolo below 20%, the “relative assumption” of significant influence envisaged by IAS 28 ceased to apply; furthermore, following the reorganisation of the company’s financial structure, mainly through the issue of a bond for 550 million euro on the market, a significant reduction is recorded in the debt exposure of NTV towards the Intesa Sanpaolo Group, which previously consisted in an additional element supporting the significant influence. Consequently, the governance of the company was also reviewed.

Therefore, the equity investments, originally classified as investment in associates pursuant to IAS 28, were reclassified within the AFS (Available For Sale) portfolio required by IAS 39, starting from 30 March 2017 (date of signing the “new Co-operation Agreement”) with reference to Bank of Qingdao and from 29 June 2017 (date of selling part of the shares held) with reference to Nuovo Trasporto Viaggiatori.

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 30 September 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, 7 November 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 30 September 2017 corresponds to corporate records, books and accounts.

Milan, 7 November 2017

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

Attachments

Reconciliation between consolidated financial statements and consolidated financial statements net of the acquired operations

Consolidated balance sheet as at 30 September 2017

Consolidated income statement as at 30 September 2017

Reconciliation between published consolidated financial statements and adjusted consolidated financial statements

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

Reconciliation between published income statement as at 30 September 2016 and adjusted consolidated income statement as at 30 September 2016

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

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

Reconciliation between the published consolidated income statement as at 30 September 2016 and restated consolidated income statement as at 30 September 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 consolidated balance sheet and reclassified consolidated balance sheet

Reconciliation between restated consolidated income statement and reclassified consolidated income statement

Reconciliation between consolidated financial statements and consolidated financial statements net of the acquired operations

Consolidated balance sheet as at 30 September 2017

(millions of euro)

Assets	30.09.2017		
	Consolidated figure	Of which: figure of the assets acquired	Consolidated figure net of the assets acquired
10. Cash and cash equivalents	5,003	354	4,649
20. Financial assets held for trading	41,762	1,807	39,955
30. Financial assets designated at fair value through profit and loss	72,805	3	72,802
40. Financial assets available for sale	143,906	2,993	140,913
50. Investments held to maturity	2,267	1,092	1,175
60. Due from banks	79,381	3,203	76,178
70. Loans to customers	390,818	26,940	363,878
80. Hedging derivatives	4,649	30	4,619
90. Fair value change of financial assets in hedged portfolios (+/-)	-228	-21	-207
100. Investments in associates and companies subject to joint control	716	94	622
110. Technical insurance reserves reassured with third parties	16	-	16
120. Property and equipment	4,852	260	4,592
130. Intangible assets	7,479	16	7,463
<i>of which</i>			
- <i>goodwill</i>	4,056	-	4,056
140. Tax assets	15,707	1,449	14,258
a) <i>current</i>	3,508	531	2,977
b) <i>deferred</i>	12,199	918	11,281
- <i>of which convertible into tax credit (Law no. 214/2011)</i>	8,576	437	8,139
150. Non-current assets held for sale and discontinued operations	493	-	493
160. Other assets	15,733	7,154	8,579
Total Assets	785,359	45,374	739,985

Liabilities and Shareholders' Equity	30.09.2017		
	Consolidated figure	Of which: figure of the liabilities acquired	Consolidated figure net of the liabilities acquired
			(millions of euro)
10. Due to banks	99,281	9,680	89,601
20. Due to customers	313,066	20,414	292,652
30. Securities issued	99,213	10,355	88,858
40. Financial liabilities held for trading	41,476	1,234	40,242
50. Financial liabilities designated at fair value through profit and loss	65,567	166	65,401
60. Hedging derivatives	7,607	293	7,314
70. Fair value change of financial liabilities in hedged portfolios (+/-)	563	-	563
80. Tax liabilities	1,927	-34	1,961
<i>a) current</i>	361	-38	399
<i>b) deferred</i>	1,566	4	1,562
90. Liabilities associated with non-current assets held for sale and discontinued operations	296	-	296
100. Other liabilities	12,418	3,145	9,273
110. Employee termination indemnities	1,470	103	1,367
120. Allowances for risks and charges	5,225	113	5,112
<i>a) post employment benefits</i>	973	5	968
<i>b) other allowances</i>	4,252	108	4,144
130. Technical reserves	83,211	-	83,211
140. Valuation reserves	-1,908	2	-1,910
150. Redeemable shares	-	-	-
160. Equity instruments	4,102	-	4,102
170. Reserves	10,914	-16	10,930
180. Share premium reserve	26,006	-	26,006
190. Share capital	8,732	-	8,732
200. Treasury shares (-)	-86	-	-86
210. Minority interests (+/-)	391	-	391
220. Net income (loss)	5,888	-81	5,969
Total Liabilities and Shareholders' Equity	785,359	45,374	739,985

Consolidated income statement as at 30 September 2017

(millions of euro)

	30.09.2017		
	Consolidated figure	Of which: figure of operations acquired	Consolidated figure net of the liabilities acquired
10. Interest and similar income	9,338	172	9,166
20. Interest and similar expense	-2,976	-114	-2,862
30. Interest margin	6,362	58	6,304
40. Fee and commission income	6,895	87	6,808
50. Fee and commission expense	-1,527	-30	-1,497
60. Net fee and commission income	5,368	57	5,311
70. Dividend and similar income	290	-	290
80. Profits (Losses) on trading	325	-	325
90. Fair value adjustments in hedge accounting	-16	-15	-1
100. Profits (Losses) on disposal or repurchase of	550	-10	560
<i>a) loans</i>	-7	-	-7
<i>b) financial assets available for sale</i>	580	-	580
<i>c) investments held to maturity</i>	1	-	1
<i>d) financial liabilities</i>	-24	-10	-14
110. Profits (Losses) on financial assets and liabilities designated at fair value	882	-1	883
120. Net interest and other banking income	13,761	89	13,672
130. Net losses / recoveries on impairment	-2,107	2	-2,109
<i>a) loans</i>	-1,596	3	-1,599
<i>b) financial assets available for sale</i>	-522	-1	-521
<i>c) investments held to maturity</i>	-	-	-
<i>d) other financial activities</i>	11	-	11
140. Net income from banking activities	11,654	91	11,563
150. Net insurance premiums	5,052	-	5,052
160. Other net insurance income (expense)	-6,600	-	-6,600
170. Net income from banking and insurance activities	10,106	91	10,015
180. Administrative expenses	-6,959	-225	-6,734
<i>a) personnel expenses</i>	-4,142	-130	-4,012
<i>b) other administrative expenses</i>	-2,817	-95	-2,722
190. Net provisions for risks and charges	-2,072	-6	-2,066
200. Net adjustments to / recoveries on property and equipment	-254	-6	-248
210. Net adjustments to / recoveries on intangible assets	-366	-4	-362
220. Other operating expenses (income)	5,324	32	5,292
230. Operating expenses	-4,327	-209	-4,118
240. Profits (Losses) on investments in associates and companies subject to joint control	336	-	336
250. Valuation differences on property, equipment and intangible assets measured at fair value	-	-	-
260. Goodwill impairment	-	-	-
270. Profits (Losses) on disposal of investments	61	-	61
280. Income (Loss) before tax from continuing operations	6,176	-118	6,294
290. Taxes on income from continuing operations	-249	37	-286
300. Income (Loss) after tax from continuing operations	5,927	-81	6,008
310. Income (Loss) after tax from discontinued operations	-	-	-
320. Net income (loss)	5,927	-81	6,008
330. Minority interests	-39	-	-39
340. Parent Company's net income (loss)	5,888	-81	5,969

Reconciliation between published consolidated financial statements and adjusted consolidated financial statements

**Reconciliation between published consolidated balance sheet as at 31 December 2016
and 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 income statement as at 30 September 2016 and adjusted consolidated income statement as at 30 September 2016

The published income statement as at 30 September 2016 did not require any adjustments.

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

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

Assets	31.12.2016 Published (*)	Discontinued operations (a)	(millions of euro) 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	-3	4,905
130. Intangible assets	7,393	-4	7,389
<i>of which</i>			
<i>- goodwill</i>	4,059	-3	4,056
140. Tax assets	14,444	-2	14,442
<i>a) current</i>	3,313	-	3,313
<i>b) deferred</i>	11,131	-2	11,129
<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	166	478
160. Other assets	8,237	-8	8,229
Total Assets	725,100	38	725,138

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

(a) The restatement of discontinued operations refers to the sale of Allfunds Bank and INFOGROUP S.p.A., 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	7	291,883
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	28	300
100. Other liabilities	11,944	9	11,953
110. Employee termination indemnities	1,403	-5	1,398
120. Allowances for risks and charges	3,427	-1	3,426
<i>a) post employment benefits</i>	1,025	-	1,025
<i>b) other allowances</i>	2,402	-1	2,401
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	38	725,138

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

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

Reconciliation between the published consolidated income statement as at 30 September 2016 and restated consolidated income statement as at 30 September 2016

(millions of euro)

	30.09.2016 Published (*)	Non-current assets held for sale (a)	Changes in the scope of consolidation (b)	30.09.2016 Restated
10. Interest and similar income	9,760	-18	1	9,743
20. Interest and similar expense	-3,223	-	-	-3,223
30. Interest margin	6,537	-18	1	6,520
40. Fee and commission income	6,125	-	140	6,265
50. Fee and commission expense	-1,271	-	-108	-1,379
60. Net fee and commission income	4,854	-	32	4,886
70. Dividend and similar income	398	-	-	398
80. Profits (Losses) on trading	316	-	-	316
90. Fair value adjustments in hedge accounting	-48	-	-	-48
100. Profits (Losses) on disposal or repurchase of	927	-	-	927
<i>a) loans</i>	-23	-	-	-23
<i>b) financial assets available for sale</i>	941	-	-	941
<i>c) investments held to maturity</i>	-	-	-	-
<i>d) financial liabilities</i>	9	-	-	9
110. Profits (Losses) on financial assets and liabilities designated at fair value	754	-	-	754
120. Net interest and other banking income	13,738	-18	33	13,753
130. Net losses / recoveries on impairment	-2,099	-	-	-2,099
<i>a) loans</i>	-2,035	-	-	-2,035
<i>b) financial assets available for sale</i>	-115	-	-	-115
<i>c) investments held to maturity</i>	-	-	-	-
<i>d) other financial activities</i>	51	-	-	51
140. Net income from banking activities	11,639	-18	33	11,654
150. Net insurance premiums	6,784	-	-	6,784
160. Other net insurance income (expense)	-8,274	-	-	-8,274
170. Net income from banking and insurance activities	10,149	-18	33	10,164
180. Administrative expenses	-6,723	-	-18	-6,741
<i>a) personnel expenses</i>	-4,005	-	-11	-4,016
<i>b) other administrative expenses</i>	-2,718	-	-7	-2,725
190. Net provisions for risks and charges	-164	-	-	-164
200. Net adjustments to / recoveries on property and equipment	-254	-	-2	-256
210. Net adjustments to / recoveries on intangible assets	-413	-	-	-413
220. Other operating expenses (income)	505	-	1	506
230. Operating expenses	-7,049	-	-19	-7,068
240. control	141	-	-	141
250. Valuation differences on property, equipment and intangible assets measured at fair value	-	-	-	-
260. Goodwill impairment	-	-	-	-
270. Profits (Losses) on disposal of investments	21	-	-	21
280. Income (Loss) before tax from continuing operations	3,262	-18	14	3,258
290. Taxes on income from continuing operations	-936	7	-5	-934
300. Income (Loss) after tax from continuing operations	2,326	-11	9	2,324
310. Income (Loss) after tax from discontinued operations	121	-	-	121
320. Net income (loss)	2,447	-11	9	2,445
330. Minority interests	-112	11	-9	-110
340. Parent Company's net income (loss)	2,335	-	-	2,335

(*) Figures originally published in the Interim statement as at 30 September 2016.

(a) Profit and loss results for the period ended 30 September 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 30 September 2016 of Banca 5 (formerly 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	30.09.2017 Consolidated figure net of the assets acquired	31.12.2016 Restated	Changes	
			amount	%
10. Cash and cash equivalents	4,649	8,686	-4,037	-46.5
20. Financial assets held for trading	39,955	43,613	-3,658	-8.4
30. Financial assets designated at fair value through profit and loss	72,802	63,865	8,937	14.0
40. Financial assets available for sale	140,913	146,692	-5,779	-3.9
50. Investments held to maturity	1,175	1,241	-66	-5.3
60. Due from banks	76,178	53,146	23,032	43.3
70. Loans to customers	363,878	364,713	-835	-0.2
80. Hedging derivatives	4,619	6,234	-1,615	-25.9
90. Fair value change of financial assets in hedged portfolios (+/-)	-207	321	-528	
100. Investments in associates and companies subject to joint control	622	1,167	-545	-46.7
110. Technical insurance reserves reassured with third parties	16	17	-1	-5.9
120. Property and equipment	4,592	4,905	-313	-6.4
130. Intangible assets	7,463	7,389	74	1.0
<i>of which</i>				
- <i>goodwill</i>	4,056	4,056	-	-
140. Tax assets	14,258	14,442	-184	-1.3
<i>a) current</i>	2,977	3,313	-336	-10.1
<i>b) deferred</i>	11,281	11,129	152	1.4
- <i>of which convertible into tax credit (Law no. 214/2011)</i>	8,139	8,491	-352	-4.1
150. Non-current assets held for sale and discontinued operations	493	478	15	3.1
160. Other assets	8,579	8,229	350	4.3
Total Assets	739,985	725,138	14,847	2.0

(millions of euro)					
Liabilities and Shareholders' Equity	30.09.2017 Consolidated figure net of the liabilities acquired	31.12.2016 Restated	Changes		
			amount	%	
10. Due to banks	89,601	72,641	16,960	23.3	
20. Due to customers	292,652	291,883	769	0.3	
30. Securities issued	88,858	94,783	-5,925	-6.3	
40. Financial liabilities held for trading	40,242	44,790	-4,548	-10.2	
50. Financial liabilities designated at fair value through profit and loss	65,401	57,187	8,214	14.4	
60. Hedging derivatives	7,314	9,028	-1,714	-19.0	
70. Fair value change of financial liabilities in hedged portfolios (+/-)	563	773	-210	-27.2	
80. Tax liabilities	1,961	2,038	-77	-3.8	
<i>a) current</i>	399	497	-98	-19.7	
<i>b) deferred</i>	1,562	1,541	21	1.4	
90. Liabilities associated with non-current assets held for sale and discontinued operations	296	300	-4	-1.3	
100. Other liabilities	9,273	11,953	-2,680	-22.4	
110. Employee termination indemnities	1,367	1,398	-31	-2.2	
120. Allowances for risks and charges	5,112	3,426	1,686	49.2	
<i>a) post employment benefits</i>	968	1,025	-57	-5.6	
<i>b) other allowances</i>	4,144	2,401	1,743	72.6	
130. Technical reserves	83,211	85,619	-2,408	-2.8	
140. Valuation reserves	-1,910	-1,854	56	3.0	
150. Redeemable shares	-	-	-	-	
160. Equity instruments	4,102	2,117	1,985	93.8	
170. Reserves	10,930	9,528	1,402	14.7	
180. Share premium reserve	26,006	27,349	-1,343	-4.9	
190. Share capital	8,732	8,732	-	-	
200. Treasury shares (-)	-86	-72	14	19.4	
210. Minority interests (+/-)	391	408	-17	-4.2	
220. Net income (loss)	5,969	3,111	2,858	91.9	
Total Liabilities and Shareholders' Equity	739,985	725,138	14,847	2.0	

Restated consolidated income statement

	(millions of euro)			
	30.09.2017	30.09.2016	Changes	
	Consolidated figure net of operations acquired	Restated	amount	%
10. Interest and similar income	9,166	9,743	-577	-5.9
20. Interest and similar expense	-2,862	-3,223	-361	-11.2
30. Interest margin	6,304	6,520	-216	-3.3
40. Fee and commission income	6,808	6,265	543	8.7
50. Fee and commission expense	-1,497	-1,379	118	8.6
60. Net fee and commission income	5,311	4,886	425	8.7
70. Dividend and similar income	290	398	-108	-27.1
80. Profits (Losses) on trading	325	316	9	2.8
90. Fair value adjustments in hedge accounting	-1	-48	-47	-97.9
100. Profits (Losses) on disposal or repurchase of	560	927	-367	-39.6
<i>a) loans</i>	-7	-23	-16	-69.6
<i>b) financial assets available for sale</i>	580	941	-361	-38.4
<i>c) investments held to maturity</i>	1	-	1	
<i>d) financial liabilities</i>	-14	9	-23	
110. Profits (Losses) on financial assets and liabilities designated at fair value	883	754	129	17.1
120. Net interest and other banking income	13,672	13,753	-81	-0.6
130. Net losses / recoveries on impairment	-2,109	-2,099	10	0.5
<i>a) loans</i>	-1,599	-2,035	-436	-21.4
<i>b) financial assets available for sale</i>	-521	-115	406	
<i>c) investments held to maturity</i>	-	-	-	
<i>d) other financial activities</i>	11	51	-40	-78.4
140. Net income from banking activities	11,563	11,654	-91	-0.8
150. Net insurance premiums	5,052	6,784	-1,732	-25.5
160. Other net insurance income (expense)	-6,600	-8,274	-1,674	-20.2
170. Net income from banking and insurance activities	10,015	10,164	-149	-1.5
180. Administrative expenses	-6,734	-6,741	-7	-0.1
<i>a) personnel expenses</i>	-4,012	-4,016	-4	-0.1
<i>b) other administrative expenses</i>	-2,722	-2,725	-3	-0.1
190. Net provisions for risks and charges	-2,066	-164	1,902	
200. Net adjustments to / recoveries on property and equipment	-248	-256	-8	-3.1
210. Net adjustments to / recoveries on intangible assets	-362	-413	-51	-12.3
220. Other operating expenses (income)	5,292	506	4,786	
230. Operating expenses	-4,118	-7,068	-2,950	-41.7
240. Profits (Losses) on investments in associates and companies subject to joint contr	336	141	195	
250. Valuation differences on property, equipment and intangible assets measured at fair value	-	-	-	
260. Goodwill impairment	-	-	-	
270. Profits (Losses) on disposal of investments	61	21	40	
280. Income (Loss) before tax from continuing operations	6,294	3,258	3,036	93.2
290. Taxes on income from continuing operations	-286	-934	-648	-69.4
300. Income (Loss) after tax from continuing operations	6,008	2,324	3,684	
310. Income (Loss) after tax from discontinued operations	-	121	-121	
320. Net income (loss)	6,008	2,445	3,563	
330. Minority interests	-39	-110	-71	-64.5
340. Parent Company's net income (loss)	5,969	2,335	3,634	

Reconciliation between restated consolidated financial statements and reclassified consolidated financial statements

Reconciliation between consolidated balance sheet and reclassified consolidated balance sheet

Captions of the reclassified consolidated balance sheet - Assets		(millions of euro)
Captions of the consolidated balance sheet - Assets		30.09.2017
		Consolidated figure
Financial assets held for trading		41,762
	<i>Caption 20 - Financial assets held for trading</i>	41,762
Financial assets designated at fair value through profit and loss		72,805
	<i>Caption 30 - Financial assets designated at fair value through profit and loss</i>	72,805
Financial assets available for sale		143,906
	<i>Caption 40 - Financial assets available for sale</i>	143,906
Investments held to maturity		2,267
	<i>Caption 50 - Investments held to maturity</i>	2,267
Due from banks		79,381
	<i>Caption 60 - Due from banks</i>	79,381
Loans to customers		390,818
	<i>Caption 70 - Loans to customers</i>	390,818
Investments in associates and companies subject to joint control		716
	<i>Caption 100 - Investments in associates and companies subject to joint control</i>	716
Property, equipment and intangible assets		12,331
	<i>Caption 120 - Property and equipment</i>	4,852
	<i>+ Caption 130 - Intangible assets</i>	7,479
Tax assets		15,707
	<i>Caption 140 - Tax assets</i>	15,707
Non-current assets held for sale and discontinued operations		493
	<i>Caption 150 - Non-current assets held for sale and discontinued operations</i>	493
Other assets		25,173
	<i>Caption 10 - Cash and cash equivalents</i>	5,003
	<i>+ Caption 160 - Other assets</i>	15,733
	<i>+ Caption 110 - Technical insurance reserves reassured with third parties</i>	16
	<i>+ Caption 80 - Hedging derivatives</i>	4,649
	<i>+ Caption 90 - Fair value change of financial assets in hedged portfolios</i>	-228
Total Assets	Total Assets	785,359
		(millions of euro)
Captions of the reclassified consolidated balance sheet Liabilities and Shareholders' Equity		30.09.2017
Captions of the consolidated balance sheet - Liabilities and Shareholders' Equity		Consolidated figure
Due to banks		99,281
	<i>Caption 10 - Due to banks</i>	99,281
Due to customers and securities issued		412,279
	<i>Caption 20 - Due to customers</i>	313,066
	<i>+ Caption 30 - Securities issued</i>	99,213
Financial liabilities held for trading		41,476
	<i>Caption 40 - Financial liabilities held for trading</i>	41,476
Financial liabilities designated at fair value through profit and loss		65,567
	<i>Caption 50 - Financial liabilities designated at fair value through profit and loss</i>	65,567
Tax liabilities		1,927
	<i>Caption 80 - Tax liabilities</i>	1,927
Liabilities associated with non-current assets held for sale and discontinued operations		296
	<i>Caption 90 - Liabilities associated with non-current assets held for sale and discontinued operations</i>	296
Other liabilities		20,588
	<i>Caption 100 - Other liabilities</i>	12,418
	<i>+ Caption 60 - Hedging derivatives</i>	7,607
	<i>+ Caption 70 - Fair value change of financial liabilities in hedged portfolios</i>	563
Technical reserves		83,211
	<i>Caption 130 - Technical reserves</i>	83,211
Allowances for specific purpose		6,695
	<i>Caption 110 - Employee termination indemnities</i>	1,470
	<i>Caption 120 - Allowances for risks and charges</i>	5,225
Share capital		8,732
	<i>Caption 190 - Share capital</i>	8,732
Reserves (net of treasury shares)		36,834
	<i>Caption 170 - Reserves</i>	10,914
	<i>Caption 180 - Share premium reserve</i>	26,006
	<i>- Caption 200 - Treasury shares</i>	-86
Valuation reserves		-1,908
	<i>Caption 140 - Valuation reserves</i>	-1,908
Equity instruments		4,102
	<i>Caption 160 - Equity instruments</i>	4,102
Minority interests		391
	<i>Caption 210 - Minority interests</i>	391
Net income (loss)		5,888
	<i>Caption 220 - Net income (loss)</i>	5,888
Total Liabilities and Shareholders' Equity	Total Liabilities and Shareholders' Equity	785,359

Captions of the reclassified consolidated balance sheet - Assets		(millions of euro)	
Captions of the consolidated balance sheet - Assets		30.09.2017	31.12.2016
		Consolidated figure net of the assets acquired	Restated
Financial assets held for trading		39,955	43,613
	<i>Caption 20 - Financial assets held for trading</i>	39,955	43,613
Financial assets designated at fair value through profit and loss		72,802	63,865
	<i>Caption 30 - Financial assets designated at fair value through profit and loss</i>	72,802	63,865
Financial assets available for sale		140,913	146,692
	<i>Caption 40 - Financial assets available for sale</i>	140,913	146,692
Investments held to maturity		1,175	1,241
	<i>Caption 50 - Investments held to maturity</i>	1,175	1,241
Due from banks		76,178	53,146
	<i>Caption 60 - Due from banks</i>	76,178	53,146
Loans to customers		363,878	364,713
	<i>Caption 70 - Loans to customers</i>	363,878	364,713
Investments in associates and companies subject to joint control		622	1,167
	<i>Caption 100 - Investments in associates and companies subject to joint control</i>	622	1,167
Property, equipment and intangible assets		12,055	12,294
	<i>Caption 120 - Property and equipment</i>	4,592	4,905
	<i>+ Caption 130 - Intangible assets</i>	7,463	7,389
Tax assets		14,258	14,442
	<i>Caption 140 - Tax assets</i>	14,258	14,442
Non-current assets held for sale and discontinued operations		493	478
	<i>Caption 150 - Non-current assets held for sale and discontinued operations</i>	493	478
Other assets		17,656	23,487
	<i>Caption 10 - Cash and cash equivalents</i>	4,649	8,686
	<i>+ Caption 160 - Other assets</i>	8,579	8,229
	<i>+ Caption 110 - Technical insurance reserves reassured with third parties</i>	16	17
	<i>+ Caption 80 - Hedging derivatives</i>	4,619	6,234
	<i>+ Caption 90 - Fair value change of financial assets in hedged portfolios</i>	-207	321
Total Assets	Total Assets	739,985	725,138
Captions of the reclassified consolidated balance sheet Liabilities and Shareholders' Equity		30.09.2017	31.12.2016
Captions of the consolidated balance sheet - Liabilities and Shareholders' Equity		Consolidated figure net of the liabilities acquired	Restated
Due to banks		89,601	72,641
	<i>Caption 10 - Due to banks</i>	89,601	72,641
Due to customers and securities issued		381,510	386,666
	<i>Caption 20 - Due to customers</i>	292,652	291,883
	<i>+ Caption 30 - Securities issued</i>	88,858	94,783
Financial liabilities held for trading		40,242	44,790
	<i>Caption 40 - Financial liabilities held for trading</i>	40,242	44,790
Financial liabilities designated at fair value through profit and loss		65,401	57,187
	<i>Caption 50 - Financial liabilities designated at fair value through profit and loss</i>	65,401	57,187
Tax liabilities		1,961	2,038
	<i>Caption 80 - Tax liabilities</i>	1,961	2,038
Liabilities associated with non-current assets held for sale and discontinued operations		296	300
	<i>Caption 90 - Liabilities associated with non-current assets held for sale and discontinued operations</i>	296	300
Other liabilities		17,150	21,754
	<i>Caption 100 - Other liabilities</i>	9,273	11,953
	<i>+ Caption 60 - Hedging derivatives</i>	7,314	9,028
	<i>+ Caption 70 - Fair value change of financial liabilities in hedged portfolios</i>	563	773
Technical reserves		83,211	85,619
	<i>Caption 130 - Technical reserves</i>	83,211	85,619
Allowances for specific purpose		6,479	4,824
	<i>Caption 110 - Employee termination indemnities</i>	1,367	1,398
	<i>Caption 120 - Allowances for risks and charges</i>	5,112	3,426
Share capital		8,732	8,732
	<i>Caption 190 - Share capital</i>	8,732	8,732
Reserves (net of treasury shares)		36,850	36,805
	<i>Caption 170 - Reserves</i>	10,930	9,528
	<i>Caption 180 - Share premium reserve</i>	26,006	27,349
	<i>- Caption 200 - Treasury shares</i>	-86	-72
Valuation reserves		-1,910	-1,854
	<i>Caption 140 - Valuation reserves</i>	-1,910	-1,854
Equity instruments		4,102	2,117
	<i>Caption 160 - Equity instruments</i>	4,102	2,117
Minority interests		391	408
	<i>Caption 210 - Minority interests</i>	391	408
Net income (loss)		5,969	3,111
	<i>Caption 220 - Net income (loss)</i>	5,969	3,111
Total Liabilities and Shareholders' Equity	Total Liabilities and Shareholders' Equity	739,985	725,138

Reconciliation between restated consolidated income statement and reclassified consolidated income statement

Captions of the reclassified consolidated income statement	Captions of the consolidated income statement	(millions of euro) 30.09.2017 Consolidated figure
Net interest income		5,427
	<i>Caption 30 Interest margin</i>	6,362
	- <i>Caption 30 (partial) Contribution of insurance business</i>	-1,439
	- <i>Caption 30 (partial) Interest margin (Effect of purchase price allocation)</i>	3
	+ <i>Caption 80 (partial) Components of the profits (losses) on trading relating to net interest</i>	2
	+ <i>Caption 130 a) (partial) Net losses/recoveries on impairment of loans (Time value loans)</i>	531
	+ <i>Caption 180 a) (partial) Personnel expenses (Time value employee termination indemnities and other)</i>	-32
	+ <i>Caption 190 (partial) Net provisions for risks and charges (Time value allowances for risks and charges)</i>	-
Net fee and commission income		5,697
	<i>Caption 60 Net fee and commission income</i>	5,368
	- <i>Caption 60 (partial) Contribution of insurance business</i>	353
	- <i>Caption 60 (partial) Components of net fee and commission income relating to profits (losses) on trading</i>	6
	+ <i>Caption 180 b) (partial) Other administrative expenses (Recovery of other expenses)</i>	-30
Income from insurance business		750
	<i>Caption 150 Net insurance premiums</i>	5,052
	<i>Caption 160 Other net insurance income (expense)</i>	-6,600
	+ <i>Caption 30 (partial) Contribution of insurance business</i>	1,439
	+ <i>Caption 60 (partial) Contribution of insurance business</i>	-353
	+ <i>Caption 70 (partial) Contribution of insurance business</i>	179
	+ <i>Caption 80 (partial) Contribution of insurance business</i>	1,036
	- <i>Caption 160 (partial) Other net insurance income (expense)-changes in technical reserves due to impairm. of securities AFS</i>	-3
Profits (Losses) on trading		773
	<i>Caption 80 Profits (Losses) on trading</i>	325
	<i>Caption 90 Fair value adjustments in hedge accounting</i>	-16
	<i>Caption 100 b) Profits (Losses) on disposal or repurchase of financial assets available for sale</i>	580
	<i>Caption 100 d) Profits (Losses) on disposal or repurchase of financial liabilities</i>	-24
	<i>Caption 110 Profits (Losses) on financial assets and liabilities designated at fair value</i>	882
	+ <i>Caption 60 (partial) Components of net fee and commission income relating to profits (losses) on trading</i>	-6
	+ <i>Caption 70 (partial) Dividend and similar income on shares available for sale and held for trading</i>	73
	- <i>Caption 80 (partial) Components of the profits (losses) on trading relating to net interest</i>	-2
	- <i>Caption 80 (partial) Contribution of insurance business</i>	-1,036
	+ <i>Caption 180 b) (partial) Other administrative expenses (stocking costs)</i>	-3
Other operating income (expenses)		83
	<i>Caption 70 Dividend and similar income</i>	290
	<i>Caption 220 Other operating income (expenses)</i>	5,324
	- <i>Caption 70 (partial) Contribution of insurance business</i>	-179
	- <i>Caption 70 (partial) Dividend and similar income on shares available for sale and held for trading</i>	-73
	- <i>Caption 220 (partial) Other operating income (expenses) (Public contribution for the operation concerning the Venetian banks - Charges for integration)</i>	-1,285
	- <i>Caption 220 (partial) Other operating income (expenses) (Public contribution for the operation concerning the Venetian banks)</i>	-3,500
	- <i>Caption 220 (partial) Other operating income (expenses) (Recovery of expenses)</i>	-12
	- <i>Caption 220 (partial) Other operating income (expenses) (Recovery of indirect taxes)</i>	-538
	- <i>Caption 220 (partial) Other operating income (expenses) (Impairment losses on repurchased property and equipment)</i>	4
	- <i>Caption 220 (partial) Other operating income (expenses) (Profits (losses) on disposal of repurchased property and equipment)</i>	-11
	- <i>Caption 220 (partial) Other operating income(expenses)</i>	-3
	- <i>Caption 220 (partial) Other operating income (expenses) (IMI Sec. dispute)</i>	22
	+ <i>Caption 240 (partial) Profits (Losses) on investments in associates and companies subject to joint control (carried at equity)</i>	44
Operating income		12,730

		(millions of euro)
Captions of the reclassified consolidated income statement	Captions of the consolidated income statement	30.09.2017 Consolidated figure
Personnel expenses		-4,064
	Caption 180 a) Personnel expenses	-4,142
	- Caption 180 a) (partial) Personnel expenses (Charges for integration and exit incentives)	46
	- Caption 180 a) (partial) Personnel expenses (Time value employee termination indemnities and other)	32
Administrative expenses		-1,896
	Caption 180 b) Other administrative expenses	-2,817
	- Caption 180 b) (partial) Other administrative expenses (Charges for integration)	37
	- Caption 180 b) (partial) Other administrative expenses (Resolution fund and deposit guarantee scheme)	301
	- Caption 180 b) (partial) Other administrative expenses (stocking costs)	3
	- Caption 180 b) (partial) Other administrative expenses (Recovery of other expenses)	30
	+ Caption 220 (partial) Other operating income (expenses) (Recovery of indirect taxes)	538
	+ Caption 220 (partial) Other operating income (expenses) (Recovery of expenses)	12
Adjustments to property, equipment and intangible assets		-576
	Caption 200 Net adjustments to/recoveries on property and equipment	-254
	Caption 210 Net adjustments to/recoveries on intangible assets	-366
	- Caption 200 (partial) Net adjustments to/recoveries on property and equipment (Charges for integration)	9
	- Caption 210 (partial) Net adjustments to/recoveries on intangible assets (Charges for integration)	13
	- Caption 200 (partial) Net adjustments to/recoveries on property and equipment (Impairment)	2
	- Caption 210 (partial) Net adjustments to/recoveries on intangible assets (Impairment)	-
	- Caption 200 (partial) Net adjustments to/recoveries on property and equipment (Effect of purchase price allocation)	-
	- Caption 210 (partial) Net adjustments to/recoveries on intangible assets (Effect of purchase price allocation)	20
Operating costs		-6,536
Operating margin		6,194
Net adjustments to loans		-2,075
	Caption 100 a) Profits (Losses) on disposal or repurchase of loans	-7
	Caption 130 a) Net losses/recoveries on impairment of loans	-1,596
	Caption 130 d) Net losses/recoveries on impairment of other financial activities	11
	Net losses/recoveries on impairment of loans	48
	- Caption 130 a) (partial) Net losses/recoveries on impairment of loans (Time value loans)	-531
	- 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		-83
	Caption 130 b) Net losses/recoveries on impairment of financial assets available for sale	-522
	Caption 130 c) Net losses/recoveries on impairment of investments held to maturity	-
	Caption 190 Net provisions for risks and charges	-2,072
	- Caption 130 b) (partial) Net losses/recoveries on impairment of financial assets available for sale (Charges concerning the banking industry)	508
	+ Caption 160 (partial) Other net insurance income (expense) - changes in technical reserves due to impairment of securities AFS	3
	- Caption 190 (partial) Net provisions for risks and charges (Time value allowances for risks and charges)	-
	- Caption 190 (partial) Net provisions for risks and charges (Public contribution for the operation concerning the Venetian banks - Charges for integration)	1,913
	- Caption 190 (partial) Net provisions for risks and charges (Charges concerning the banking industry)	100
	+ Caption 200 (partial) Net adjustments to/recoveries on property and equipment (Impairment)	-2
	- Caption 200 (partial) Net adjustments to/recoveries on property and equipment (Impairment - Effect of purchase price allocation)	-
	+ Caption 210 (partial) Net adjustments to/recoveries on intangible assets (Impairment)	-
	+ Caption 220 (partial) Other operating income (expenses) (Impairment losses on repurchased property and equipment)	-4
	+ Caption 240 (partial) Profits (Losses) on investments in associates and companies subject to joint control (Net losses/recoveries on impairment of associates)	-7
Other income (expenses)		3,885
	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	336
	Caption 270 Profits (Losses) on disposal of investments	61
	+ Caption 220 (partial) Other operating income (expenses) (Profits (losses) on disposal of repurchased property and equipment)	11
	+ Caption 220 (partial) Other operating income (expenses)	3
	+ Caption 220 (partial) Other operating income (expenses) (IMI Sec. dispute)	-22
	- Caption 240 (partial) Profits (Losses) on investments in associates and companies subject to joint control (carried at equity)	-44
	- Caption 240 (partial) Profits (Losses) on investments in associates and companies subject to joint control (Net losses/recoveries on impairment of associates)	7
	+ Caption 220 (partial) Other operating income (expenses) (Public contribution for the operation concerning the Venetian banks)	3,500
	- Caption 270 (partial) Profits (Losses) on disposal of investments (Effect of purchase price allocation)	32
Income (Loss) after tax from discontinued operations		-
	Caption 310 Income (Loss) after tax from discontinued operations	-
	+ Caption 290 (partial) Taxes on income from continuing operations (Goodwill impairment)	-
Gross income (loss)		7,921

		(millions of euro)
Captions of the reclassified consolidated income statement	Captions of the consolidated income statement	30.09.2017 Consolidated figure
Gross income (loss)		7,921
Taxes on income		-1,232
	<i>Caption 290 Taxes on income from continuing operations</i>	-249
	- <i>Caption 290 (partial) Taxes on income from continuing operations (Discontinued operations)</i>	-
	- <i>Caption 290 (partial) Taxes on income from continuing operations (Charges for integration)</i>	-32
	- <i>Caption 290 (partial) Taxes on income from continuing operations (Public contribution for the operation concerning the Venetian banks - Charges for integration tax effect)</i>	-628
	- <i>Caption 290 (partial) Taxes on income from continuing operations (Effect of purchase price allocation)</i>	-18
	- <i>Caption 290 (partial) Taxes on income from continuing operations (Resolution fund and deposit guarantee scheme)</i>	-92
	- <i>Caption 290 (partial) Taxes on income from continuing operations (Impairment losses on financial assets - Investments for the stability of the banking system)</i>	-200
	- <i>Caption 290 (partial) Taxes on income from continuing operations (Net losses/recoveries on impairment of loans)</i>	-13
Charges (net of tax) for integration and exit incentives		-73
	+ <i>Caption 180 a) (partial) Personnel expenses (Charges for integration and exit incentives)</i>	-46
	+ <i>Caption 180 b) (partial) Other administrative expenses (Charges for integration)</i>	-37
	+ <i>Caption 190 (partial) Net provisions for risks and charges (Public contribution for the operation concerning the Venetian banks - Charges for integration)</i>	-1,913
	+ <i>Caption 200 (partial) Net adjustments to/recoveries on property and equipment (Impairment - Charges for integration)</i>	-9
	+ <i>Caption 210 (partial) Net adjustments to/recoveries on intangible assets (Charges for integration)</i>	-13
	+ <i>Caption 220 (partial) Other operating income (expenses) (Public contribution for the operation concerning the Venetian banks - Charges for integration)</i>	1,285
	+ <i>Caption 290 (partial) Taxes on income from continuing operations (Public contribution for the operation concerning the Venetian banks - Charges for integration tax effect)</i>	628
	+ <i>Caption 290 (partial) Taxes on income from continuing operations (Charges for integration)</i>	32
Effect of purchase price allocation (net of tax)		-37
	+ <i>Caption 30 (partial) Interest margin (Effect of purchase price allocation)</i>	-3
	+ <i>Caption 200 (partial) Net adjustments to/recoveries on property and equipment (Effect of purchase price allocation)</i>	-
	+ <i>Caption 200 (partial) Net adjustments to/recoveries on property and equipment (Impairment - Effect of purchase price allocation)</i>	-
	+ <i>Caption 210 (partial) Net adjustments to/recoveries on intangible assets (Effect of purchase price allocation)</i>	-20
	+ <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>	-32
	+ <i>Caption 290 (partial) Taxes on income from continuing operations (Effect of purchase price allocation)</i>	18
Levies and other charges concerning the banking industry (net of tax)		-652
	+ <i>Caption 130 a) Net losses/recoveries on impairment of loans (Charges concerning the banking industry)</i>	-48
	+ <i>Caption 130 b) (partial) Net losses/recoveries on impairment of financial assets available for sale (Charges concerning the banking industry)</i>	-508
	+ <i>Caption 180 b) (partial) Other administrative expenses (Contribution to resolution fund and deposit guarantee scheme)</i>	-301
	+ <i>Caption 190 (partial) Net provisions for risks and charges (Charges concerning the banking industry)</i>	-100
	+ <i>Caption 290 (partial) Taxes in income from continuing operations (Contribution to resolution fund and deposit guarantee scheme)</i>	92
	+ <i>Caption 290 (partial) Taxes on income from continuing operations (Impairment losses on financial assets - Investments for the stability of the banking system)</i>	200
	+ <i>Caption 290 (partial) Taxes on income from continuing operations (Net losses/recoveries on impairment of loans)</i>	13
Impairment (net of tax) of goodwill and other intangible assets		-
	<i>Caption 260 Goodwill impairment</i>	-
Minority interests		-39
	<i>Caption 330 Minority interests</i>	-39
Net income (loss)	Caption 340 Parent Company's net income (loss)	5,888

		(millions of euro)	
Captions of the reclassified consolidated income statement	Captions of the consolidated income statement	30.09.2017 Consolidated figure net of operations acquired	30.09.2016 Restated
Net interest income		5,369	5,546
	Caption 30 Interest margin	6,304	6,520
	- Caption 30 (partial) Contribution of insurance business	-1,439	-1,464
	- Caption 30 (partial) Interest margin (Effect of purchase price allocation)	3	5
	+ Caption 80 (partial) Components of the profits (losses) on trading relating to net interest	2	-1
	+ Caption 130 a (partial) Net losses/recoveries on impairment of loans (Time value loans)	531	527
	+ Caption 180 a (partial) Personnel expenses (Time value employee termination indemnities and other)	-32	-41
	+ Caption 190 (partial) Net provisions for risks and charges (Time value allowances for risks and charges)	-	-
Net fee and commission income		5,640	5,301
	Caption 60 Net fee and commission income	5,311	4,886
	- Caption 60 (partial) Contribution of insurance business	353	408
	- Caption 60 (partial) Components of net fee and commission income relating to profits (losses) on trading	6	25
	+ Caption 180 b (partial) Other administrative expenses (Recovery of other expenses)	-30	-18
Income from insurance business		750	829
	Caption 150 Net insurance premiums	5,052	6,784
	Caption 160 Other net insurance income (expense)	-6,600	-8,274
	+ Caption 30 (partial) Contribution of insurance business	1,439	1,464
	+ Caption 60 (partial) Contribution of insurance business	-353	-408
	+ Caption 70 (partial) Contribution of insurance business	179	179
	+ Caption 80 (partial) Contribution of insurance business	1,036	1,130
	- Caption 160 (partial) Other net insurance income (expense)-changes in technical reserves due to impairm. of securities AFS	-3	-46
Profits (Losses) on trading		799	943
	Caption 80 Profits (Losses) on trading	325	316
	Caption 90 Fair value adjustments in hedge accounting	-1	-48
	Caption 100 b) Profits (Losses) on disposal or repurchase of financial assets available for sale	580	941
	Caption 100 d) Profits (Losses) on disposal or repurchase of financial liabilities	-14	9
	Caption 110 Profits (Losses) on financial assets and liabilities designated at fair value	883	754
	+ Caption 60 (partial) Components of net fee and commission income relating to profits (losses) on trading	-6	-25
	+ Caption 70 (partial) Dividend and similar income on shares available for sale and held for trading	73	218
	- Caption 80 (partial) Components of the profits (losses) on trading relating to net interest	-2	1
	- Caption 80 (partial) Contribution of insurance business	-1,036	-1,130
	- Caption 100 b (partial) Profits (Losses) on disposal or repurchase of financial assets available for sale (Visa Europe Transaction)	-	-87
	+ Caption 180 b (partial) Other administrative expenses (stocking costs)	-3	-6
Other operating income (expenses)		76	172
	Caption 70 Dividend and similar income	290	398
	Caption 220 Other operating income (expenses)	5,292	506
	- Caption 70 (partial) Contribution of insurance business	-179	-179
	- Caption 70 (partial) Dividend and similar income on shares available for sale and held for trading	-73	-218
	- Caption 220 (partial) Other operating income (expenses) (Public contribution for the operation concerning the Venetian banks - Charges for integration)	-1,285	-
	- Caption 220 (partial) Other operating income (expenses) (Public contribution for the operation concerning the Venetian banks)	-3,500	-
	- Caption 220 (partial) Other operating income (expenses) (Recovery of expenses)	-7	-5
	- Caption 220 (partial) Other operating income (expenses) (Recovery of indirect taxes)	-518	-527
	- Caption 220 (partial) Other operating income (expenses) (Impairment losses on repurchased property and equipment)	4	12
	- Caption 220 (partial) Other operating income (expenses) (Profits (losses) on disposal of repurchased property and equipment)	-11	-2
	- Caption 220 (partial) Other operating income(expenses)	-3	-
	- Caption 220 (partial) Other operating income (expenses) (IMI Sec. dispute)	22	-
	+ Caption 240 (partial) Profits (Losses) on investments in associates and companies subject to joint control (carried at equity)	44	187
Operating income		12,634	12,791
Personnel expenses		-3,934	-3,930
	Caption 180 a) Personnel expenses	-4,012	-4,016
	- Caption 180 a (partial) Personnel expenses (Charges for integration and exit incentives)	46	45
	- Caption 180 a (partial) Personnel expenses (Time value employee termination indemnities and other)	32	41
Administrative expenses		-1,836	-1,865
	Caption 180 b) Other administrative expenses	-2,722	-2,725
	- Caption 180 b (partial) Other administrative expenses (Charges for integration)	37	41
	- Caption 180 b (partial) Other administrative expenses (Resolution fund and deposit guarantee scheme)	291	263
	- Caption 180 b (partial) Other administrative expenses (stocking costs)	3	6
	- Caption 180 b (partial) Other administrative expenses (Recovery of other expenses)	30	18
	+ Caption 220 (partial) Other operating income (expenses) (Recovery of indirect taxes)	518	527
	+ Caption 220 (partial) Other operating income (expenses) (Recovery of expenses)	7	5
Adjustments to property, equipment and intangible assets		-566	-543
	Caption 200 Net adjustments to/recoveries on property and equipment	-248	-256
	Caption 210 Net adjustments to/recoveries on intangible assets	-362	-413
	- Caption 200 (partial) Net adjustments to/recoveries on property and equipment (Charges for integration)	9	5
	- Caption 210 (partial) Net adjustments to/recoveries on intangible assets (Charges for integration)	13	4
	- Caption 200 (partial) Net adjustments to/recoveries on property and equipment (Impairment)	2	3
	- Caption 210 (partial) Net adjustments to/recoveries on intangible assets (Impairment)	-	-
	- Caption 200 (partial) Net adjustments to/recoveries on property and equipment (Effect of purchase price allocation)	-	-3
	- Caption 210 (partial) Net adjustments to/recoveries on intangible assets (Effect of purchase price allocation)	20	117
Operating costs		-6,336	-6,338
Operating margin		6,298	6,453

		(millions of euro)	
Captions of the reclassified consolidated income statement	Captions of the consolidated income statement	30.09.2017 Consolidated figure net of operations acquired	30.09.2016 Restated
Operating margin		6,298	6,453
Net adjustments to loans		-2,078	-2,534
	<i>Caption 100 a) Profits (Losses) on disposal or repurchase of loans</i>	-7	-23
	<i>Caption 130 a) Net losses/recoveries on impairment of loans</i>	-1,599	-2,035
	<i>Caption 130 d) Net losses/recoveries on impairment of other financial activities</i>	11	51
	<i>- Caption 130 a) Net losses/recoveries on impairment of loans (Charges concerning the banking industry)</i>	48	-
	<i>- Caption 130 a) (partial) Net losses/recoveries on impairment of loans (Time value loans)</i>	-531	-527
	<i>- Caption 100 a) (partial) Profits (Losses) on disposal or repurchase of loans (Effect of purchase price allocation)</i>	-	-
Net provisions and net impairment losses on other assets		-85	-317
	<i>Caption 130 b) Net losses/recoveries on impairment of financial assets available for sale</i>	-521	-115
	<i>Caption 130 c) Net losses/recoveries on impairment of investments held to maturity</i>	-	-
	<i>Caption 190 Net provisions for risks and charges</i>	-2,066	-164
	<i>- Caption 130 b) (partial) Net losses/recoveries on impairment of financial assets available for sale (Charges concerning the banking industry)</i>	507	-
	<i>+ Caption 160 (partial) Other net insurance income (expense) - changes in technical reserves due to impairment of securities AFS</i>	3	46
	<i>- Caption 190 (partial) Net provisions for risks and charges (Time value allowances for risks and charges)</i>	-	-
	<i>- Caption 190 (partial) Net provisions for risks and charges (Public contribution for the operation concerning the Venetian banks - Charges for integration)</i>	1,913	-
	<i>- Caption 190 (partial) Net provisions for risks and charges (Charges concerning the banking industry)</i>	92	-
	<i>+ Caption 200 (partial) Net adjustments to/recoveries on property and equipment (Impairment)</i>	-2	-3
	<i>- Caption 200 (partial) Net adjustments to/recoveries on property and equipment (Impairment - Effect of purchase price allocation)</i>	-	-
	<i>+ Caption 210 (partial) Net adjustments to/recoveries on intangible assets (Impairment)</i>	-	-
	<i>+ Caption 220 (partial) Other operating income (expenses) (Impairment losses on repurchased property and equipment)</i>	-4	-12
	<i>+ Caption 240 (partial) Profits (Losses) on investments in associates and companies subject to joint control (Net losses/recoveries on impairment of associates)</i>	-7	-69
Other income (expenses)		3,885	217
	<i>Caption 100 c) Profits (Losses) on disposal or repurchase of investments held to maturity</i>	1	-
	<i>Caption 240 Profits (Losses) on investments in associates and companies subject to joint control</i>	336	141
	<i>Caption 270 Profits (Losses) on disposal of investments</i>	61	21
	<i>+ Caption 100 b) (partial) Profits (Losses) on disposal or repurchase of financial assets available for sale (Visa Europe Transaction)</i>	-	87
	<i>+ Caption 220 (partial) Other operating income (expenses) (Profits (losses) on disposal of repurchased property and equipment)</i>	11	2
	<i>+ Caption 220 (partial) Other operating income (expenses)</i>	3	-
	<i>+ Caption 220 (partial) Other operating income (expenses) (IMI Sec. dispute)</i>	-22	-
	<i>- Caption 240 (partial) Profits (Losses) on investments in associates and companies subject to joint control (carried at equity)</i>	-44	-187
	<i>- Caption 240 (partial) Profits (Losses) on investments in associates and companies subject to joint control (Net losses/recoveries on impairment of associates)</i>	7	69
	<i>+ Caption 220 (partial) Other operating income (expenses) (Public contribution for the operation concerning the Venetian banks)</i>	3,500	-
	<i>- Caption 270 (partial) Profits (Losses) on disposal of investments (Effect of purchase price allocation)</i>	32	1
	<i>+ Caption 310 Income (Loss) after tax from discontinued operations (Visa Europe Transaction)</i>	-	83
Income (Loss) after tax from discontinued operations		-	71
	<i>Caption 310 Income (Loss) after tax from discontinued operations</i>	-	121
	<i>+ Caption 290 (partial) Taxes on income from continuing operations (Goodwill impairment)</i>	-	27
	<i>- Caption 310 (partial) Income (Loss) after tax from discontinued operations (Visa Europe Transaction)</i>	-	-83
	<i>- Caption 310 (partial) Income (Loss) after tax from discontinued operations (Taxes for Visa Europe Transaction)</i>	-	6
Gross income (loss)		8,020	3,890

		(millions of euro)	
Captions of the reclassified consolidated income statement	Captions of the consolidated income statement	30.09.2017 Consolidated figure net of operations acquired	30.09.2016 Restated
Gross income (loss)		8,020	3,890
Taxes on income		-1,263	-1,114
	<i>Caption 290 Taxes on income from continuing operations</i>	-286	-934
	- <i>Caption 290 (partial) Taxes on income from continuing operations (Discontinued operations)</i>	-	-27
	- <i>Caption 290 (partial) Taxes on income from continuing operations (Charges for integration)</i>	-32	-28
	- <i>Caption 290 (partial) Taxes on income from continuing operations (Public contribution for the operation concerning the Venetian banks - Charges for integration tax effect)</i>	-628	-
	- <i>Caption 290 (partial) Taxes on income from continuing operations (Effect of purchase price allocation)</i>	-18	-38
	- <i>Caption 290 (partial) Taxes on income from continuing operations (Resolution fund and deposit guarantee scheme)</i>	-89	-81
	- <i>Caption 290 (partial) Taxes on income from continuing operations (Impairment losses on financial assets - Investments for the stability of the banking system)</i>	-197	-
	- <i>Caption 290 (partial) Taxes on income from continuing operations (Net losses/recoveries on impairment of loans)</i>	-13	-
	+ <i>Caption 310 (partial) Income (Loss) after tax from discontinued operations (Taxes for Visa Europe Transaction)</i>	-	-6
Charges (net of tax) for integration and exit incentives		-73	-67
	+ <i>Caption 180 a) (partial) Personnel expenses (Charges for integration and exit incentives)</i>	-46	-45
	+ <i>Caption 180 b) (partial) Other administrative expenses (Charges for integration)</i>	-37	-41
	+ <i>Caption 190 (partial) Net provisions for risks and charges (Public contribution for the operation concerning the Venetian banks - Charges for integration)</i>	-1,913	-
	+ <i>Caption 200 (partial) Net adjustments to/recoveries on property and equipment (Impairment - Charges for integration)</i>	-9	-5
	+ <i>Caption 210 (partial) Net adjustments to/recoveries on intangible assets (Charges for integration)</i>	-13	-4
	+ <i>Caption 220 (partial) Other operating income (expenses) (Public contribution for the operation concerning the Venetian banks - Charges for integration)</i>	1,285	-
	+ <i>Caption 290 (partial) Taxes on income from continuing operations (Public contribution for the operation concerning the Venetian banks - Charges for integration tax effect)</i>	628	-
	+ <i>Caption 290 (partial) Taxes on income from continuing operations (Charges for integration)</i>	32	28
Effect of purchase price allocation (net of tax)		-37	-82
	+ <i>Caption 30 (partial) Interest margin (Effect of purchase price allocation)</i>	-3	-5
	+ <i>Caption 200 (partial) Net adjustments to/recoveries on property and equipment (Effect of purchase price allocation)</i>	-	3
	+ <i>Caption 200 (partial) Net adjustments to/recoveries on property and equipment (Impairment - Effect of purchase price allocation)</i>	-	-
	+ <i>Caption 210 (partial) Net adjustments to/recoveries on intangible assets (Effect of purchase price allocation)</i>	-20	-117
	+ <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>	-32	-1
	+ <i>Caption 290 (partial) Taxes on income from continuing operations (Effect of purchase price allocation)</i>	18	38
Levies and other charges concerning the banking industry (net of tax)		-639	-182
	+ <i>Caption 130 a) Net losses/recoveries on impairment of loans (Charges concerning the banking industry)</i>	-48	-
	+ <i>Caption 130 b) (partial) Net losses/recoveries on impairment of financial assets available for sale (Charges concerning the banking industry)</i>	-507	-
	+ <i>Caption 180 b) (partial) Other administrative expenses (Contribution to resolution fund and deposit guarantee scheme)</i>	-291	-263
	+ <i>Caption 190 (partial) Net provisions for risks and charges (Charges concerning the banking industry)</i>	-92	-
	+ <i>Caption 290 (partial) Taxes in income from continuing operations (Contribution to resolution fund and deposit guarantee scheme)</i>	89	81
	+ <i>Caption 290 (partial) Taxes on income from continuing operations (Impairment losses on financial assets - Investments for the stability of the banking system)</i>	197	-
	+ <i>Caption 290 (partial) Taxes on income from continuing operations (Net losses/recoveries on impairment of loans)</i>	13	-
Impairment (net of tax) of goodwill and other intangible assets		-	-
	<i>Caption 260 Goodwill impairment</i>	-	-
Minority interests		-39	-110
	<i>Caption 330 Minority interests</i>	-39	-110
Net income (loss)	Caption 340 Parent Company's net income (loss)	5,969	2,335

Contacts

Intesa Sanpaolo S.p.A.

Registered office

Piazza San Carlo, 156
10121 Torino
Telephone: +39 011 555 1

Secondary registered office

Via Monte di Pietà, 8
20121 Milano
Telephone: +39 02 879 11

Investor Relations & Price-Sensitive Communication

Telephone: +39 02 8794 3180
Fax: +39 02 8794 3123
E-mail investor.relations@intesasanpaolo.com

Media Relations

Telephone: +39 02 8796 3845
Fax: +39 02 8796 2098
E-mail stampa@intesasanpaolo.com

Internet: group.intesasanpaolo.com

