



**A Strong Bank,  
Delivering Growth**

# 2016 Results

**A Solid Year: Delivering  
on Our Commitments**

February 3, 2017

INTESA  SANPAOLO

## FY16: A Solid Year, Delivering on Our Commitments

**€3.0bn cash dividends, equal to a ~8% dividend yield<sup>(1)</sup>**

**€3.1bn Net income<sup>(2)</sup>, best since 2007**

**Q4 the best quarter for Commissions since ISP was created  
10 years ago (more than €2bn)**

**Cost/Income ratio at 51.2%, among the best in Europe,  
with Operating costs down 1% YoY**

**€6.3bn Gross NPL stock reduction over the past five quarters,  
driven by the lowest NPL inflow since ISP was created,  
coupled with increased NPL coverage**

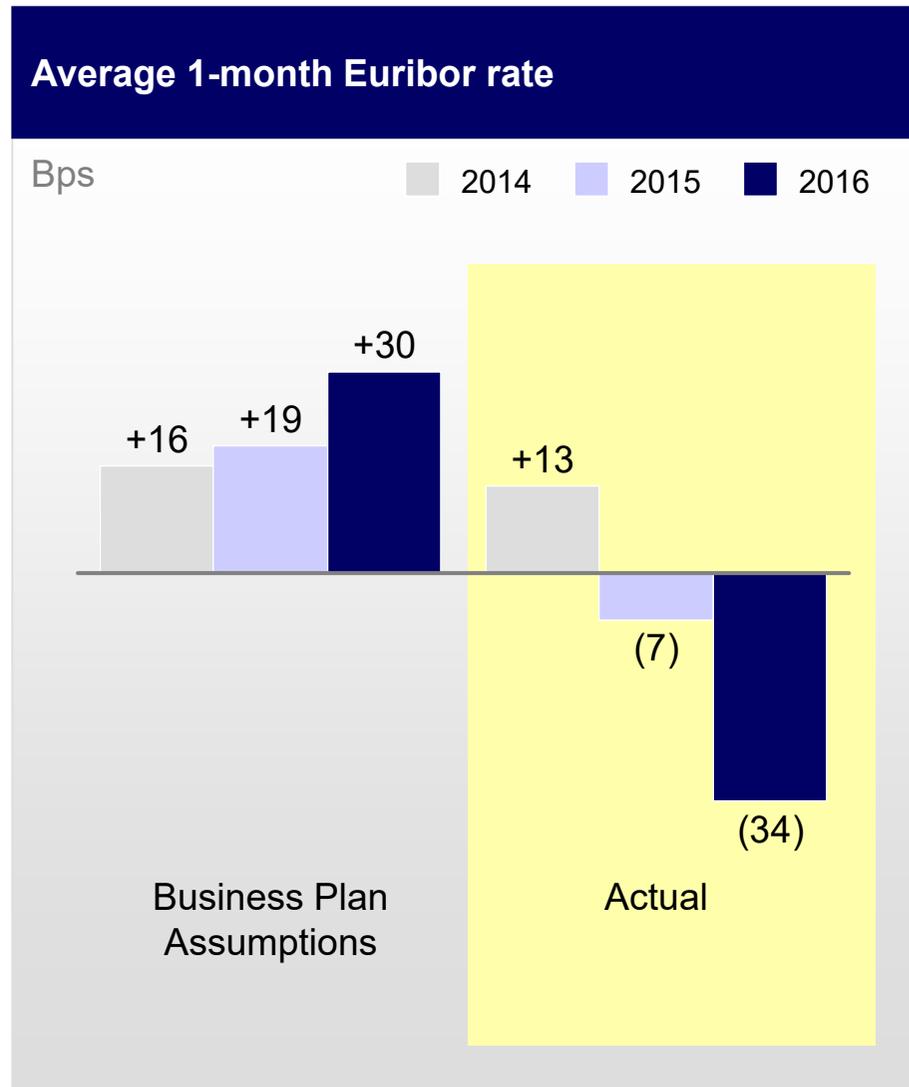
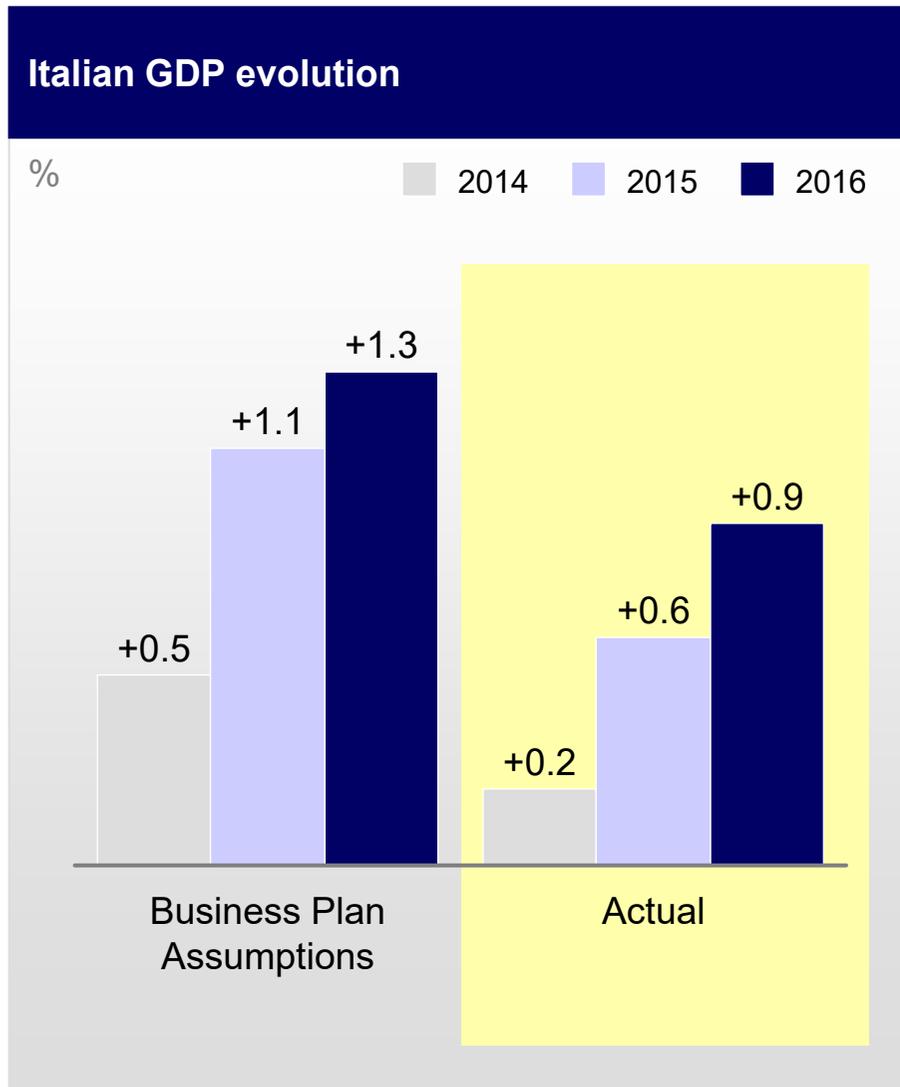
**Common Equity<sup>(3)</sup> ratio at 12.9%, well above regulatory requirements  
even under EBA stress test adverse scenario**

(1) Based on ordinary shares price as of 2.2.17

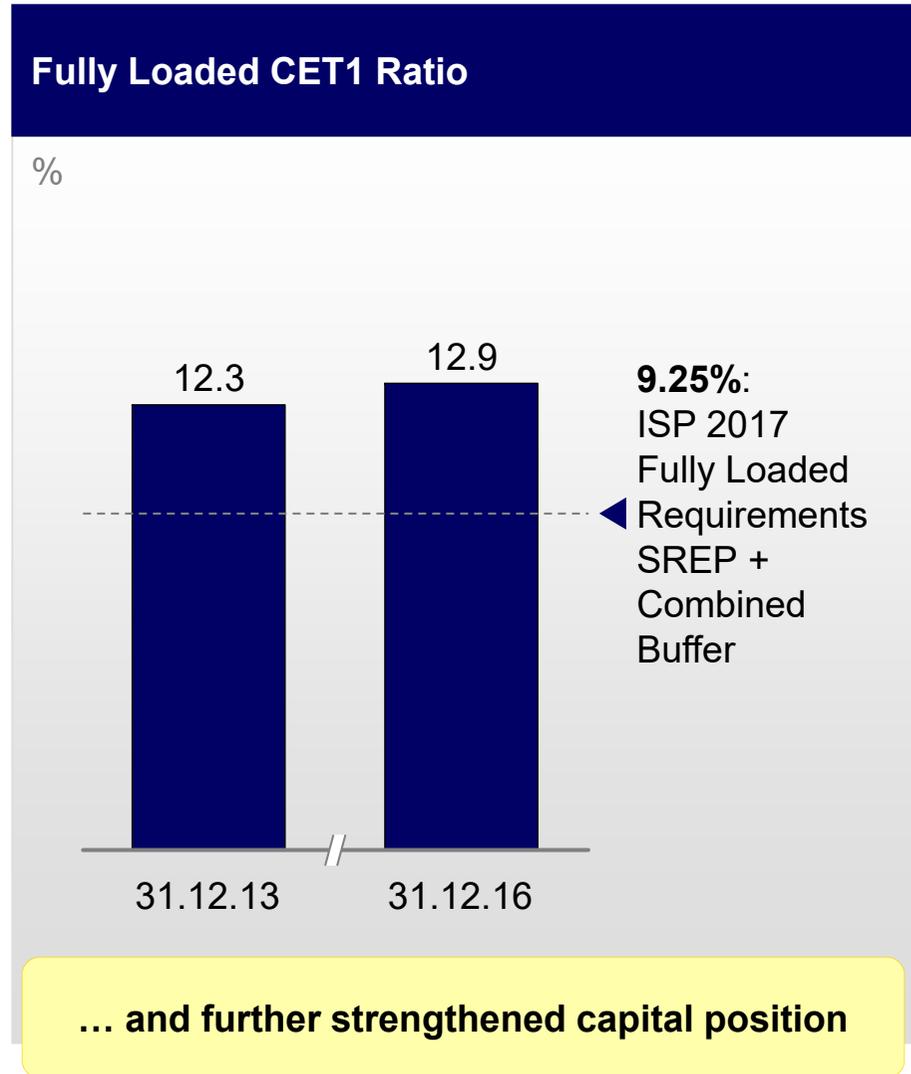
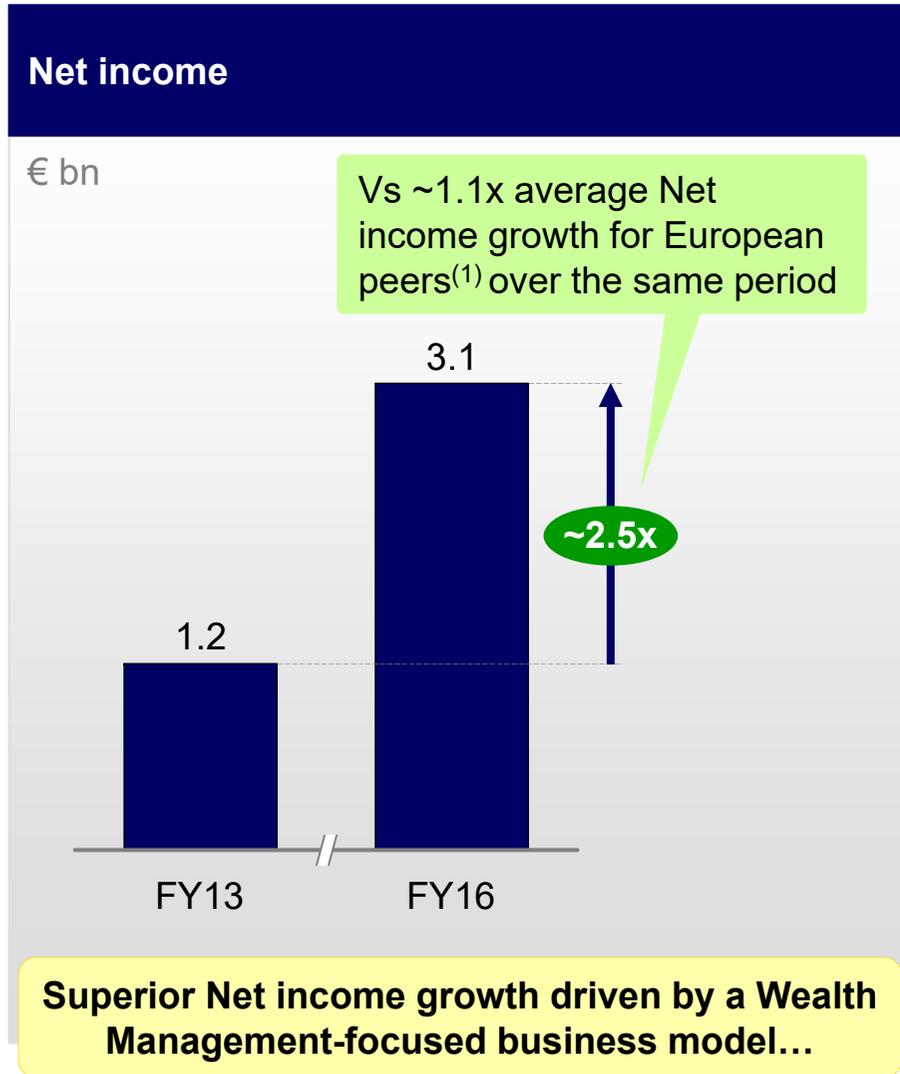
(2) Including Levies and other charges concerning the banking industry: €820m pre-tax (€559m net of tax)

(3) Pro-forma fully loaded Basel 3 (31.12.16 financial statements considering the total absorption of DTA related to goodwill realignment/adjustments to loans and the expected absorption of DTA on losses carried forward); including estimated benefits from the Danish Compromise (14bps)

# Despite Less Favourable Market Conditions Compared to Business Plan Assumptions...

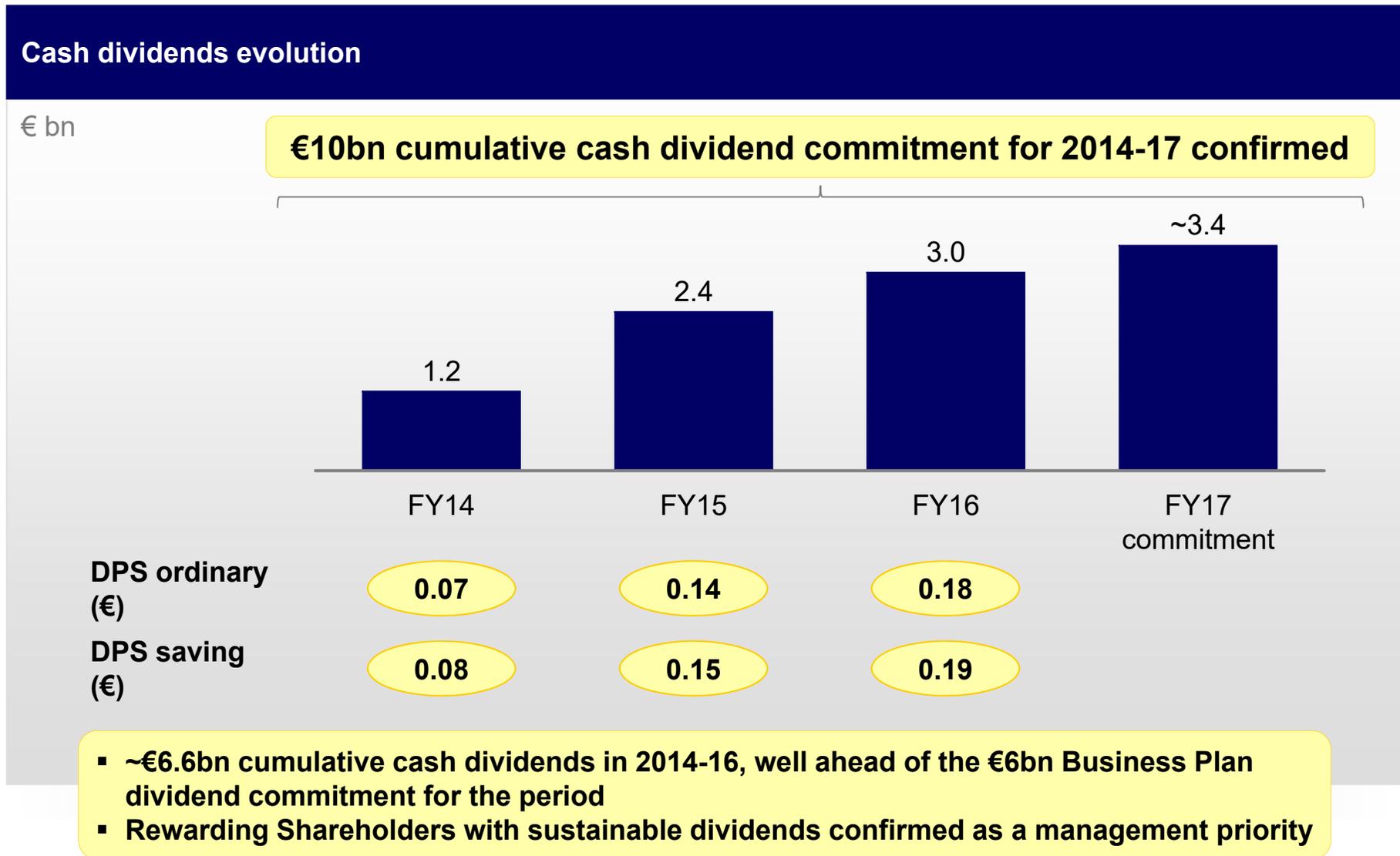


# ... ISP Delivered Superior Net Income Growth and Strengthened an Already Solid Capital Position



(1) Sample: BBVA, Deutsche Bank, ING, Nordea, Santander and UBS (31.12.16 data). Only top European banks that have communicated their FY16 results

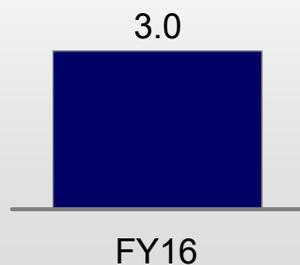
# ISP Generated ~€6.6bn Cumulative Cash Dividends in 2014-16, of which €3bn in 2016, Fully Delivering on Our Commitment



# All Stakeholders Benefit from Our Performance

## Shareholders

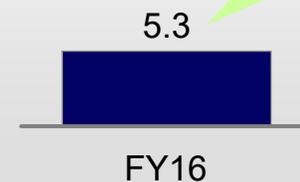
Cash dividends, € bn



## Employees

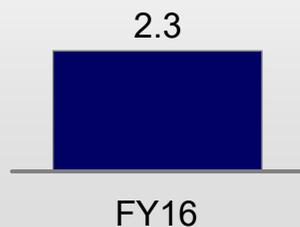
Personnel expenses, € bn

Excess capacity of ~4,500 people retained and contributing to key growth initiatives



## Public Sector

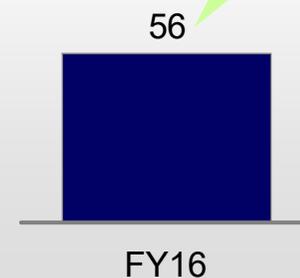
Taxes<sup>(1)</sup>, € bn



## Households and Businesses

Medium/Long-term new lending, € bn

Of which €48bn in Italy

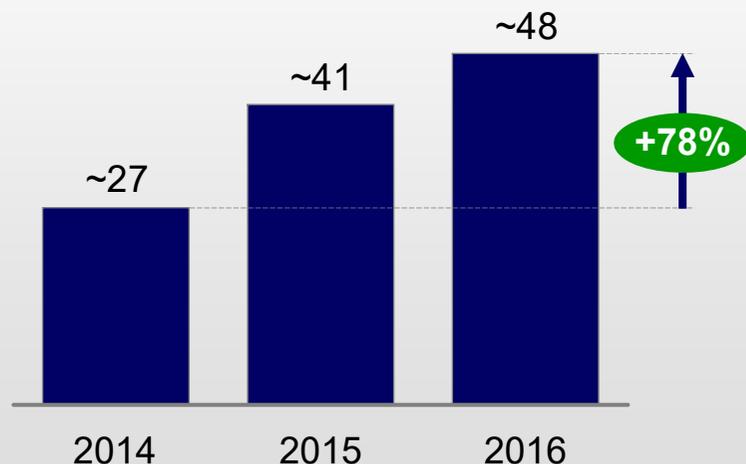


(1) Direct and indirect

# ISP: an Accelerator for the Growth of the Real Economy in Italy

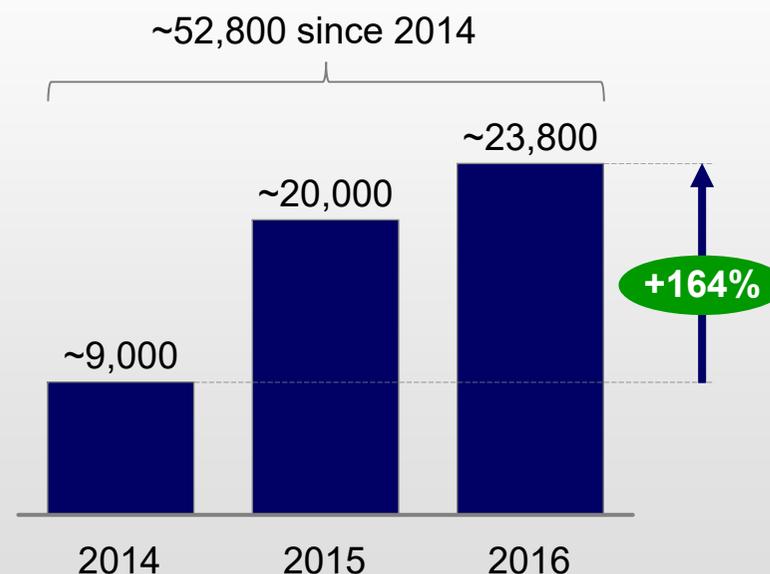
## ISP: supporting the Italian economy to grow...

Medium/Long-term new lending to Italian households and businesses, € bn



## ...and to recover

Italian companies helped to get back to performing status<sup>(1)</sup>



- ISP: a bridge towards internationalisation
- ISP: an innovation driver (e.g., innovation centre located in the ISP tower in Turin)
- ISP: an engine for social sector initiatives (e.g., Banca Prossima, the largest lender to the Social Sector in Italy)

(1) Deriving from Non-performing loans outflow

## FY16: Highlights

- **€3.0bn cash dividends (>2.5x vs FY14)** ✓
- **Solid economic performance:**
  - **€3.1bn Net income (+14% vs FY15), the highest since 2007** ✓
  - **Best quarter ever for Commissions (€2.0bn in Q4)** ✓
  - **Operating costs reduction (-1% vs FY15), with C/I ratio at 51.2%** ✓
- **Best-in-class capital position with a solid balance sheet:**
  - **Decreasing Gross NPL stock (-€6.3bn vs 30.9.15), the lowest of the past 12 quarters, coupled with the lowest NPL inflow since ISP was created** ✓
  - **Increased NPL coverage to 48.8% (+1.2pp vs 31.12.15)** ✓
  - **Pro-forma fully loaded Common Equity ratio at 12.9%<sup>(1)</sup> well above regulatory requirements even under EBA stress test adverse scenario** ✓
  - **Low leverage ratio at 6.3%** ✓
  - **Strong liquidity position and funding capability with LCR and NSFR well above 100%** ✓

(1) Pro-forma fully loaded Basel 3 (31.12.16 financial statements considering the total absorption of DTA related to goodwill realignment/adjustments to loans and the expected absorption of DTA on losses carried forward); including estimated benefits from the Danish Compromise (14bps)

# Contents

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## **FY16: A solid year, delivering on our commitments**

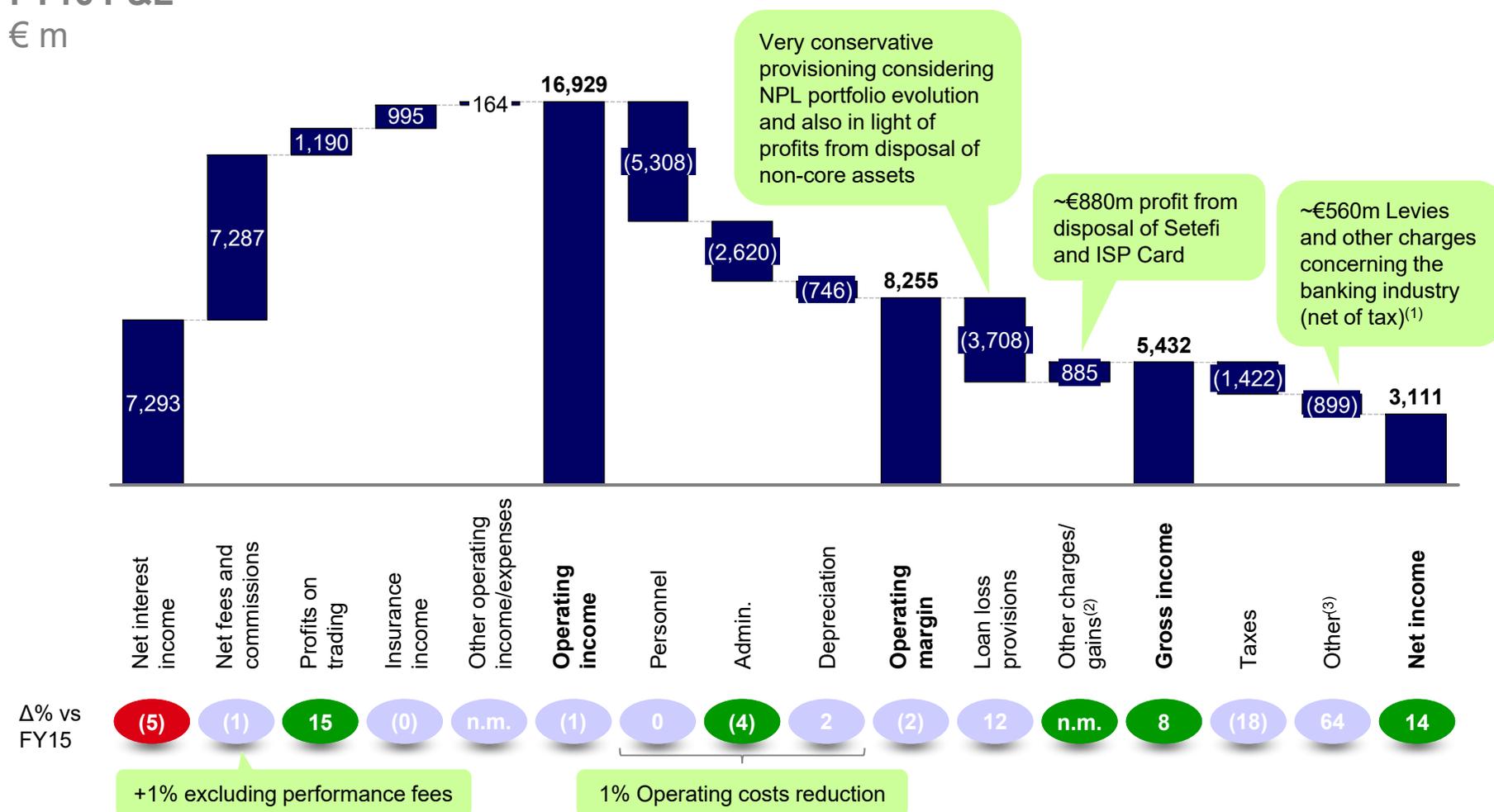
Best-in-class capital position and leverage with a solid balance sheet

Well ahead of our Business Plan

# FY16: €3.1bn Net Income

## FY16 P&L

€ m



(1) Charges for the Resolution Fund: €464m pre-tax (€316m net of tax) of which €316m extraordinary booked in Q4 (€213m net of tax), charges for Deposit Guarantee Scheme: €115m pre-tax (€81m net of tax), charges for the Voluntary Deposit Guarantee Scheme: €15m pre-tax (€10m net of tax) and charges for the Atlante Fund stake write-off: €227m pre-tax (€152m net of tax)

(2) Net provisions and net impairment losses on other assets, Other income (expenses), Income (Loss) from discontinued operations

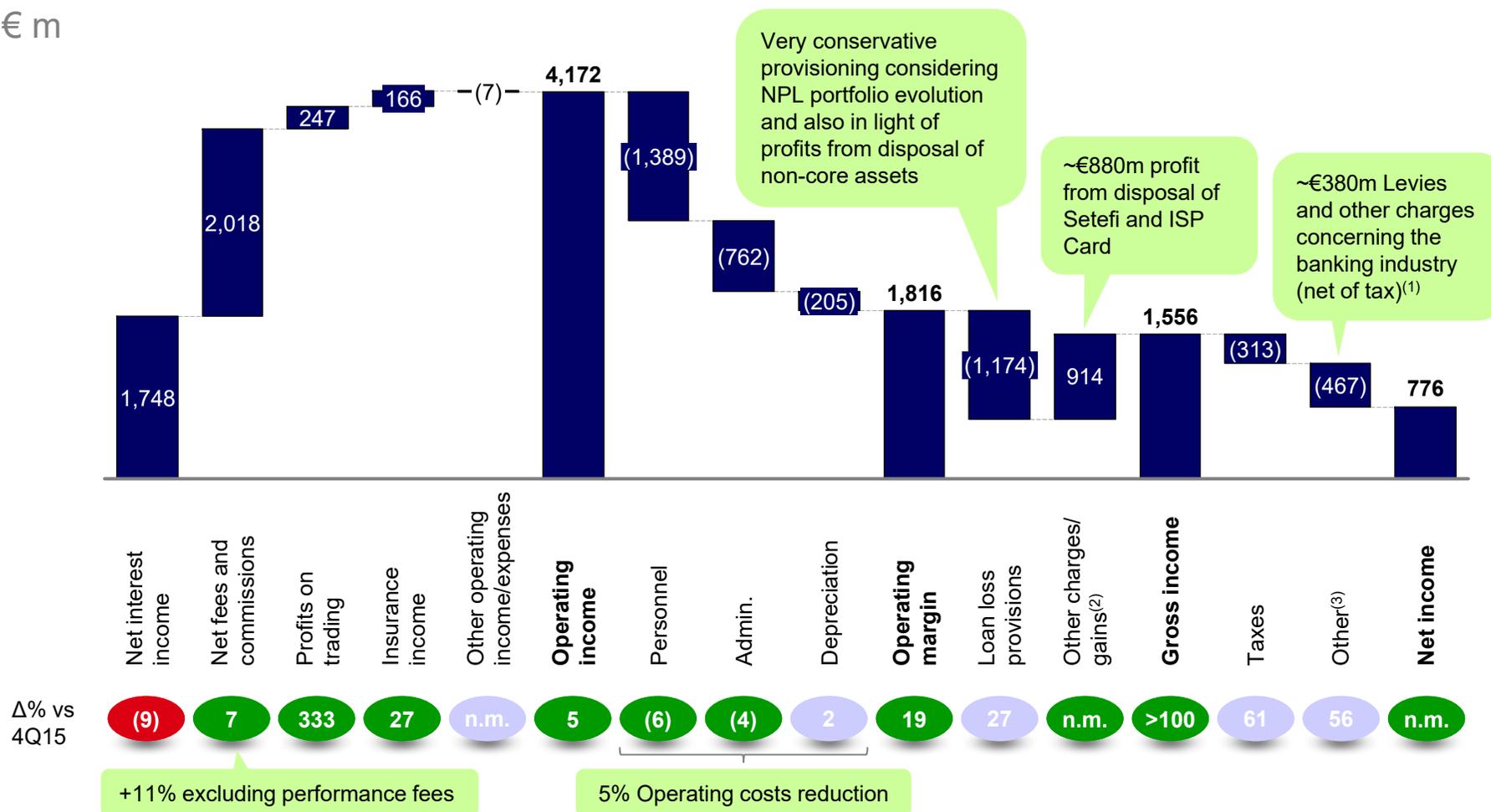
(3) Charges (net of tax) for integration and exit incentives, Effect of purchase price allocation (net of tax), Levies and other charges concerning the banking industry (net of tax), Impairment (net of tax) of goodwill and other intangible assets, Minority interests

Note: figures may not add up exactly due to rounding differences

# 4Q16: Net Income Driven by Solid Operating Performance

4Q16 P&L

€ m



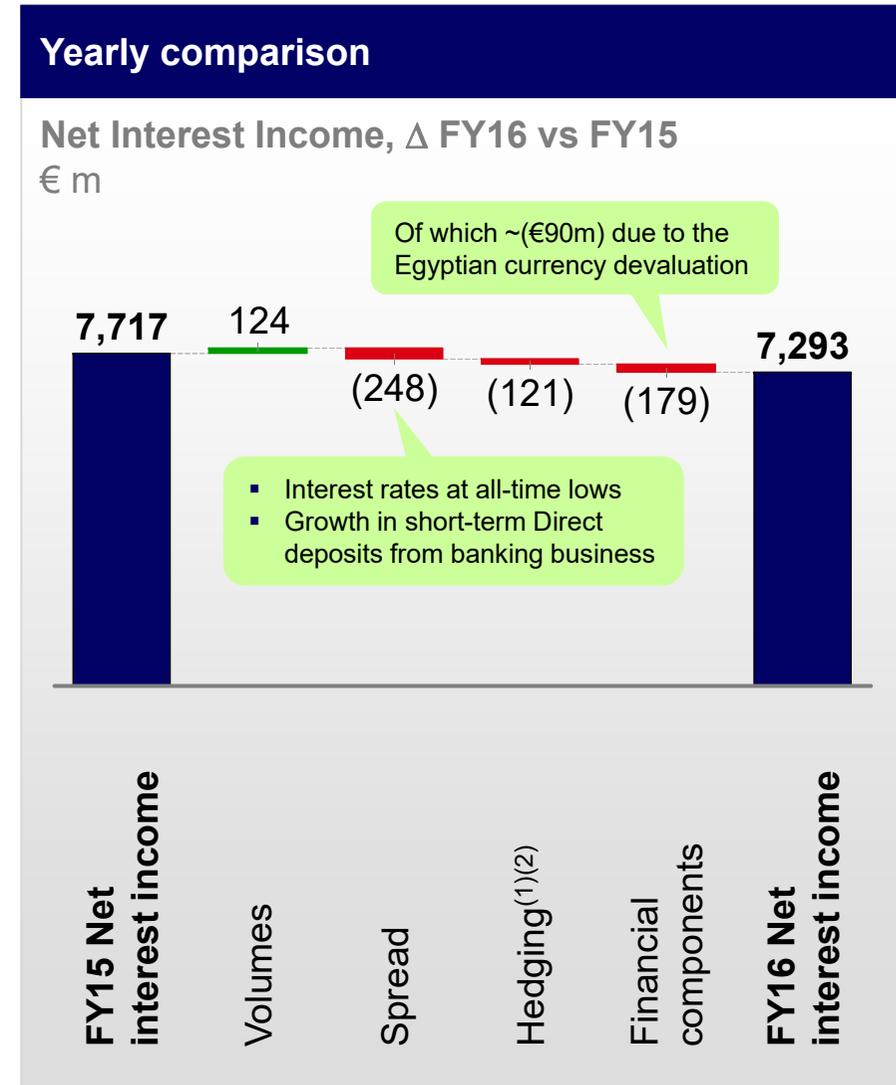
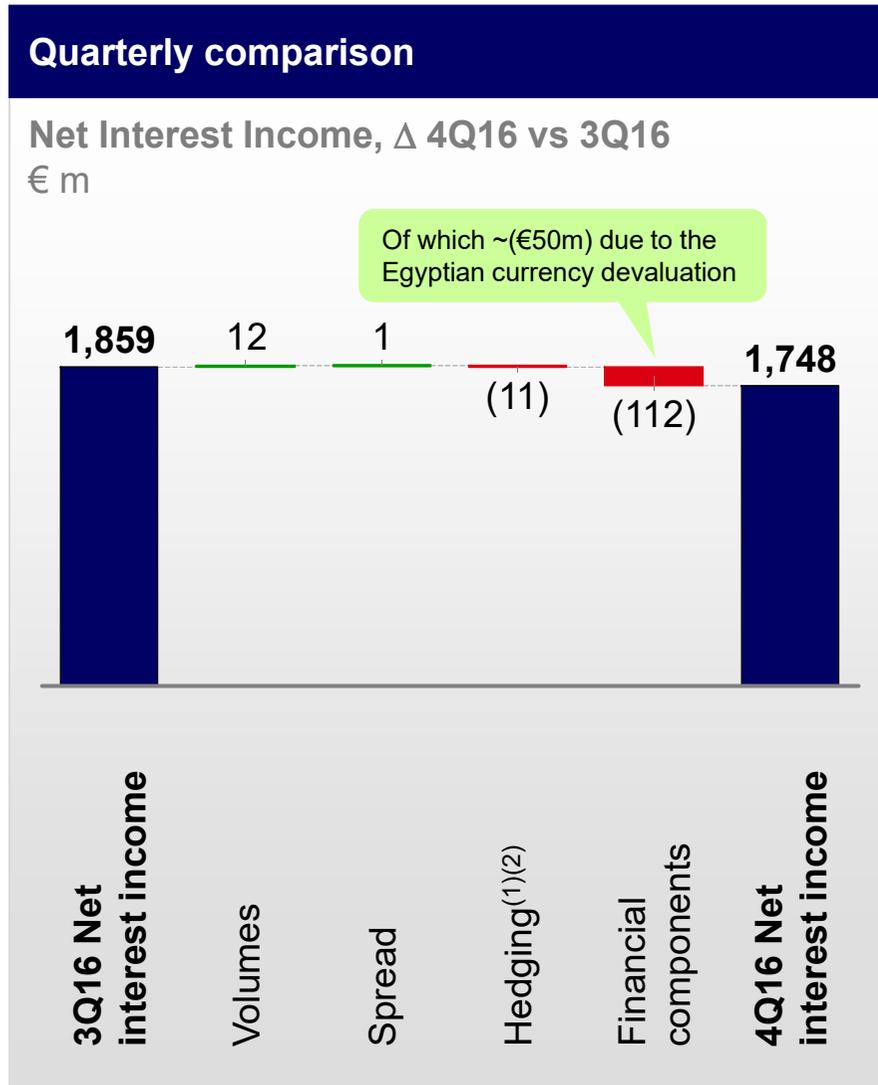
(1) Extraordinary charges for the Resolution Fund: €316m pre-tax (€213m net of tax), charges for the Voluntary Deposit Guarantee Scheme: €15m pre-tax (€10m net of tax) and charges for the Atlante Fund stake write-off: €227m pre-tax (€152m net of tax)

(2) Net provisions and net impairment losses on other assets, Other income (expenses), Income (Loss) from discontinued operations

(3) 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

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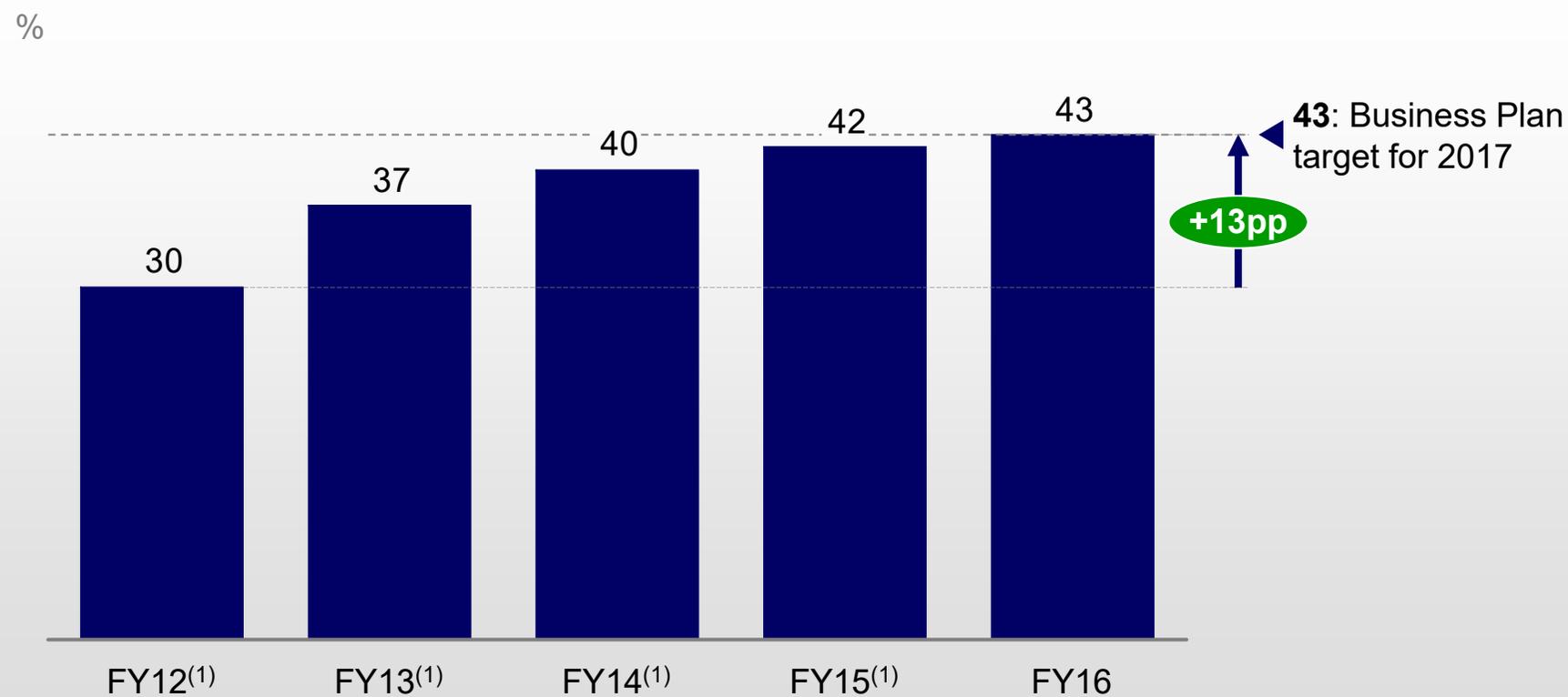
# Net Interest Income Affected by All-time Low Interest Rates and Non-commercial Components



(1) ~€610m benefit from hedging in FY16, of which ~€135m in 4Q16  
 (2) Hedging on core deposits  
 Note: figures may not add up exactly due to rounding differences

# Well-balanced and Resilient Business Model

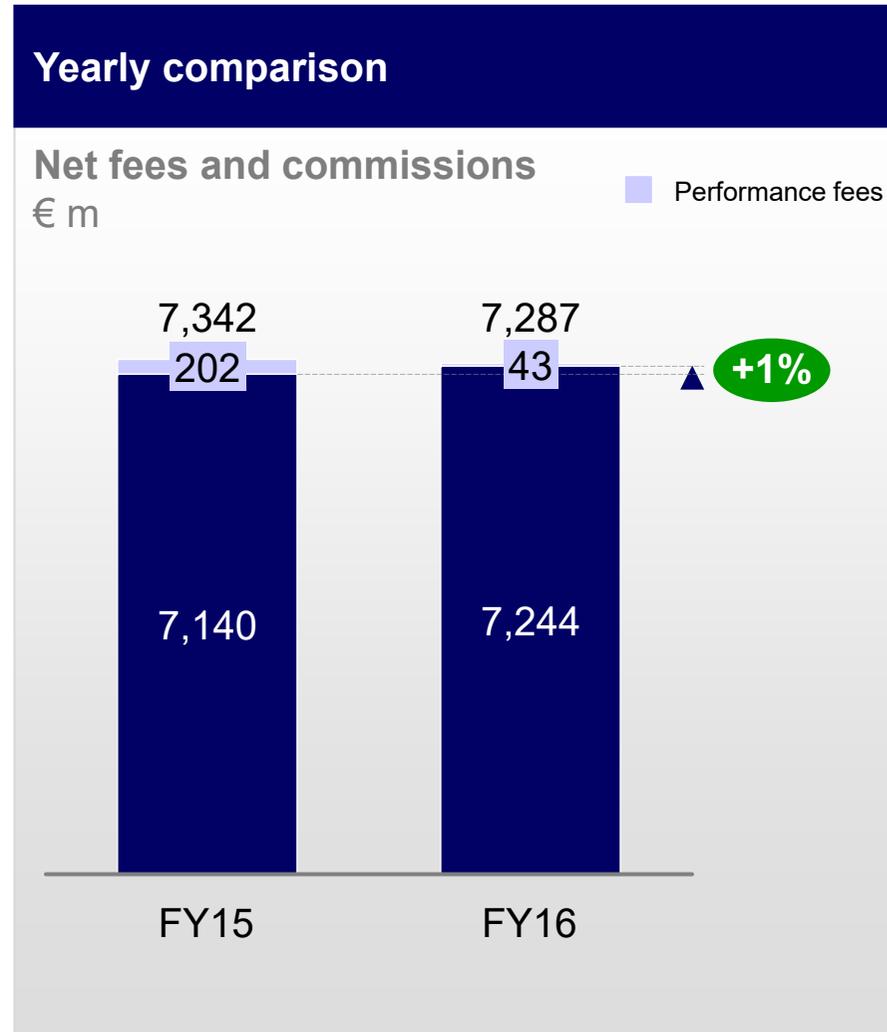
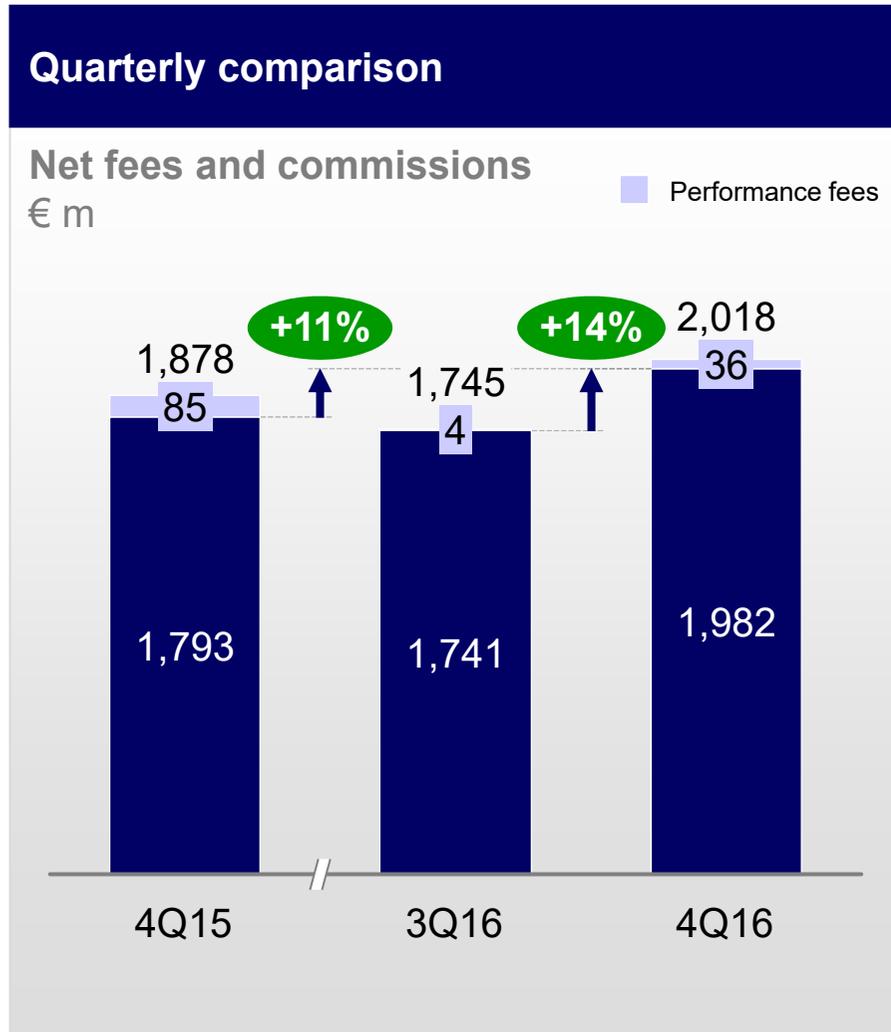
## Contribution of Net fees and commissions to Operating income



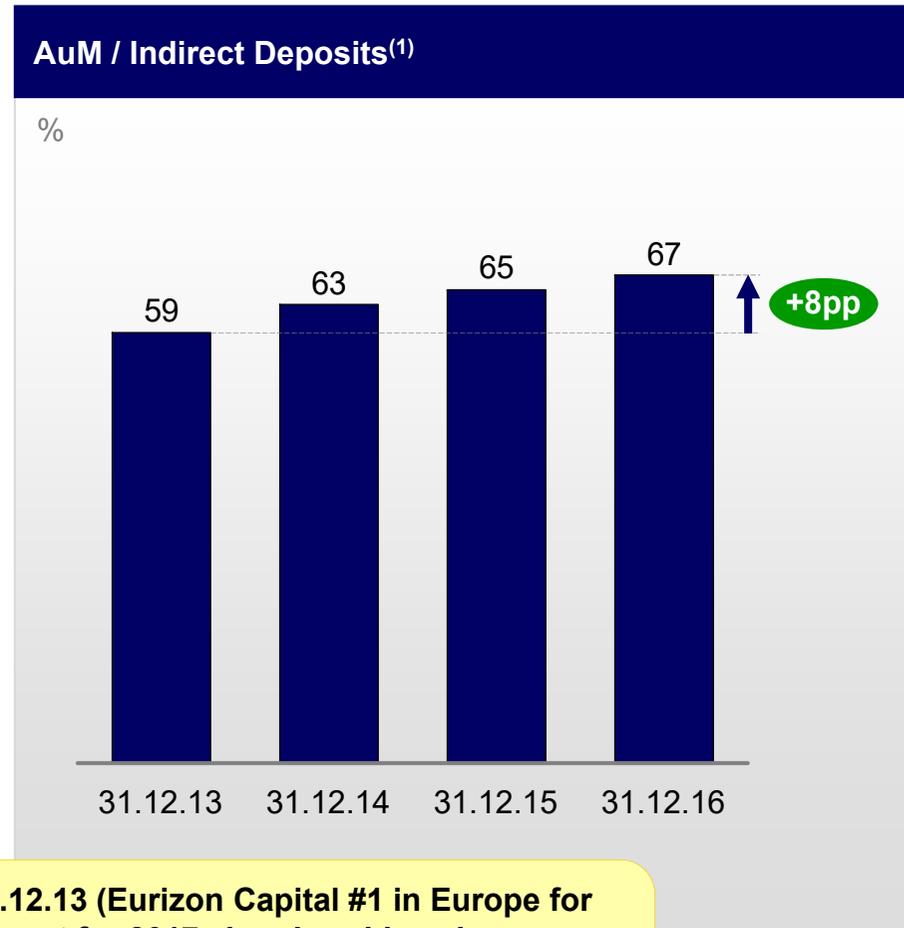
**Business Plan target for 2017 already achieved**

(1) Not restated

# Best Quarter Ever for Commissions



# €11bn Growth in Assets Under Management in 2016 with Further Upside Going Forward



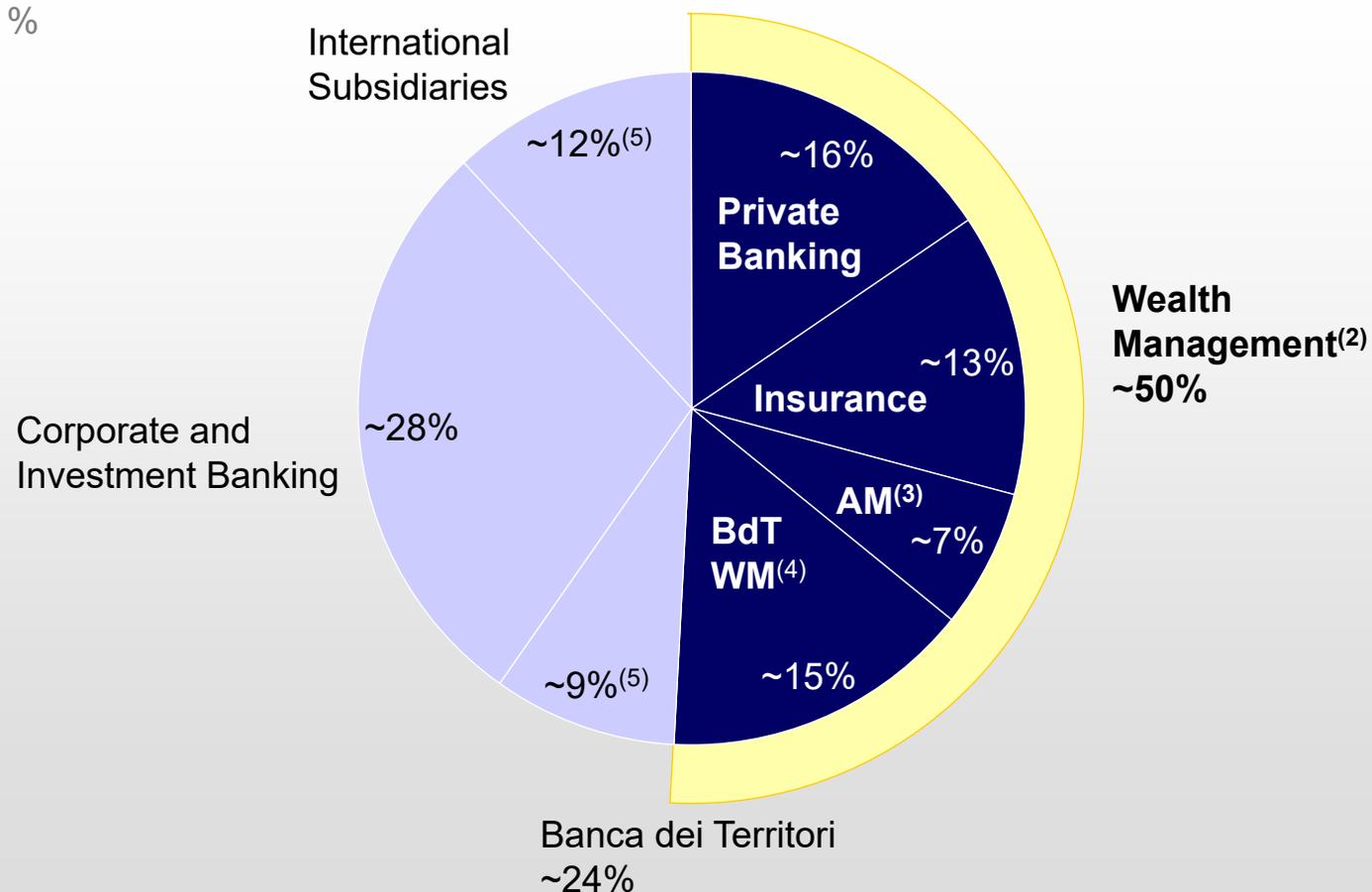
- €73bn of Net inflows into AuM since 31.12.13 (Eurizon Capital #1 in Europe for Net inflows in 2016<sup>(2)</sup>): Business Plan target for 2017 already achieved
- €155bn of AuA, increasing Direct deposits and relatively low market penetration of Wealth Management products support further sustainable growth
- Eurizon Capital awarded "Best Asset Management 2016"<sup>(3)</sup>

(1) Sum of Assets under Management (AuM) and Assets under Administration (AuA)  
 (2) Source: Morningstar  
 (3) Source: European CEO

# ISP: Already a Successful Wealth Management Company

## Gross income breakdown<sup>(1)</sup>

FY16, %



(1) Excluding Corporate Centre

(2) Private Banking includes Fideuram, Intesa Sanpaolo Private Banking, Intesa Sanpaolo Private Bank (Suisse) and Sirefid; Insurance includes Fideuram Vita, Intesa Sanpaolo Assicura and Intesa Sanpaolo Vita; Asset Management includes Eurizon Capital; BdT WM includes ~€1.8bn revenues from WM products included in Banca dei Territori (applying a C/I of ~37%)

(3) Asset Management

(4) Banca dei Territori Wealth Management

(5) Excluding profit from disposal of Setefi and ISP Card

Note: figures may not add up exactly due to rounding differences

# Operating Costs Reduction

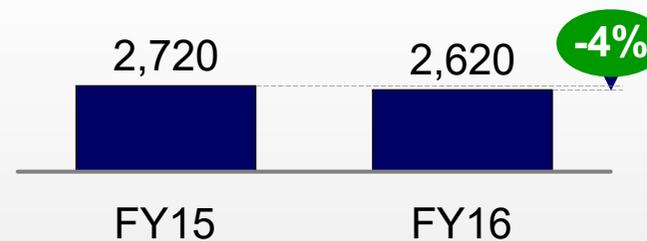
## Operating costs

€ m

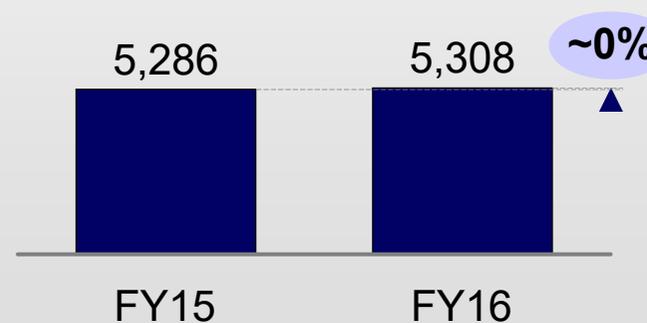
### Total Operating costs



### Administrative costs



### Personnel costs

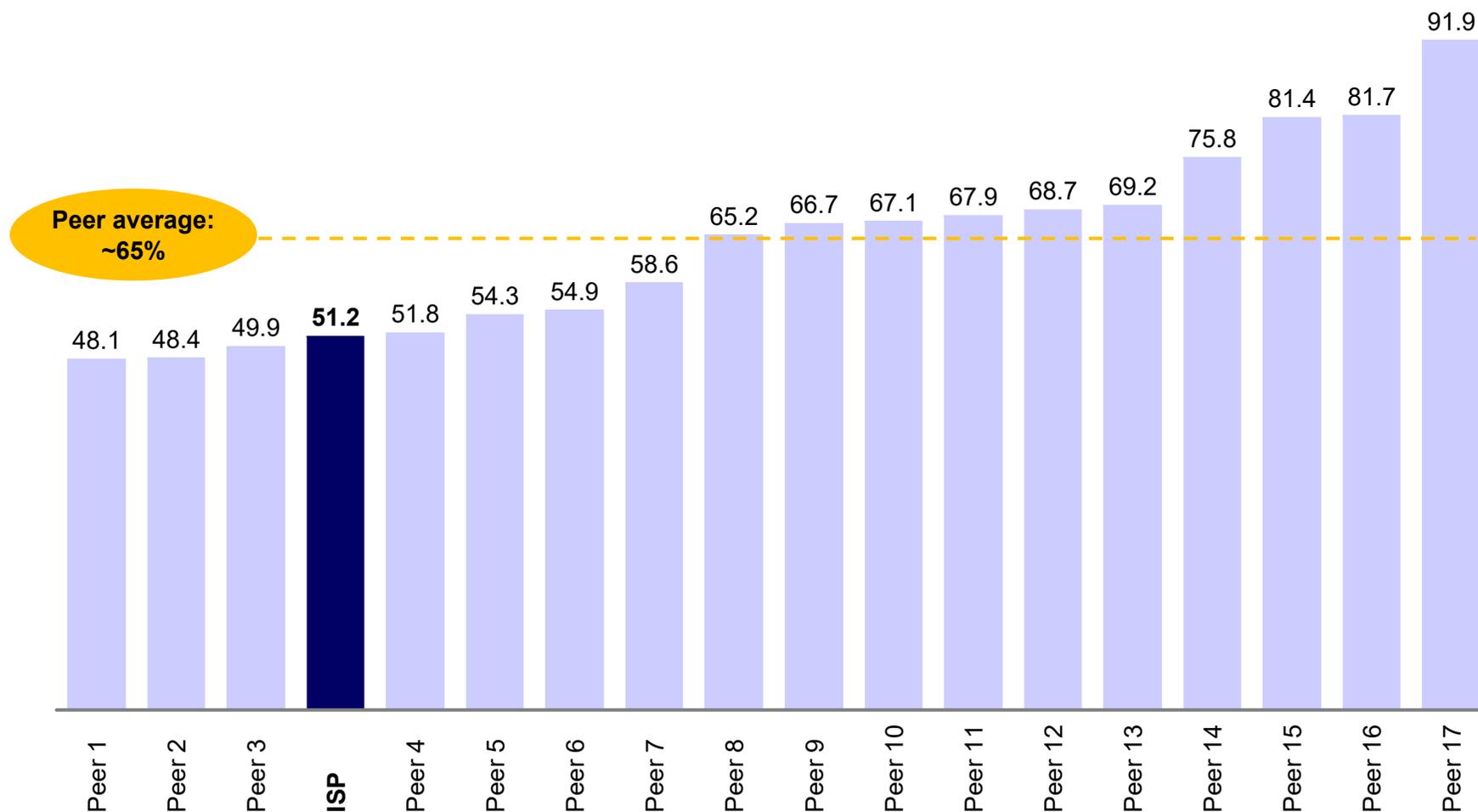


f(x)

- Best-in-class Cost/Income at 51.2%
- ISP maintains high strategic flexibility in managing costs and remains a Cost/Income leader

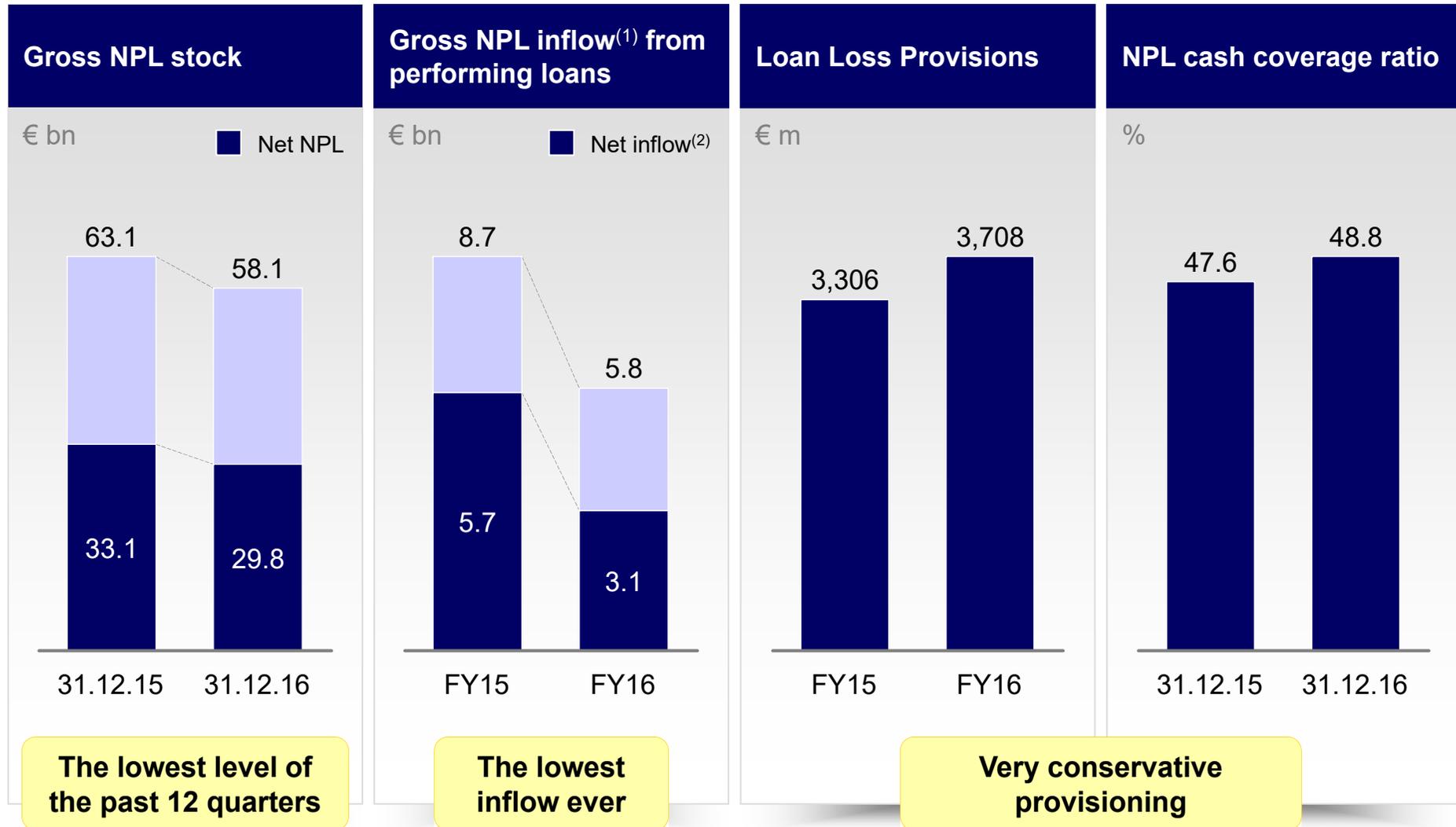
# Top-tier Cost/Income Ratio in Europe

Cost/Income<sup>(1)</sup>  
%



(1) Sample: BBVA, Deutsche Bank, ING, Nordea, Santander and UBS (31.12.16 data); Barclays, BNP Paribas, BPCE, Commerzbank, Crédit Agricole SA, Credit Suisse, HSBC, Lloyds Banking Group, Société Générale, Standard Chartered and UniCredit (30.9.16 data)

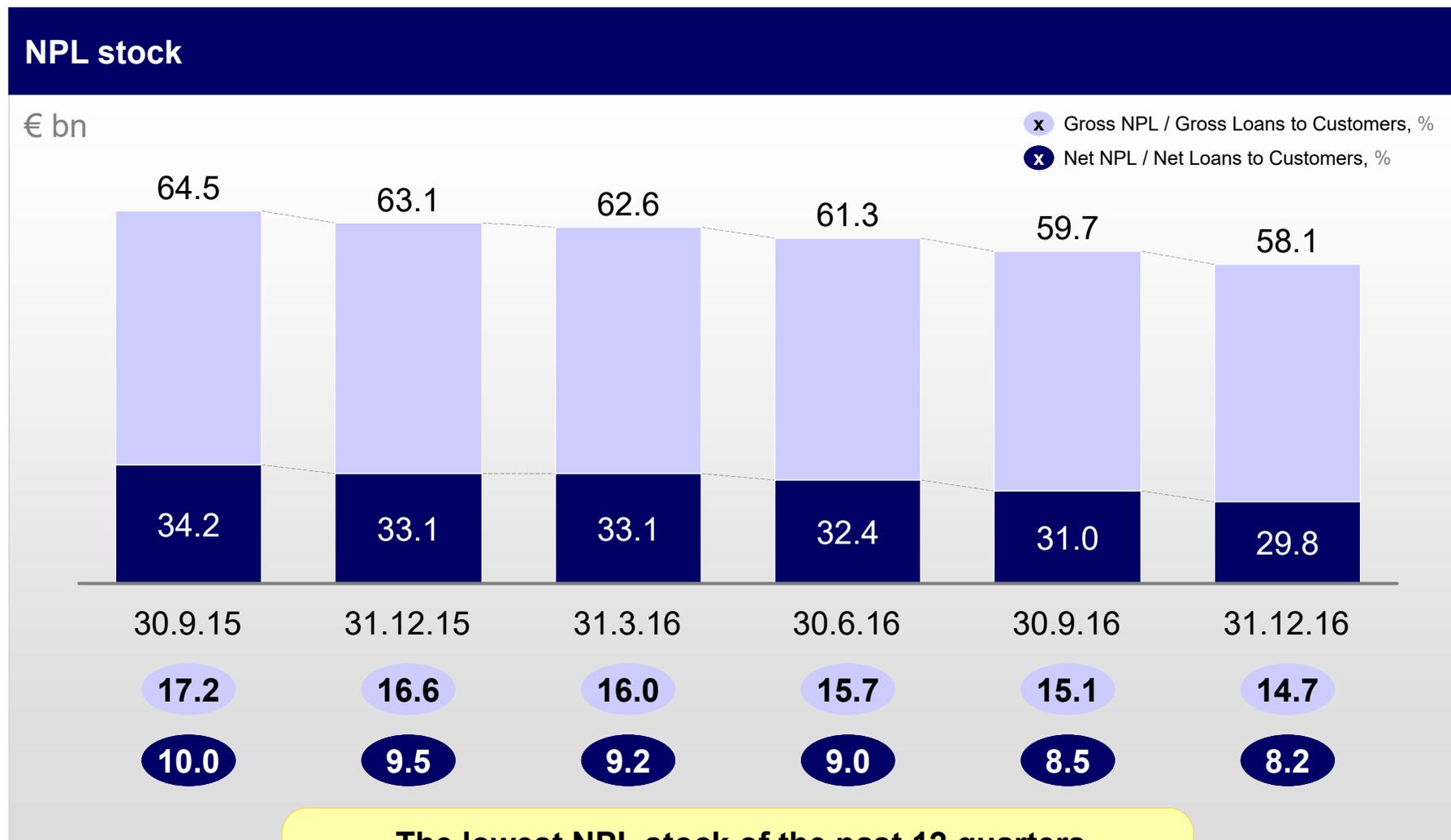
# Strong Asset Quality Improvement with Very Conservative Loan Loss Provisions



(1) Inflow to NPL (Bad Loans, Unlikely to Pay and Past Due) from performing loans

(2) Inflow to NPL (Bad Loans, Unlikely to Pay and Past Due) from performing loans minus outflow from NPL into performing loans

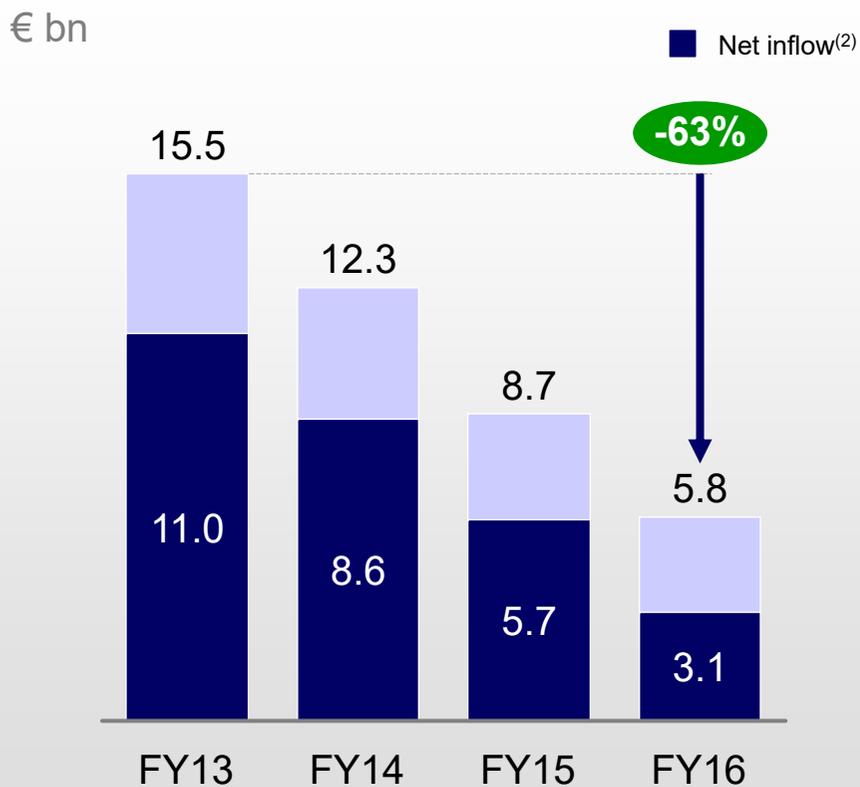
# NPL Reduction: a Key Target for 2016 Achieved



**The lowest NPL stock of the past 12 quarters  
(€6.3bn Gross NPL reduction in the last 15 months)**

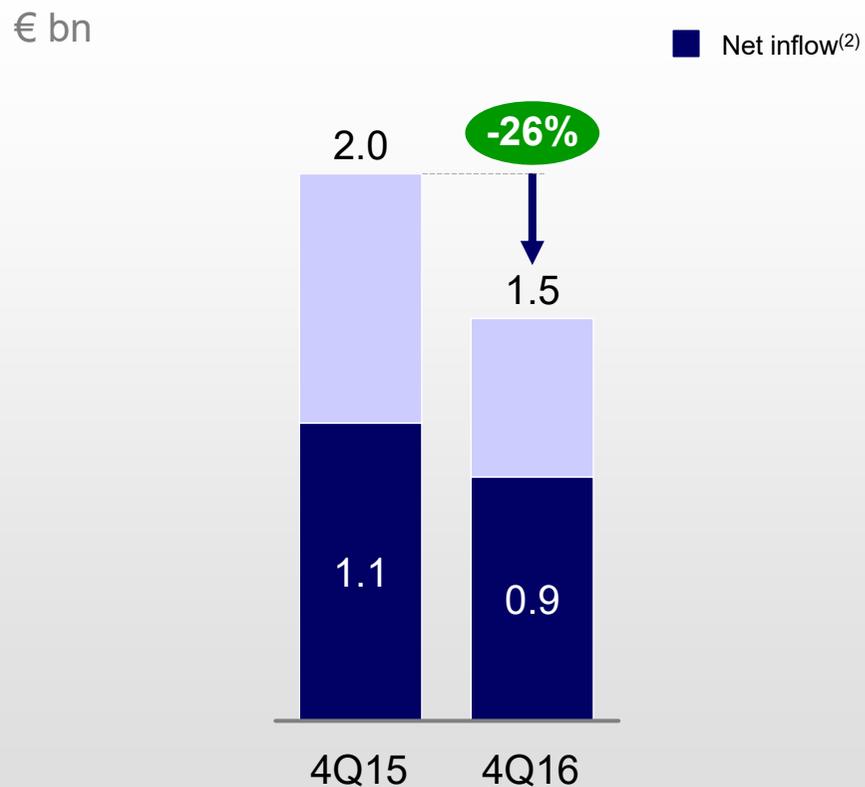
# Strong Decline in NPL Inflows

## Gross NPL inflow<sup>(1)</sup> from performing loans



**Lowest NPL inflow since ISP was created**

## Gross quarterly NPL inflow<sup>(1)</sup> from performing loans



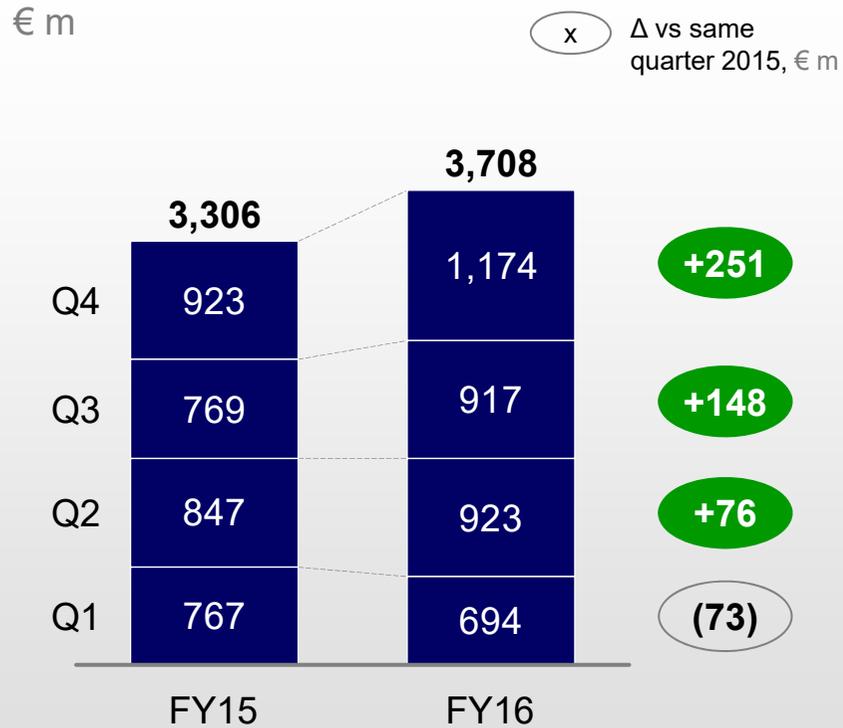
**Lowest Q4 NPL inflow since 2007**

(1) Inflow to NPL (Bad Loans, Unlikely to Pay and Past Due) from performing loans

(2) Inflow to NPL (Bad Loans, Unlikely to Pay and Past Due) from performing loans minus outflow from NPL into performing loans

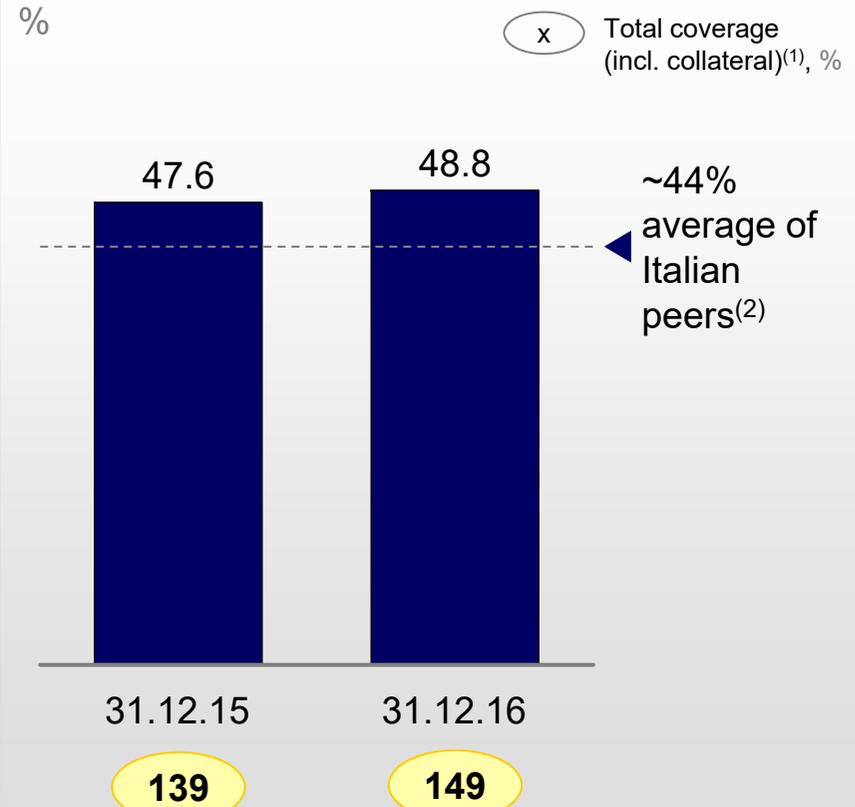
# Very Conservative Provisioning Coupled with Increased NPL Coverage

## Loan Loss Provisions



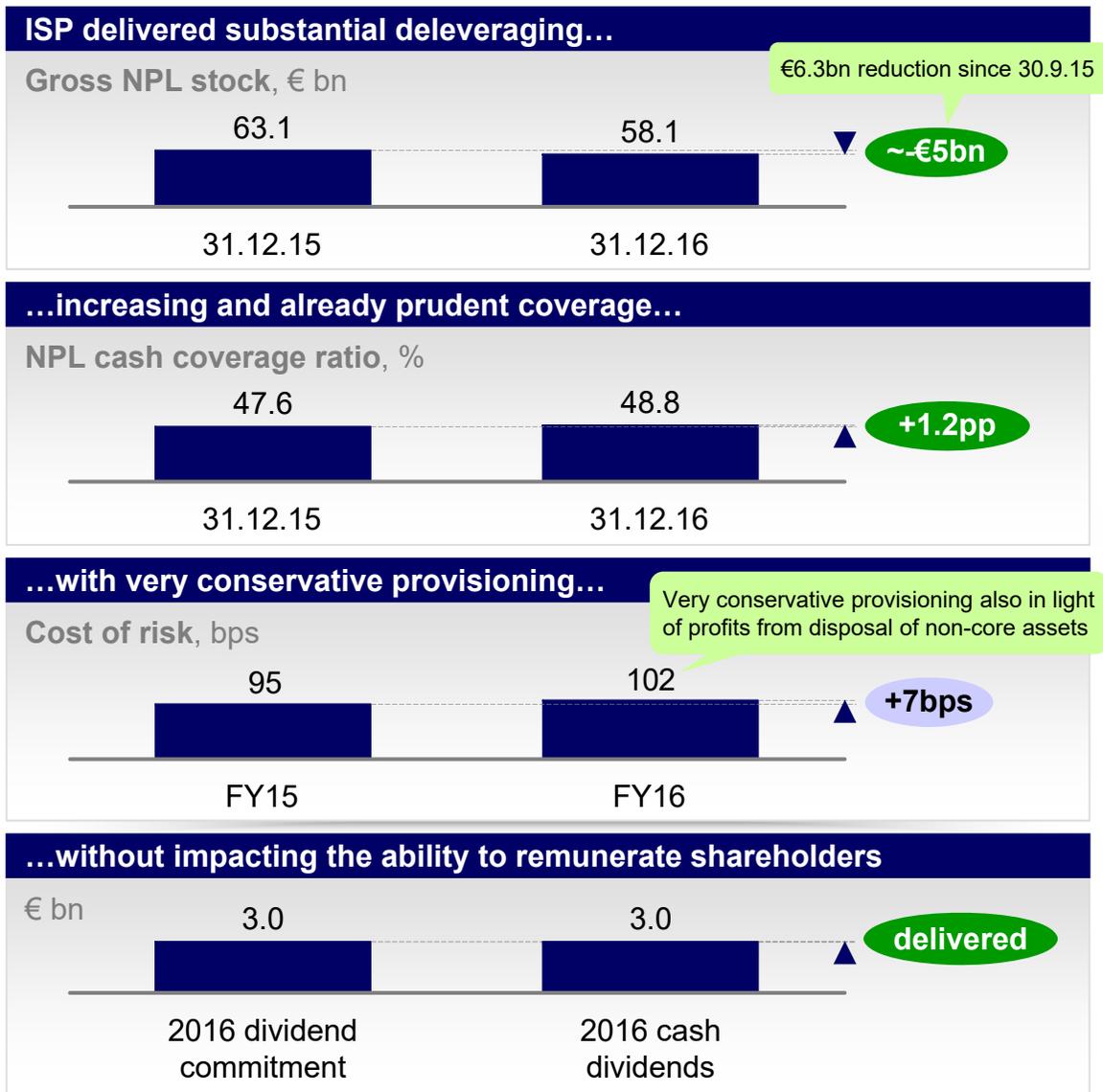
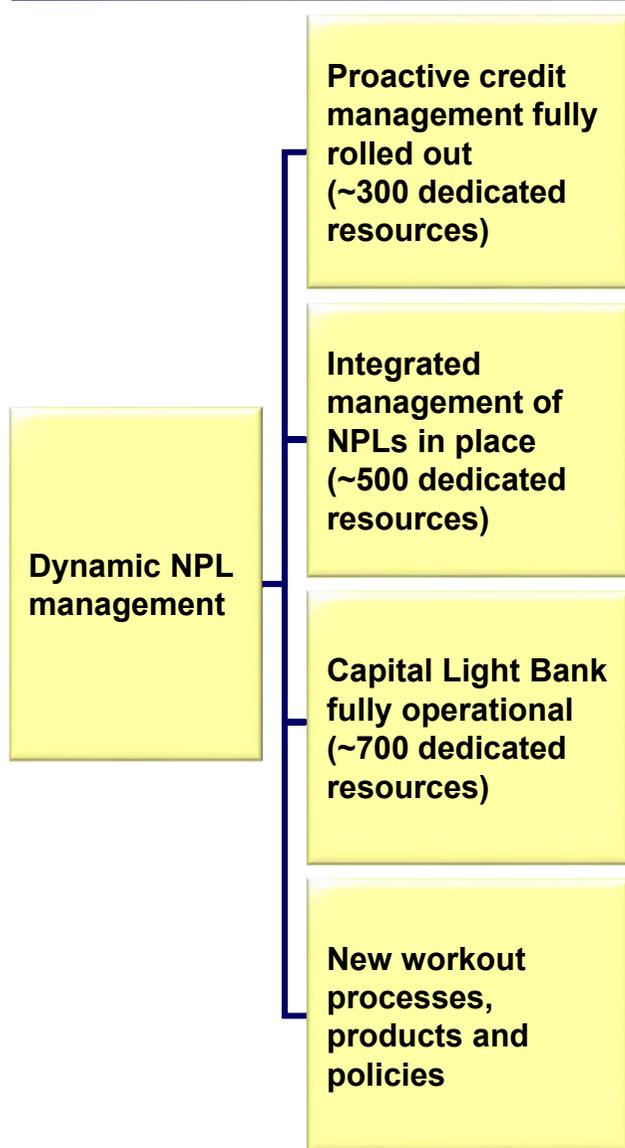
**Very conservative provisioning over the past three quarters**

## NPL cash coverage ratio



(1) Excluding personal guarantees  
 (2) Sample: BPOP, MPS, UBI and UniCredit (30.9.16 data)

# Several Successful Actions on NPL Portfolio Fully Implemented...

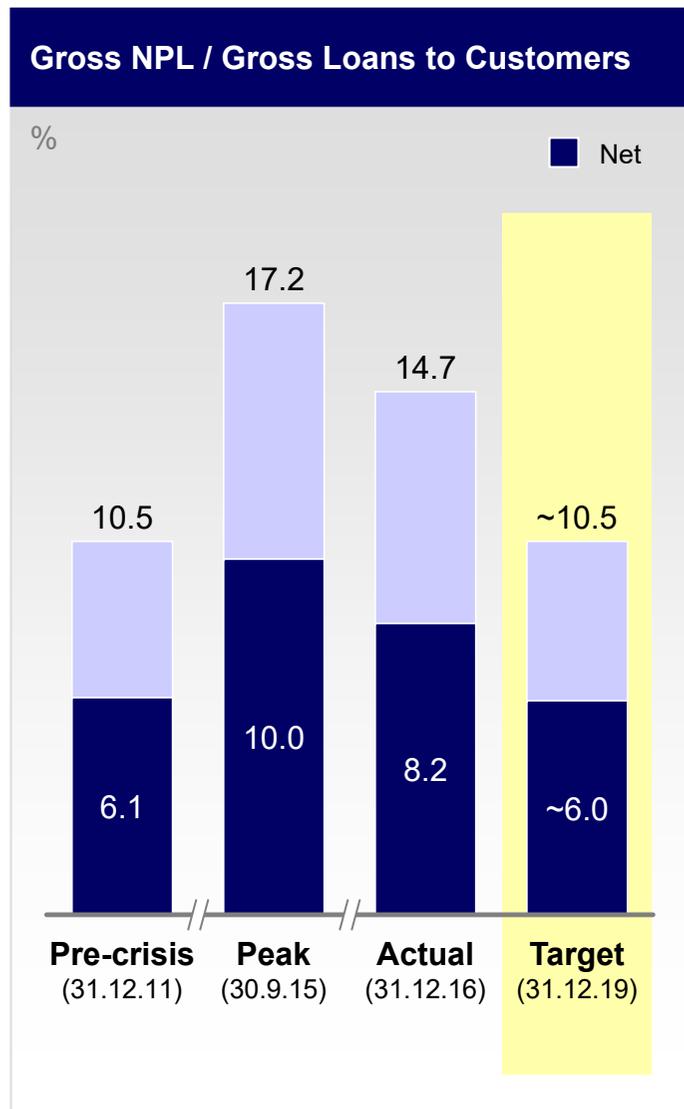


# ... with an Additional Set of Initiatives Already Underway, Aimed at Returning to Pre-crisis NPL Ratios

### Main NPL initiatives

Banca dei Territori	<ul style="list-style-type: none"> <li>Launch new catalog of <b>rescheduling/restructuring solutions</b></li> <li>Develop a <b>dedicated incentive scheme</b></li> </ul>
Corporate and Investment Banking	<ul style="list-style-type: none"> <li>Develop the <b>"Restructuring Farm"</b> to apply the full set of capabilities of the Bank (i.e., Credit, M&amp;A, Structured Finance) <b>on main distressed positions</b></li> </ul>
Capital Light Bank	<ul style="list-style-type: none"> <li>Implement a <b>cluster-based recovery strategy</b></li> <li>Strengthen <b>Re.O.Co.<sup>(1)</sup></b></li> </ul>
International Subsidiaries	<ul style="list-style-type: none"> <li>Foster the <b>sharing of best-practices</b> across all international subsidiaries</li> </ul>
Enablers	<ul style="list-style-type: none"> <li><b>~€200m investments</b> in data and operating infrastructure, incentives and additional dedicated people</li> </ul>

**Very limited and targeted NPL sales to third parties**



(1) Real Estate Owned Company

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FY16: A solid year, delivering on our commitments

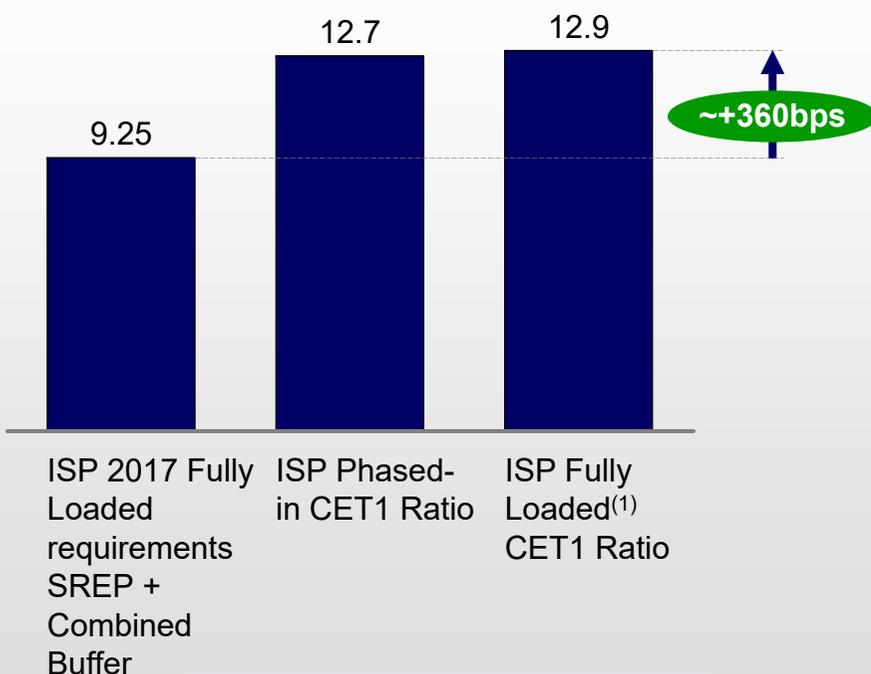
**Best-in-class capital position and leverage with a solid balance sheet**

Well ahead of our Business Plan

# Solid Capital Base, Well Ahead of Regulatory Requirements

## ISP CET1 Ratios vs requirements SREP + Combined Buffer

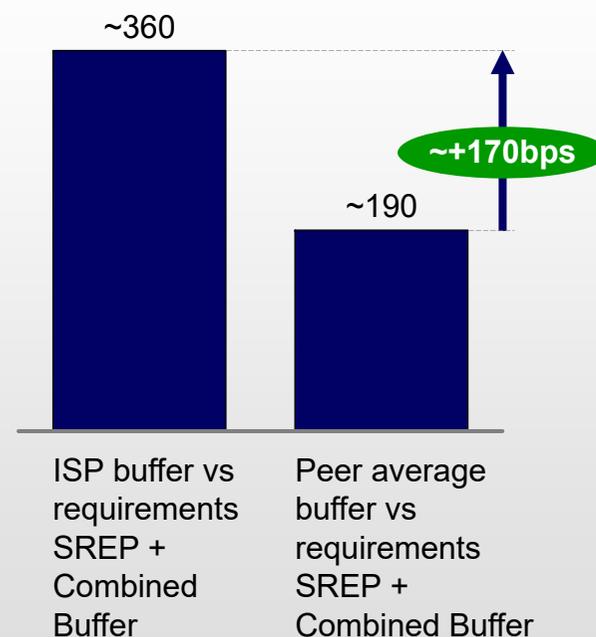
31.12.16, %



**Best-in-class leverage ratio: 6.3%**

## Fully Loaded CET1 Ratio Buffer vs requirements SREP + Combined Buffer<sup>(2)(3)</sup>

31.12.16, Bps



**ISP is the clear winner of the EBA Stress Test; the only bank above regulatory requirements even in the adverse scenario**

(1) Pro-forma fully loaded Basel 3 (31.12.16 financial statements considering the total absorption of DTA related to goodwill realignment/adjustments to loans and the expected absorption of DTA on losses carried forward); including estimated benefits from the Danish Compromise (14bps)

(2) Calculated as the difference between the Fully Loaded Common Equity ratio vs requirements SREP + Combined Buffer; only top European banks that have communicated their SREP requirement

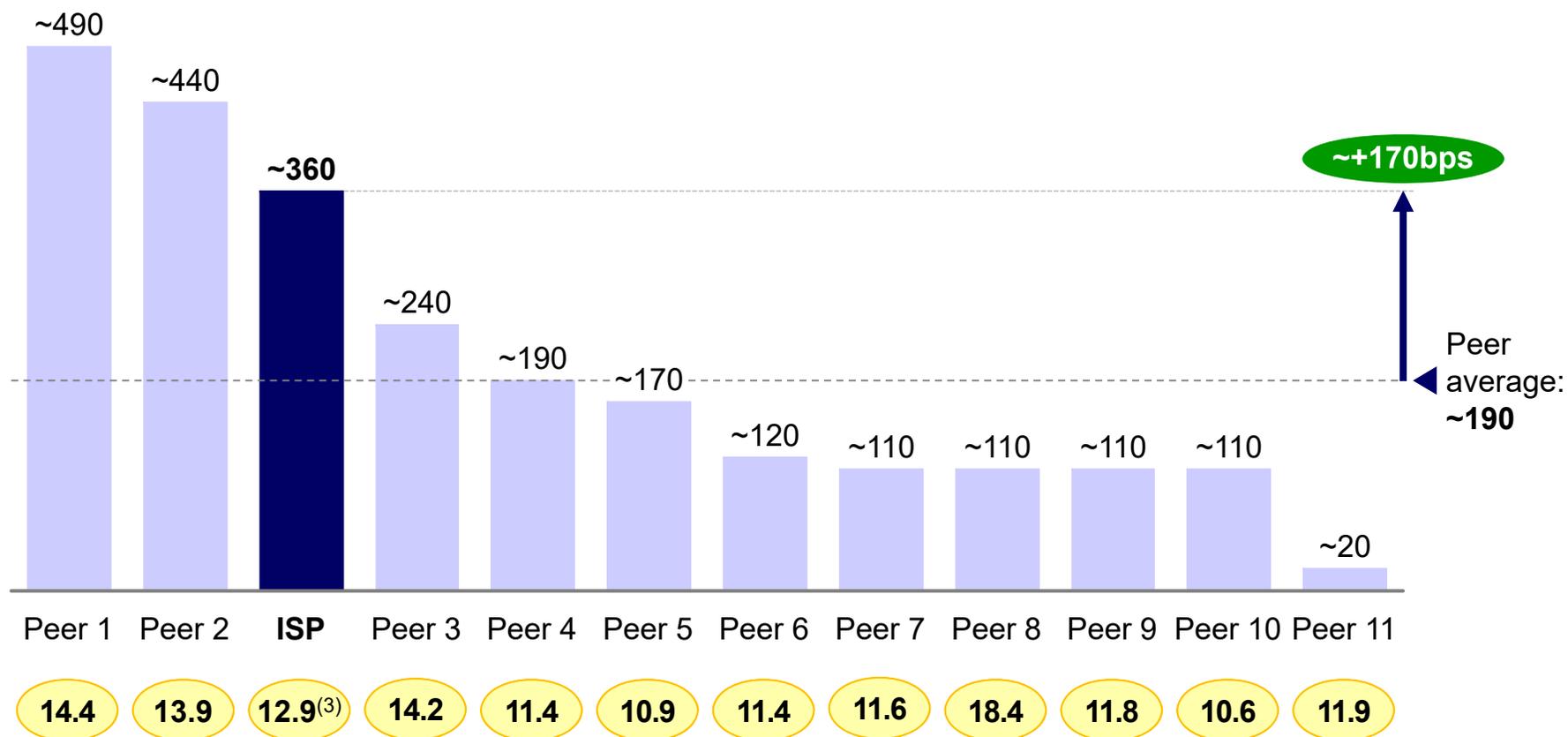
(3) Sample: BBVA, Deutsche Bank, ING, Nordea and Santander (31.12.16 data); BNP Paribas, BPCE, Commerzbank, Crédit Agricole Group, Société Générale and UniCredit (30.9.16 data); Data may not be fully comparable due to different estimates hypothesis. Source: Investors' Presentations, Press Releases, Conference Calls

# Best-in-Class Excess Capital

Fully Loaded CET1 Ratio Buffer vs requirements SREP + Combined Buffer<sup>(1)(2)</sup>

Bps

○ Fully Loaded CET1 Ratio<sup>(1)</sup>, %



(1) Sample: BBVA, Deutsche Bank, ING, Nordea and Santander (31.12.16 data); BNP Paribas, BPCE, Commerzbank, Crédit Agricole Group, Société Générale and UniCredit (30.9.16 data); Data may not be fully comparable due to different estimates hypothesis. Source: Investors' Presentations, Press Releases, Conference Calls

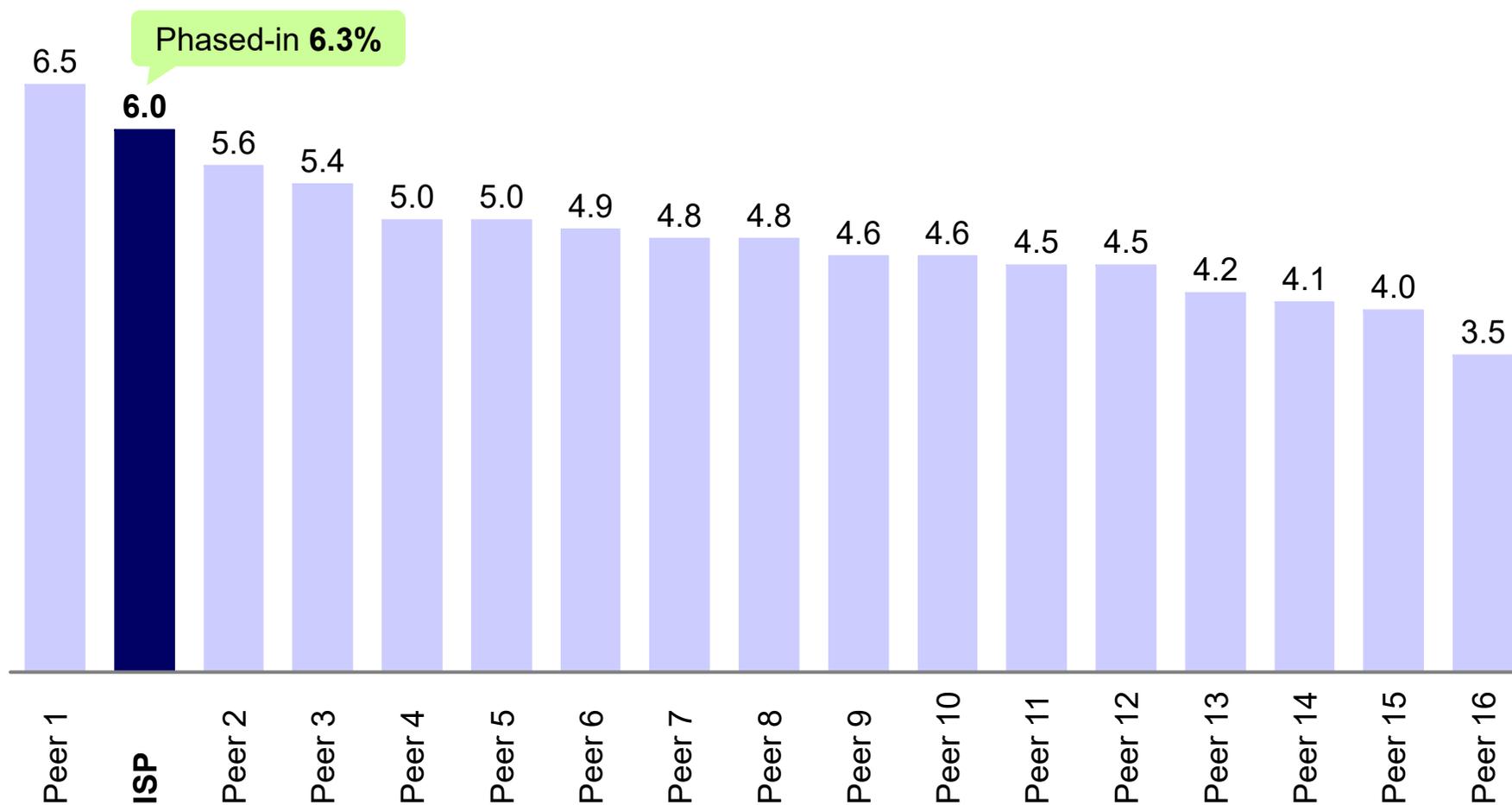
(2) Calculated as the difference between the Fully Loaded Common Equity ratio vs requirements SREP + Combined Buffer; only top European banks that have communicated their SREP requirement

(3) Pro-forma fully loaded Basel 3 (31.12.16 financial statements considering the total absorption of DTA related to goodwill realignment/adjustments to loans and the expected absorption of DTA on losses carried forward); including estimated benefits from the Danish Compromise (14bps)

# Outstanding Leverage Ratio

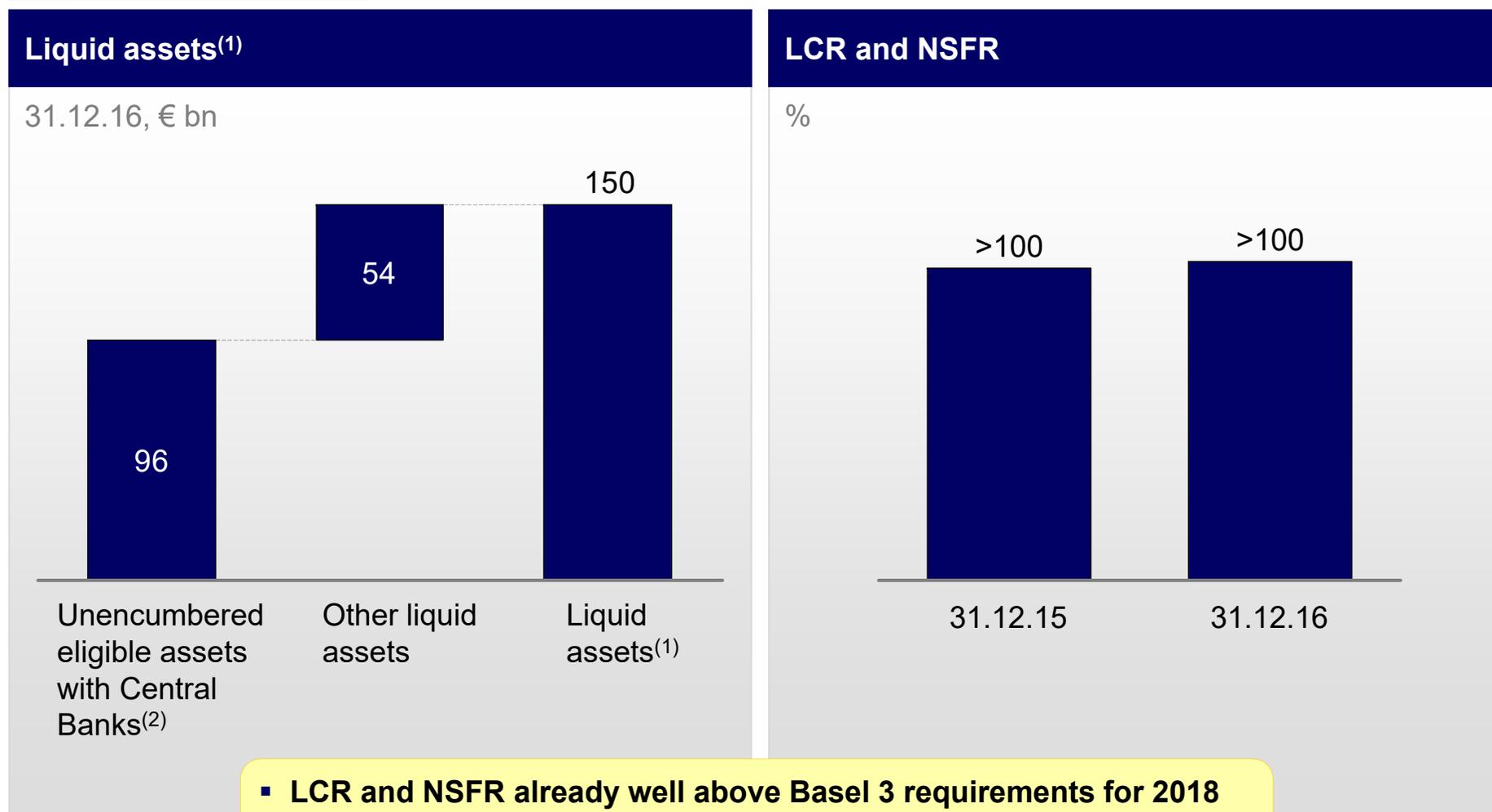
Fully loaded Basel 3 pro-forma Leverage ratio<sup>(1)</sup>

%



(1) Sample: BBVA, Deutsche Bank, ING, Nordea, Santander and UBS (31.12.16 pro-forma data); Barclays, BNP Paribas, BPCE, Commerzbank, Credit Suisse, HSBC, Lloyds Banking Group, Société Générale, Standard Chartered and UniCredit (30.9.16 pro-forma data); Data may not be fully comparable due to different estimates hypothesis. Credit Suisse and UBS Leverage ratio calculated on the basis of fully applied Swiss SRB rules. Source: Investors' Presentations, Press Releases, Conference Calls

# Strong Liquidity Position Confirmed



- LCR and NSFR already well above Basel 3 requirements for 2018
- ~€45bn taken under TLTRO II against a full pay-back of the €27.6bn that the Group borrowed under TLTRO I

(1) Stock of own-account eligible assets (including assets used as collateral and excluding eligible assets received as collateral) and cash & deposits with Central Banks  
 (2) Eligible assets freely available (excluding assets used as collateral and including eligible assets received as collateral), net of haircuts; including cash & deposits with Central Banks

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FY16: A solid year, delivering on our commitments

Best-in-class capital position and leverage with a solid balance sheet

**Well ahead of our Business Plan**

## Delivery Well Ahead of Our Business Plan Targets

### Dividends

2014 dividend  
commitment: €1bn

2015 dividend  
commitment: €2bn

2016 dividend  
commitment: €3bn



~€6.6bn cumulative  
cash dividends  
delivered, well  
ahead of the €6bn  
Business Plan  
commitment

# Our Business Plan Initiatives: New Growth Bank (1/2)

## Key highlights on New Growth Bank initiatives

Banca 5 <sup>®</sup>	<ul style="list-style-type: none"> <li>▪ Banca 5<sup>®</sup> “specialized” business model introduced in ~70% of the branches, with 3,600 dedicated Relationship Managers: revenues per client increased from €70 to €119</li> <li>▪ “Real Estate” project underway with 32 real estate agencies already opened</li> <li>▪ Acquisition of Banca ITB to create the first “proximity bank” in Italy, focused on instant banking through a lean network of ~20,000 points of sale representing ~25 million potential customers, of which ~12 million are already Banca ITB's customers</li> </ul>	
Multichannel Bank	<ul style="list-style-type: none"> <li>▪ New multichannel processes successfully launched:               <ul style="list-style-type: none"> <li>– ~1.6m additional multichannel clients since the beginning of 2014, raising the total to ~6.4m clients</li> <li>– 4.1m mobile Apps for smartphone/tablet downloaded by customers</li> <li>– The first multichannel bank in Italy with ~80% of products available via multichannel platforms</li> <li>– Digitisation across all branches with ~100% paperless transactions for all priority products (~6.4m transactions completed)</li> <li>– Online Branch fully active for “Service To Sale”, with ~26,000 products sold in 2016</li> <li>– New digital marketing capabilities built to fully exploit search engines and social media presence</li> <li>– Launch of new Intesa Sanpaolo digital experience, with new internet banking site, new website and new Apps</li> </ul> </li> </ul>	
Private Banking Hub	<ul style="list-style-type: none"> <li>▪ Fideuram-ISPB successfully operational as of July 1<sup>st</sup>, 2015</li> <li>▪ PB branch in London fully up and running and strengthening of ISPB Suisse</li> <li>▪ Launched first wave of new products for the entire Division (e.g., Fideuram Private Mix)</li> <li>▪ Targeted service model for HNWI clientele:               <ul style="list-style-type: none"> <li>– Opened 5 dedicated HNWI boutiques</li> <li>– Launch of new advisory services for clients with sophisticated financial needs</li> </ul> </li> <li>▪ Launch of advisory tool “View” on the ISPB network with more than €3bn of assets under advisory</li> <li>▪ Roll out of new digital office for private bankers</li> </ul>	

## Our Business Plan Initiatives: New Growth Bank (2/2)

### Key highlights on New Growth Bank initiatives

#### Asset Management Hub

- **Digital platform enriched** (e.g., “model portfolio”, “scenario analysis” added)
- **New product range** introduced into **Banca dei Territori** (e.g., Eurizon Evolution Target), the **Private Banking Division** (e.g., Eurizon High Income), and the **Insurance Hub** and a new offer dedicated to **international clients** (e.g., “Best expertise”) and **SMEs** (e.g., *GP Unica Imprese*)
- **Product range enhanced** with **moderate risk profile** solutions aimed at **responding to current market volatility** (e.g., Epsilon Difesa Attiva)
- Launch of products allowing investors to **sustain the real economy** while capturing the evolution of the European **structured credit market** (Eurizon Easy Fund – Securitised Bond Fund)
- Asset Management Division **growing in Europe** (e.g., partnership in London, new branch in Paris) **and Asia** (e.g., set up of Wealth Management Yicai in China)
- **Integration of Group's Asset Management activities in Eastern Europe** within Eurizon Capital

#### Insurance Hub

- Steering of product mix towards **capital-efficient products making good progress** (e.g., Unit Linked at 66% of new production vs 56% in 2015)
- Launch of **new Unit Linked Product with capital protection** (“Exclusive Insurance”)
- **Expansion of life-business products** with the launch of “*Base Sicura Tutelati*”, designed for underage clients and those with disabilities, and “*Vicino a Te*” for minors who lost parents in the earthquake
- Consolidation of **products available to the Private network** (Fideuram Private Mix and Synthesis) and **launch of new composite product with capital protection**
- **Restyling of product “Giusto Mix”** with introduction of a **volatility reduction tool**
- **Continuation of offer diversification in P&C business** with products in the **healthcare sector** (new product dedicated to surgery, prevention and illnesses with “Dread Disease”) and in the **corporate sector** (new product dedicated to agriculture)
- **Consolidation of activities** for the **development of a Pension Fund offer dedicated to company employees**
- **Full integration of Pension Fund Business**
- Continuation of auto insurance offer through a system which targets new customers based on the **registration of licence plates** and automatically generates commercial proposals

#### Bank 360° for corporate clients

- **New Transaction Banking Group unit set up** and **new commercial initiatives** ongoing
- **New commercial model and product offering** for **SMEs**
- **Specialised finance hub** – new Mediocredito Italiano – fully up and running
- Strengthening of the **international presence of C&IB Division** (e.g., office set up in Washington, strengthening of ISP Bank Luxembourg)



# Our Business Plan Initiatives: Core Growth Bank

## Key highlights on Core Growth Bank initiatives

### Capturing Untapped Revenue Potential

- Project **“cash desk service evolution”** in progress: already **~2,000 branches with cash desks closing at 1pm** and **~250 branches** fully dedicated to **advisory services**
- **New e-commerce portal** to continue seizing **business potential** after **EXPO 2015**
- Enhanced offer aimed at **growth in lending to private sector** (e.g., new innovative **“Mutuo Up”**)
- **New Service Model introduced at Banca dei Territori**: introduction of three specialised commercial value chains, creation of **~1,200 new managerial roles**, innovation of the SME Service Model
- **New advanced analytics / machine learning models** to identify high potential clients
- Launch of the **“Programma Filiere”** with important initiatives in relevant economic sectors (Agriculture)
- **Integration of consumer finance in branch network**
- **C&IB Asset Light model fully operational**, with benefits in terms of cross-selling; distribution capabilities eventually being enhanced
- **Front-line excellence programme** in C&IB ongoing
- New C&IB **organisation** in place to reinforce the "industry driven" client service model and the international growth
- **New segmentation and service model for International Subsidiaries Affluent** clients launched
- **Banca IMI international strategy** being implemented, with focus on core selected products
- **JV in merchant banking** with specialised investor (Neuberger) completed, with deconsolidation of activities



### Continuous Cost Management

- **Geographical footprint simplification** ongoing: **162 branches closed since the beginning of 2016 and 727 since 2014**
- **Legal entity simplification ongoing: from 7 to 1 product factories** in specialised finance and advisory, leasing and factoring and **9 local banks merged into ISP**



### Dynamic Credit and Risk Management

- **Proactive credit management value chain** empowered across **all Divisions**
- **Integrated management of NPLs<sup>(1)</sup>** in place
- **New organisation of CLO area**, structured by Business Unit
- **Split of Risk and Compliance**, with two Chiefs (CRO and CCO) **reporting directly to the CEO**



(1) Excluding Bad loans (managed within the Capital Light Bank)

# Our Business Plan Initiatives: Capital Light Bank, People Initiatives and Investments

## Key highlights on Capital Light Bank and People initiatives and investments

### Capital Light Bank (CLB)

- CLB fully operational with:
  - ~720 dedicated people
  - ~€20bn of deleveraging of non-core assets already achieved
- New performance management system fully operational for each asset class
- Re.O.Co.<sup>(1)</sup> fully up and running with an estimated positive impact for the Group of ~€50m since 2014
- Partnership with KKR-Pillarstone up and running



### People and investments as key enablers

- ~4,500 people already reallocated to high priority initiatives
- Investment Plan for Group employees finalised: plan with the highest number of participants in Group history
- “Big Financial Data” programme fully in line with our targets (~500 employees involved)
- Chief Innovation Officer established in role and “Innovation Centre” created to train staff and develop new products, processes and “ideal branches”, located in the new ISP Tower in Turin
- Large-scale digitisation programme launched to improve efficiency and service level on top priority operating processes; Digital Factory fully operational, digitisation of 12 key processes launched, 7 already up and running
- Advanced Analytics programme launched on commercial/operating initiatives in several business / governance units
- Investment to renew the layout of 1,000 branches already activated (~80 branches converted up to now)
- More than 190 agreements with labour unions signed
- More than 5,700 employees have already adopted “smart working”
- “Integrated Welfare Programme” fully underway



# Delivery Well Ahead of Our Business Plan Commitments Thanks to the Contributions of All Our People

...thanks to the contributions of all our people...

Delivery well ahead of Group Business Plan targets...

Delivery Well Ahead of Our Business Plan Targets

## Dividends

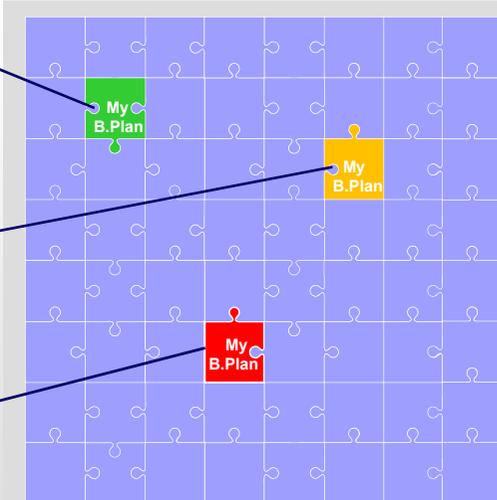
2014 dividend  
commitment: €1bn

2015 dividend  
commitment: €2bn

2016 dividend  
commitment: €3bn



~€6.6bn cumulative  
cash dividends  
delivered, well  
ahead of the €6bn  
Business Plan  
commitment



...and a Business Plan for each individual to deliver

# ISP: €10bn Cumulative Cash Dividend Commitment in the 2014-2017 Business Plan Horizon Confirmed

## ISP outlook for 2017

Growth in Operating income – driven by Net interest income and Commissions – and continued cost management...



... leading to Operating margin growth

Decline in cost of risk...



... triggering further growth in Gross income

**€10bn cumulative cash dividend commitment in the 2014-2017 Business Plan horizon confirmed**



# Italian Macroeconomic Outlook: The Recovery Continues

## Macro outlook

- ✓ **Employment** grew 1.2% in 2016, a 10-year record
- ✓ **Household real disposable income** increased by 2.3% in 2016 (average of 2016 first three quarters), the highest growth rate in 15 years
- ✓ **New car registrations** showed the strongest growth rate since 1997 (+15.9% in 2016, after +15.8% in 2015)
- ✓ **Residential real estate transactions** increased by 17.4% YoY in 3Q16, with prices starting to rebound
- ✓ **Structural reforms approved in 2014-15** (labour market, civil justice) may have a positive impact on potential GDP growth over the medium term
- ✓ **Reforms implemented in 2015-16** (new fiscal treatment of loan-loss charges, reform of insolvency and foreclosure regulation, GACS, Atlante, €20bn plan for recapitalisation of banks and guarantees on new bank debt) are expected to speed up recovery of collateral and encourage write-offs and disposals of NPLs

**Italian GDP projected to grow by ~1% in 2017**

## FY16: A Solid Year, Delivering on Our Commitments

**€3.0bn cash dividends, equal to a ~8% dividend yield<sup>(1)</sup>**

**€3.1bn Net income<sup>(2)</sup>, best since 2007**

**Q4 the best quarter for Commissions since ISP was created  
10 years ago (more than €2bn)**

**Cost/Income ratio at 51.2%, among the best in Europe,  
with Operating costs down 1% YoY**

**€6.3bn Gross NPL stock reduction over the past five quarters,  
driven by the lowest NPL inflow since ISP was created,  
coupled with increased NPL coverage**

**Common Equity<sup>(3)</sup> ratio at 12.9%, well above regulatory requirements  
even under EBA stress test adverse scenario**

(1) Based on ordinary shares price as of 2.2.17

(2) Including Levies and other charges concerning the banking industry: €820m pre-tax (€559m net of tax)

(3) Pro-forma fully loaded Basel 3 (31.12.16 financial statements considering the total absorption of DTA related to goodwill realignment/adjustments to loans and the expected absorption of DTA on losses carried forward); including estimated benefits from the Danish Compromise (14bps)



# 2016 Results

Detailed Information

## Key P&L and Balance Sheet Figures

€ m	2016		31.12.16
Operating income	16,929	Loans to Customers	+5% vs 31.12.15 364,713
Operating costs	(8,674)	Customer Financial Assets <sup>(2)</sup>	863,948
Cost/Income ratio	51.2%	of which Direct Deposits from Banking Business	393,798
Operating margin	8,255	of which Direct Deposits from Insurance Business and Technical Reserves	144,098
Gross income (Loss)	5,432	of which Indirect Customer Deposits	468,855
Net income	3,111 <sup>(1)</sup>	- Assets under Management	314,081
		- Assets under Administration	154,774
		RWA	283,918

Note: figures may not add up exactly due to rounding differences

(1) Including Levies and other charges concerning the banking industry: €820m pre-tax (€559m net of tax)

(2) Net of duplications between Direct Deposits and Indirect Customer Deposits

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## 2016: Net Income at €3.1bn, the Best Result since 2007

€ m

	2015 Restated	2016	Δ%
Net interest income	7,717	7,293	(5.5)
Net fee and commission income	7,342	7,287	(0.7)
Income from insurance business	997	995	(0.2)
Profits (Losses) on trading	1,034	1,190	15.1
Other operating income (expenses)	96	164	70.8
<b>Operating income</b>	<b>17,186</b>	<b>16,929</b>	<b>(1.5)</b>
Personnel expenses	(5,286)	(5,308)	0.4
Other administrative expenses	(2,720)	(2,620)	(3.7)
Adjustments to property, equipment and intangible assets	(728)	(746)	2.5
<b>Operating costs</b>	<b>(8,734)</b>	<b>(8,674)</b>	<b>(0.7)</b>
<b>Operating margin</b>	<b>8,452</b>	<b>8,255</b>	<b>(2.3)</b>
Net adjustments to loans	(3,306)	(3,708)	12.2
Net provisions and net impairment losses on other assets	(570)	(422)	(26.0)
Other income (expenses)	352	355	0.9
Income (Loss) from discontinued operations	87	952	994.3
<b>Gross income (loss)</b>	<b>5,015</b>	<b>5,432</b>	<b>8.3</b>
Taxes on income	(1,727)	(1,422)	(17.7)
Charges (net of tax) for integration and exit incentives	(83)	(150)	80.7
Effect of purchase price allocation (net of tax)	(119)	(112)	(5.9)
Levies and other charges concerning the banking industry (net of tax)	(352)	(559)	58.8
Impairment (net of tax) of goodwill and other intangible assets	0	0	n.m.
Minority interests	5	(78)	n.m.
<b>Net income</b>	<b>2,739</b>	<b>3,111</b>	<b>13.6</b>

€3,670m excluding Levies and other charges concerning the banking industry<sup>(1)</sup>

Note: figures may not add up exactly due to rounding differences

(1) €820m pre-tax (€559m net of tax). Charges for the Resolution Fund: €464m pre-tax (€316m net of tax) of which €316m extraordinary booked in Q4 (€213m net of tax), charges for Deposit Guarantee Scheme: €115m pre-tax (€81m net of tax), charges for the Voluntary Deposit Guarantee Scheme: €15m pre-tax (€10m net of tax) and charges for the Atlante Fund stake write-off: €227m pre-tax (€152m net of tax)

## Q4 vs Q3: Net Income in line with Targets with Strong Growth in Commissions

€ m

	3Q16 Restated	4Q16	Δ%
Net interest income	1,859	1,748	(6.0)
Net fee and commission income	1,745	2,018	15.6
Income from insurance business	258	166	(35.7)
Profits (Losses) on trading	248	247	(0.4)
Other operating income (expenses)	29	(7)	n.m.
<b>Operating income</b>	<b>4,139</b>	<b>4,172</b>	<b>0.8</b>
Personnel expenses	(1,306)	(1,389)	6.4
Other administrative expenses	(625)	(762)	21.9
Adjustments to property, equipment and intangible assets	(186)	(205)	10.2
<b>Operating costs</b>	<b>(2,117)</b>	<b>(2,356)</b>	<b>11.3</b>
<b>Operating margin</b>	<b>2,022</b>	<b>1,816</b>	<b>(10.2)</b>
Net adjustments to loans	(917)	(1,174)	28.0
Net provisions and net impairment losses on other assets	(77)	(105)	36.4
Other income (expenses)	16	138	762.5
Income (Loss) from discontinued operations	23	881	n.m.
<b>Gross income (loss)</b>	<b>1,067</b>	<b>1,556</b>	<b>45.8</b>
Taxes on income	(319)	(313)	(1.9)
Charges (net of tax) for integration and exit incentives	(16)	(83)	418.8
Effect of purchase price allocation (net of tax)	(26)	(30)	15.4
Levies and other charges concerning the banking industry (net of tax)	(69)	(377)	446.4
Impairment (net of tax) of goodwill and other intangible assets	0	0	n.m.
Minority interests	(9)	23	n.m.
<b>Net income</b>	<b>628</b>	<b>776</b>	<b>23.6</b>

€1,153m excluding Levies and other charges concerning the banking industry<sup>(1)</sup>

Note: figures may not add up exactly due to rounding differences

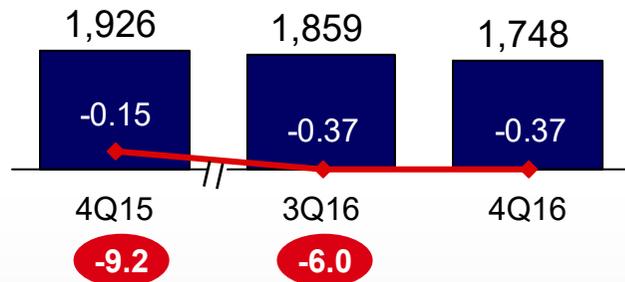
(1) €557m pre-tax (€377m net of tax). Extraordinary charges for the Resolution Fund: €316m pre-tax (€213m net of tax), charges for the Voluntary Deposit Guarantee Scheme: €15m pre-tax (€10m net of tax) and charges for the Atlante Fund stake write-off: €227m pre-tax (€152m net of tax)

# Net Interest Income: Penalised by All-Time Low Interest Rates

## Quarterly Analysis

€ m

—◆— Euribor 1M; %  
 (○) % Δ 4Q16 vs 4Q15 and 3Q16

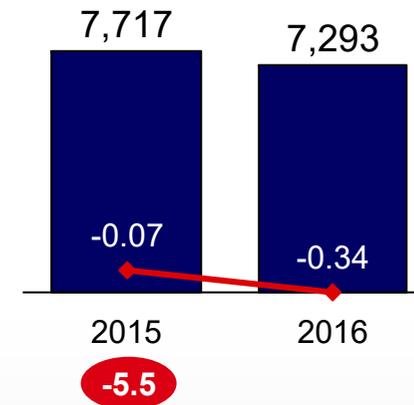


- Decline vs 3Q16 due to non-commercial components
- Average Performing loans to customers up ~1% vs 3Q16

## Yearly Analysis

€ m

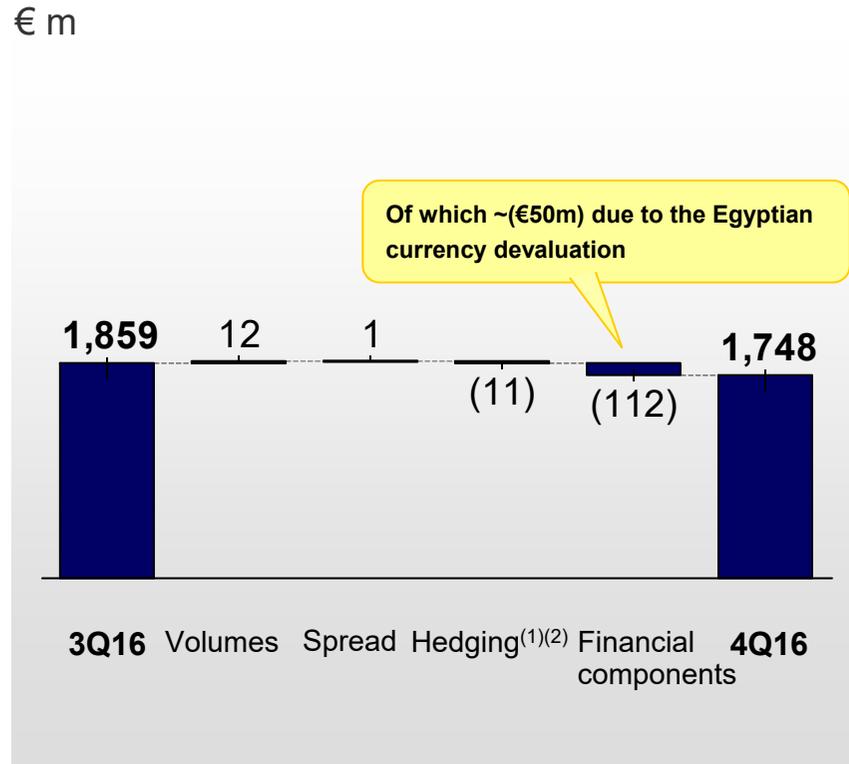
—◆— Euribor 1M; %  
 (○) % Δ 2016 vs 2015



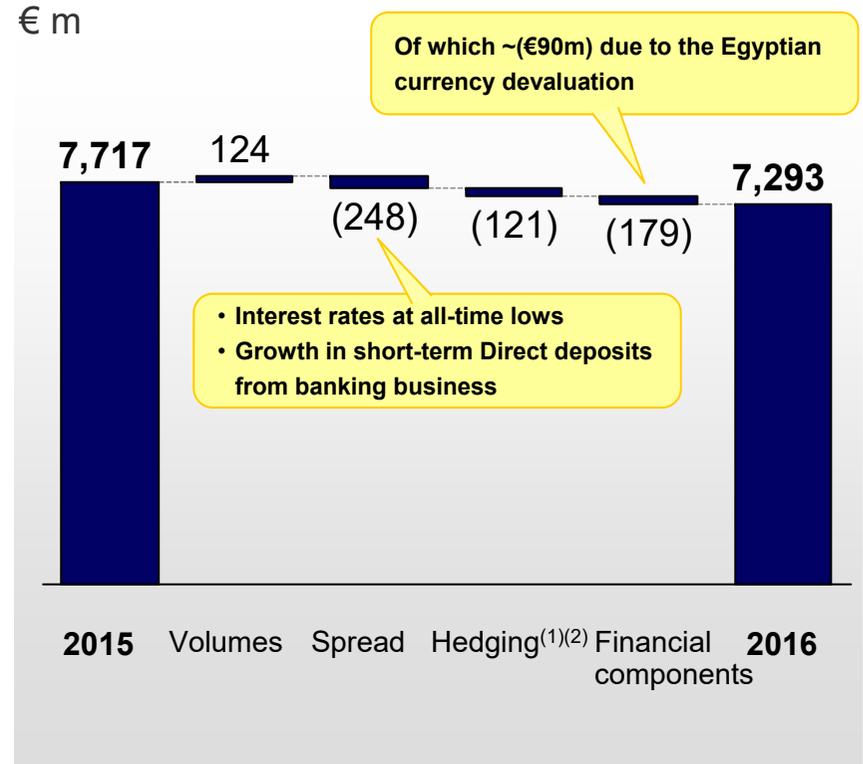
- Decrease due to active management of securities portfolio, a decline in market rates, Egyptian currency devaluation and lower contribution from core deposit hedging
- 2.8% growth in average Performing loans to customers, +3.4% excluding the Capital Light Bank
- 6.2% growth in average Direct deposits from banking business

# Net Interest Income: Quarterly Decrease Due to Non-commercial Components

## Quarterly Analysis



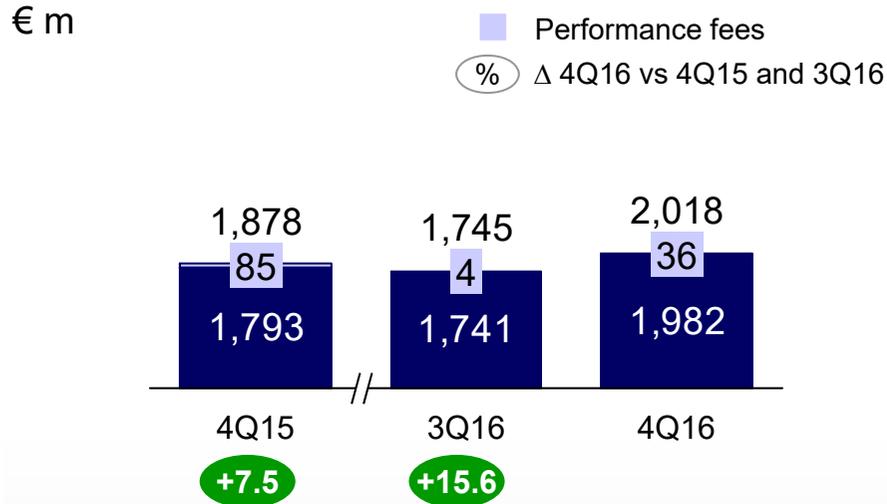
## Yearly Analysis



Note: figures may not add up exactly due to rounding differences  
 (1) ~€610m benefit from hedging in 2016, of which ~€135m in 4Q16  
 (2) Hedging on core deposits

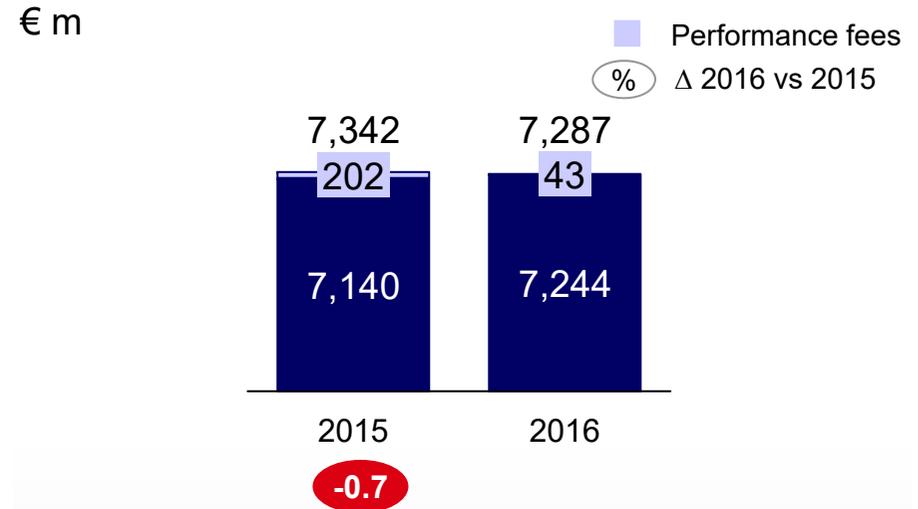
# Net Fee and Commission Income: Over €2bn in Q4, the Highest Ever Quarterly Result

## Quarterly Analysis



- 4Q16 is the best quarter since the creation of ISP
- 16% growth vs 3Q16
- Double-digit increase vs 4Q15 when excluding performance fees

## Yearly Analysis



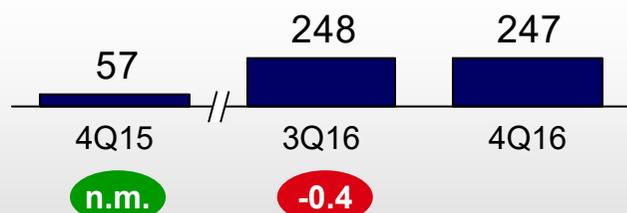
- 1.5% increase when excluding performance fees
- Decrease due to the difficult market environment in the first months of 2016 and the decline in performance fees
- Strong increase in commissions from Distribution of insurance products (+12.5%; +€154m)

# Profits on Trading: A Solid Year

## Quarterly Analysis

€ m

(%) Δ 4Q16 vs 4Q15 and 3Q16



- Strong growth compared to 4Q15 and stable vs 3Q16

## Yearly Analysis

€ m

(%) Δ 2016 vs 2015



- Growth largely due to the increase in customer driven activity

## Contributions by Activity

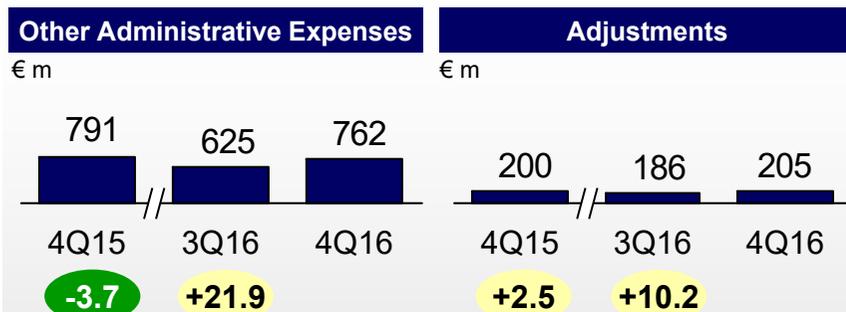
	4Q15	3Q16	4Q16	2015	2016
Customers	44	96	117	321	456
Capital markets & Financial assets AFS	21	15	39	152	214
Trading and Treasury	(10)	130	83	561	501
Structured credit products	2	6	8	-	19

Note: figures may not add up exactly due to rounding differences

# Operating Costs: Down on a Yearly Basis

## Quarterly Analysis

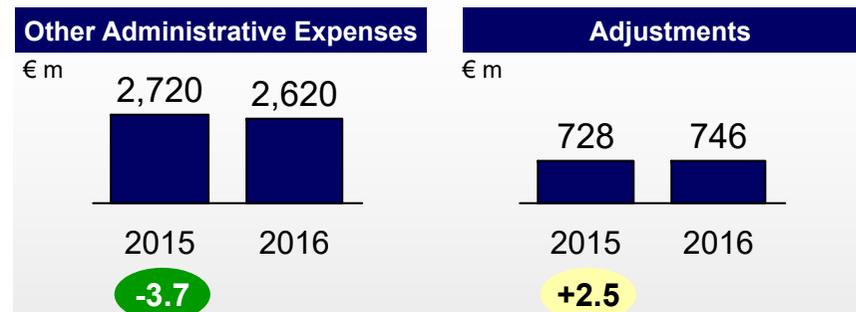
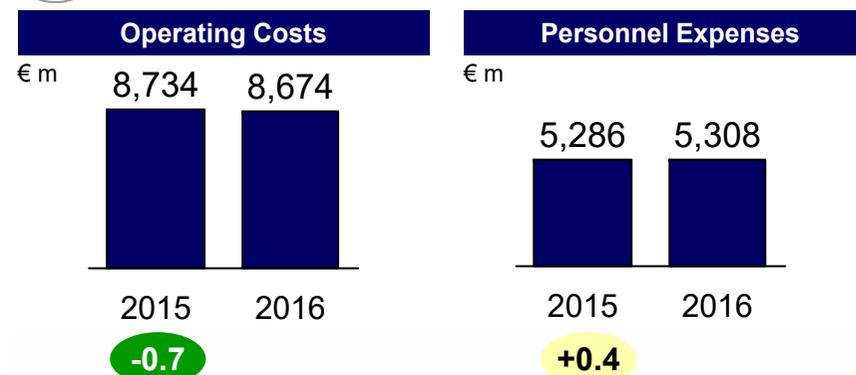
(%) Δ 4Q16 vs 4Q15 and 3Q16



- 3.7% decrease in Other Administrative Expenses vs 4Q15
- Increase in Other Administrative Expenses vs 3Q16 due to seasonal effects at year-end and advertising costs
- Personnel expenses down 6.1% vs 4Q15 and up vs 3Q16 due to incentives to trigger growth
- ~420 headcount reduction in Q4

## Yearly Analysis

(%) Δ 2016 vs 2015



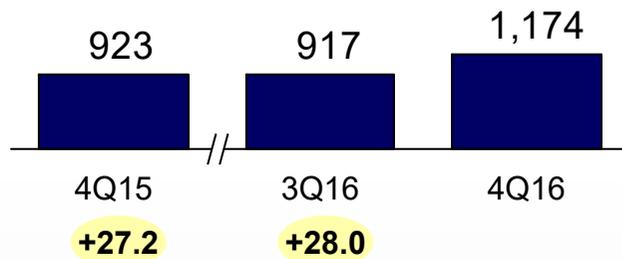
- 3.7% decrease in Other Administrative Expenses
- Cost/Income Ratio at 51.2%
- ~1,000 headcount reduction

# Net Adjustments to Loans: Increased Coverage Coupled with Reduction in NPL Stock and Inflow

## Quarterly Analysis

€ m

(%) Δ 4Q16 vs 4Q15 and 3Q16

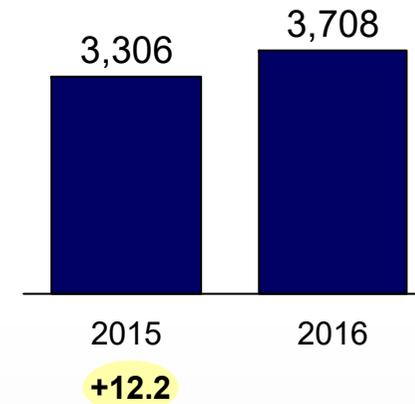


- Very conservative provisioning in 2Q16, 3Q16 and 4Q16 also taking into account capital gains on the disposal of non-core assets
- Fifth consecutive quarterly reduction in NPL stock, marking the lowest level of the past twelve quarters
- 4Q16 saw the lowest Q4 inflow of NPL from Performing loans since 2007
- Non-performing loans cash coverage up to 48.8% (vs 48.0% in 3Q16)

## Yearly Analysis

€ m

(%) Δ 2016 vs 2015



- 2016 saw the lowest inflow of NPL from Performing loans since ISP was created
- Strong decline in NPL inflow (-34% gross and -46% net)
- Very conservative provisioning in 2016 also taking into account capital gains on the disposal of non-core assets (cost of credit at 102bps)
- Non-performing loans cash coverage up to 48.8% (vs 47.6% as of 31.12.15)

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**Liquidity, Funding and Capital Base**

Asset Quality

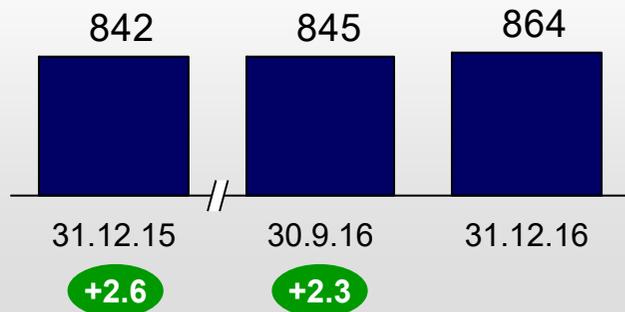
Divisional Results and Other Information

# Growth in Customer Financial Assets

(%)  $\Delta$  31.12.16 vs 31.12.15 and 30.9.16

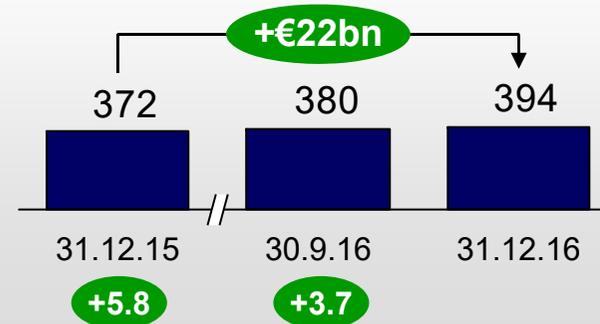
## Customer Financial Assets<sup>(1)</sup>

€ bn



## Direct Deposits from Banking Business

€ bn



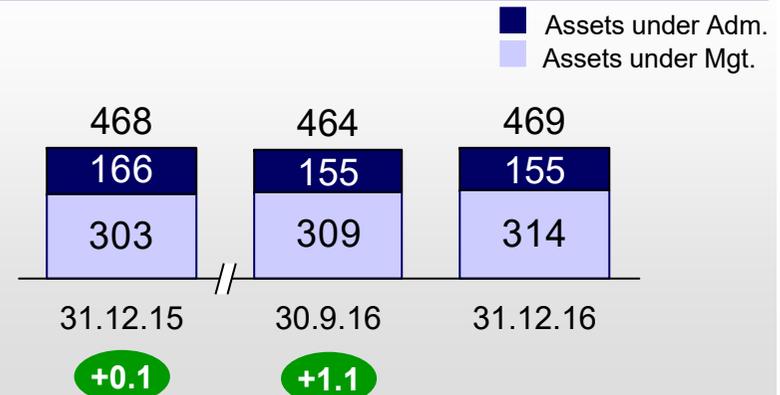
## Direct Deposits from Insurance Business and Technical Reserves

€ bn



## Indirect Customer Deposits

€ bn



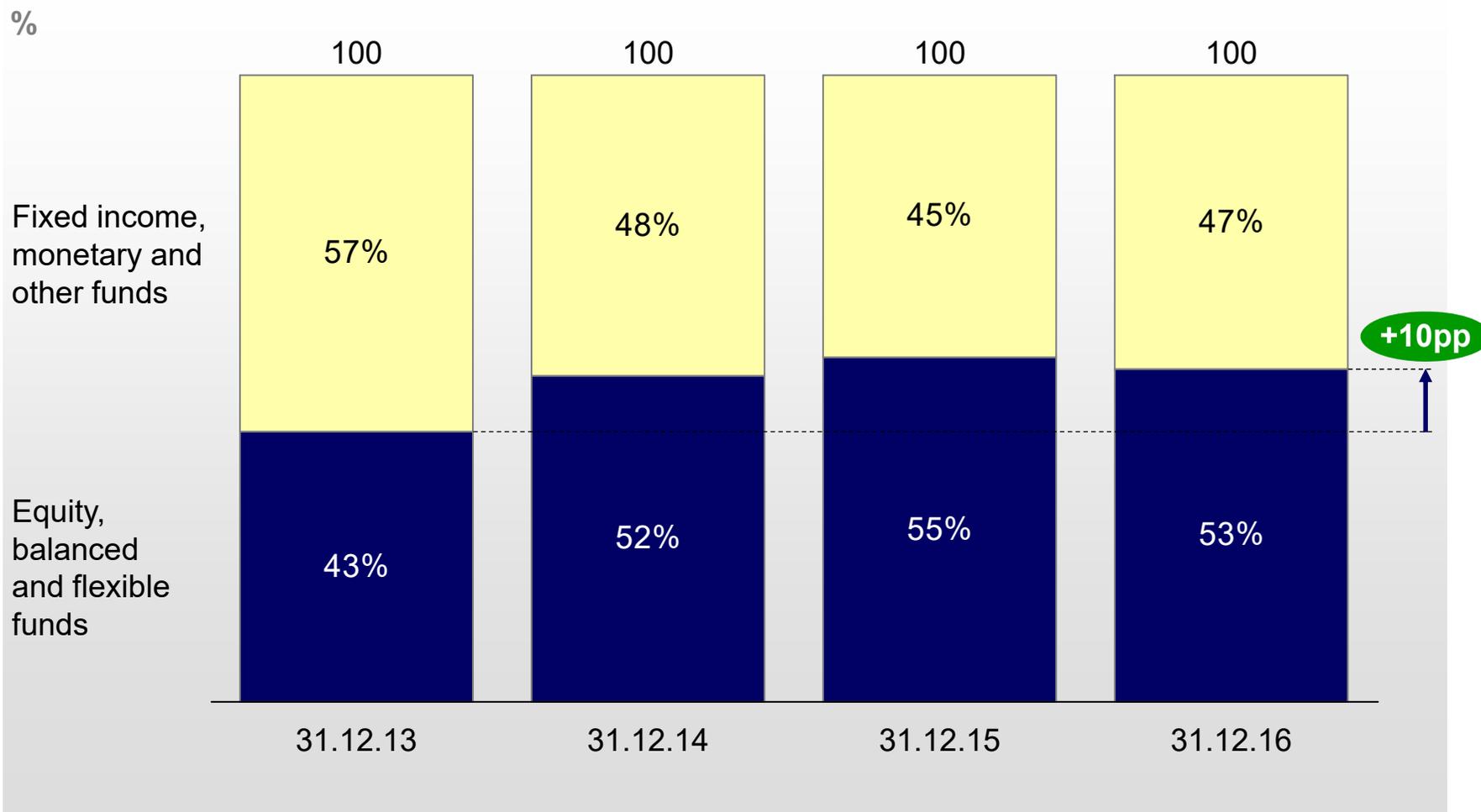
**€5bn increase in AuM in Q4**

Note: figures may not add up exactly due to rounding differences

(1) Net of duplications between Direct Deposits and Indirect Customer Deposits

# Mutual Funds Mix

## Mutual funds mix



# Stable and Reliable Source of Funding from Retail Branch Network

## Breakdown of Direct Deposits from Banking Business

€ bn as of 31.12.16; % Percentage of total



	Wholesale	Retail
■ Current accounts and deposits	9	249
■ Repos and securities lending	25	-
■ Senior bonds	38	20 <sup>(1)</sup>
■ Covered bonds	13	-
■ EMTN puttable	2	-
■ Certificates of deposit + Commercial papers	6	1
■ Subordinated liabilities	12	2
■ Other deposits	1	17 <sup>(2)</sup>

Placed with Private Banking clients

**Retail funding represents 73% of Direct deposits from banking business**

Note: figures may not add up exactly due to rounding differences

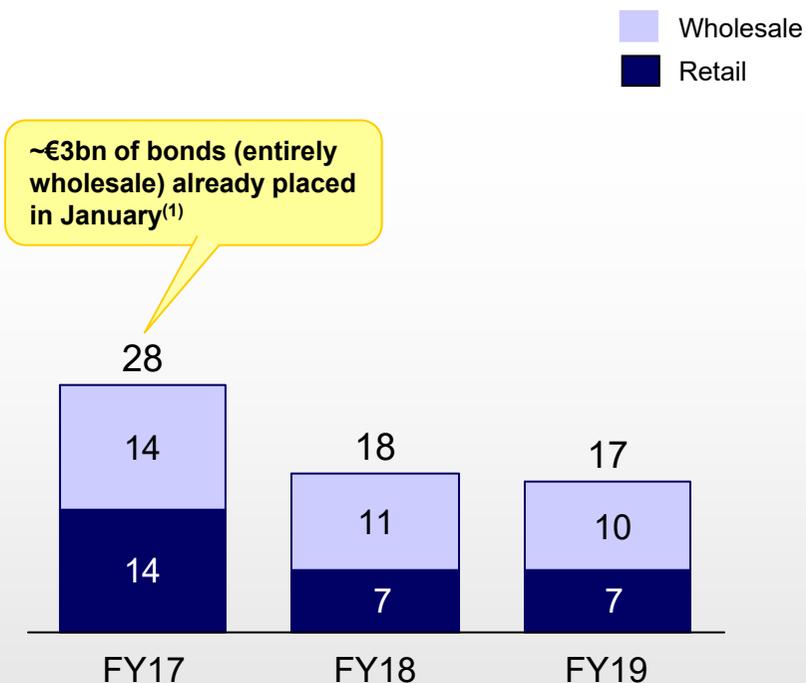
(1) ~27% placed with Private Banking clients

(2) Including Certificates

# Strong Funding Capability: Broad Access to International Markets

## 2017-2019 MLT Bond Maturities

€ bn



## Main Wholesale Issues

### 2015

- €6.5bn of eurobonds (of which €2.25bn of covered bonds) and \$1bn Additional Tier 1 placed. On average 80% demand from foreign investors; targets exceeded by 210%:
  - January: €1.25bn 5y senior unsecured eurobond issue and €1bn 7y covered bonds backed by residential mortgages
  - February: €1.5bn 7y senior unsecured eurobond issue
  - April: €500m 10y subordinated Tier 2 eurobond issue
  - June: €1bn 5y senior unsecured eurobond issue
  - September: \$1bn Additional Tier 1 issue targeted at the U.S. and Canadian markets
  - December: €1.25bn 10y covered bonds backed by residential mortgages

### 2016

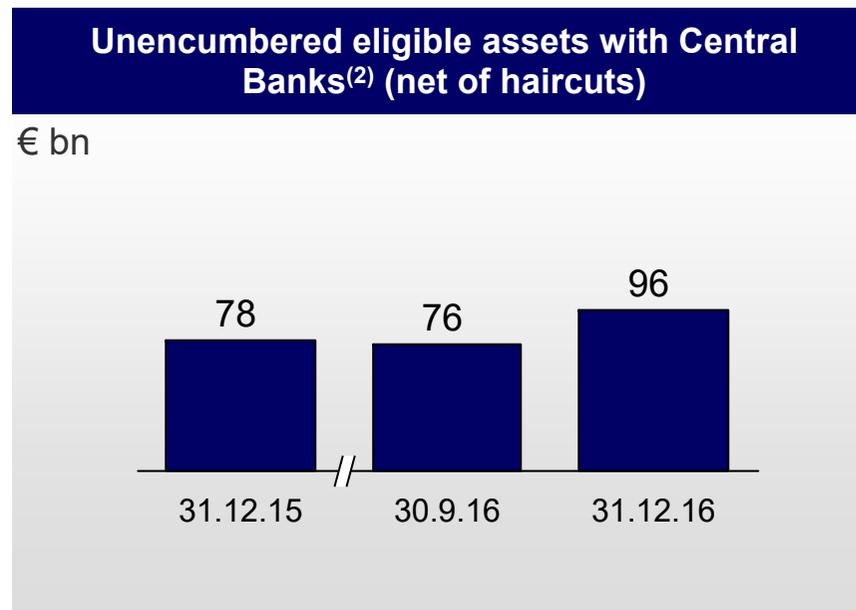
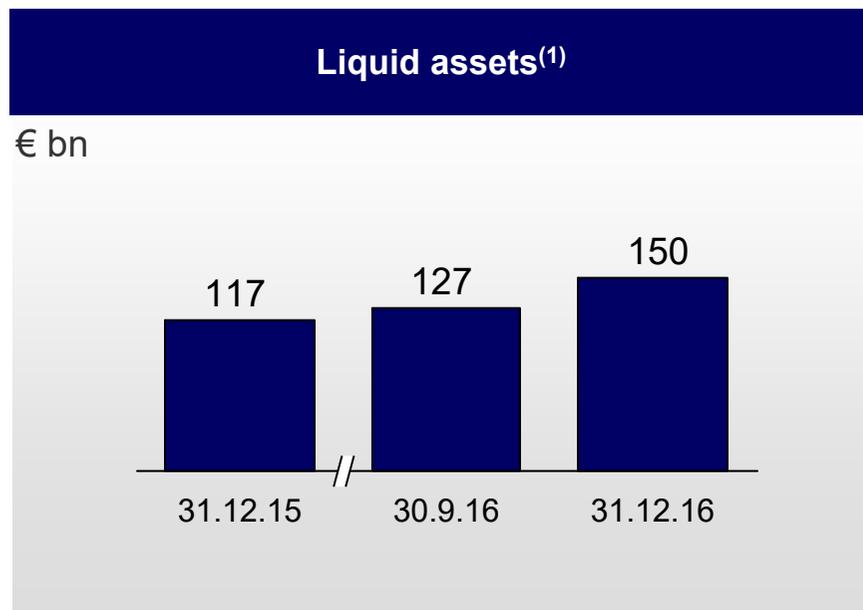
- \$1.5bn subordinated Tier 2, €1.25bn Additional Tier 1 and €1.25bn of covered bonds placed. On average 88% demand from foreign investors; targets exceeded by 168%:
  - January: \$1.5bn subordinated Tier 2 issue targeted at the US and Canadian markets only and €1.25bn Additional Tier 1 issue targeted at international markets
  - March: €1.25bn 7y covered bonds backed by residential mortgages

### 2017

- January: €1.25bn Additional Tier 1 issue and €1bn 7y senior unsecured eurobond issue, placed. On average 87% demand from foreign investors; targets exceeded by 184%

Note: figures may not add up exactly due to rounding differences  
 (1) Data as of 31.1.17

# High Liquidity: LCR and NSFR Well Above Basel 3 Requirements for 2018



## ■ TLTRO II: ~€45bn

- In June, the Group took ~€36bn under the first TLTRO II (maximum borrowing allowance of ~€57bn) against a full pay-back of the €27.6bn that the Group borrowed under TLTRO I
- In September, the Group took ~€5bn under the second TLTRO II
- In December, the Group took ~€3.5bn under the third TLTRO II

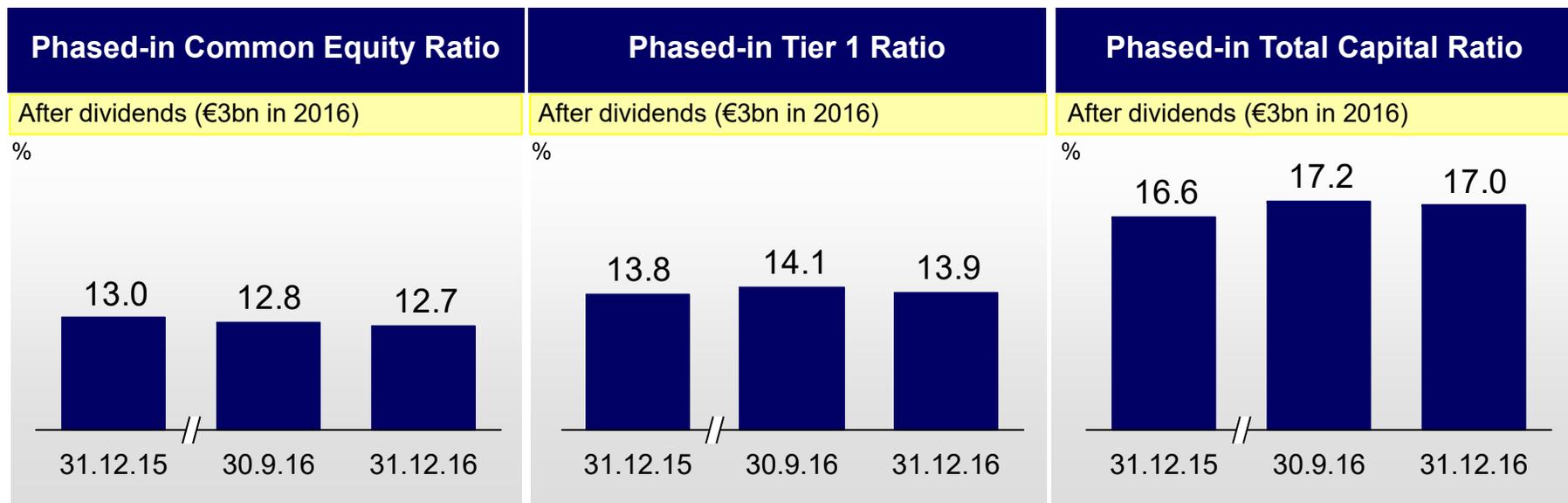
## ■ Loan to Deposit ratio<sup>(3)</sup> at 93%

(1) Stock of own-account eligible assets (including assets used as collateral and excluding eligible assets received as collateral) and cash & deposits with Central Banks

(2) Eligible assets freely available (excluding assets used as collateral and including eligible assets received as collateral) and cash & deposits with Central Banks

(3) Loans to Customers/Direct Deposits from Banking Business

# Solid Capital Base Confirmed by the EBA Stress Test



- **12.9% pro-forma fully loaded Common Equity ratio<sup>(1)</sup>**
- **6.3% leverage ratio**

Note: figures may not add up exactly due to rounding differences

(1) Pro-forma fully loaded Basel 3 (31.12.16 financial statements considering the total absorption of DTA related to goodwill realignment/adjustments to loans and the expected absorption of DTA on losses carried forward); including estimated benefits from the Danish Compromise (14bps)

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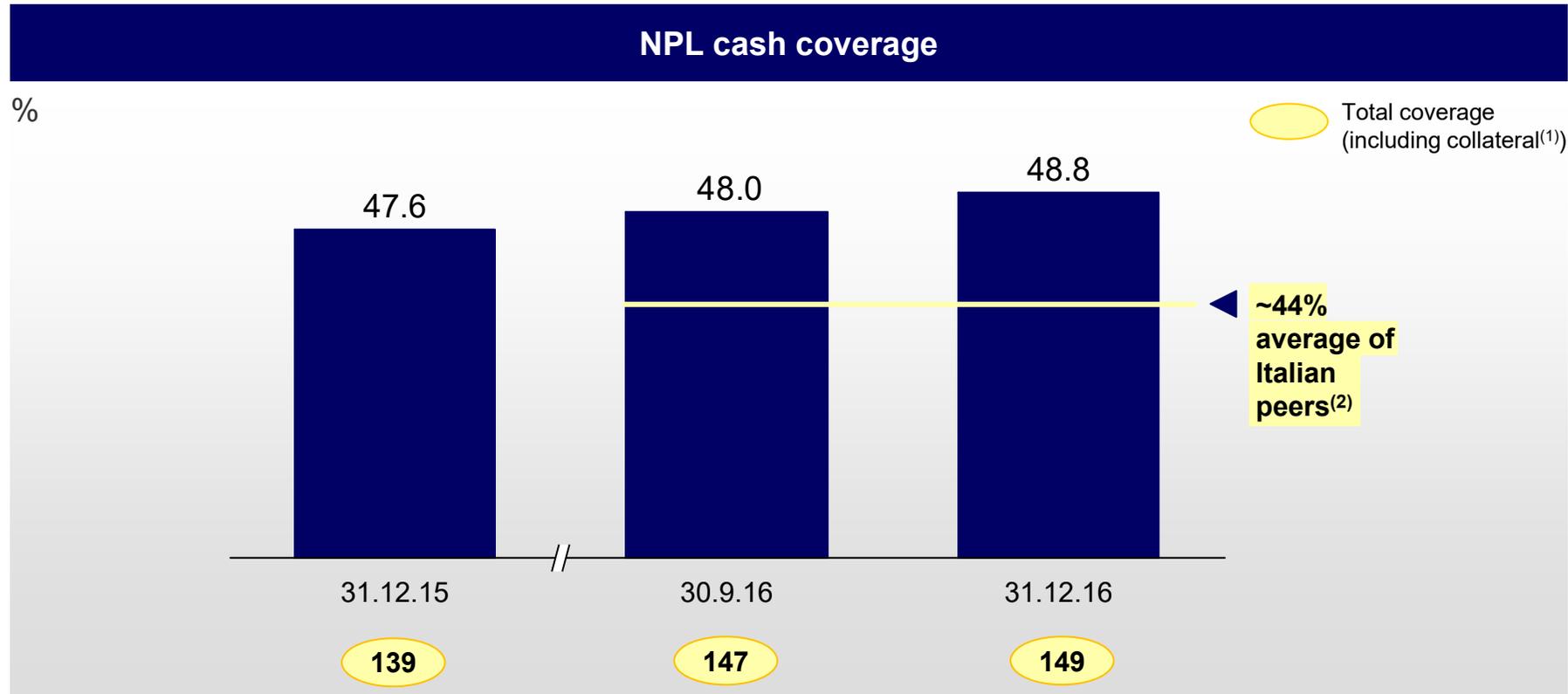
Detailed Consolidated P&L Results

Liquidity, Funding and Capital Base

**Asset Quality**

Divisional Results and Other Information

# Non-performing Loans: Sizeable and Increased Coverage



- **Bad Loans recovery rate<sup>(3)</sup> at ~130% in the period 2009 - 2016**
- **Performing Loans cash coverage at 0.5%**

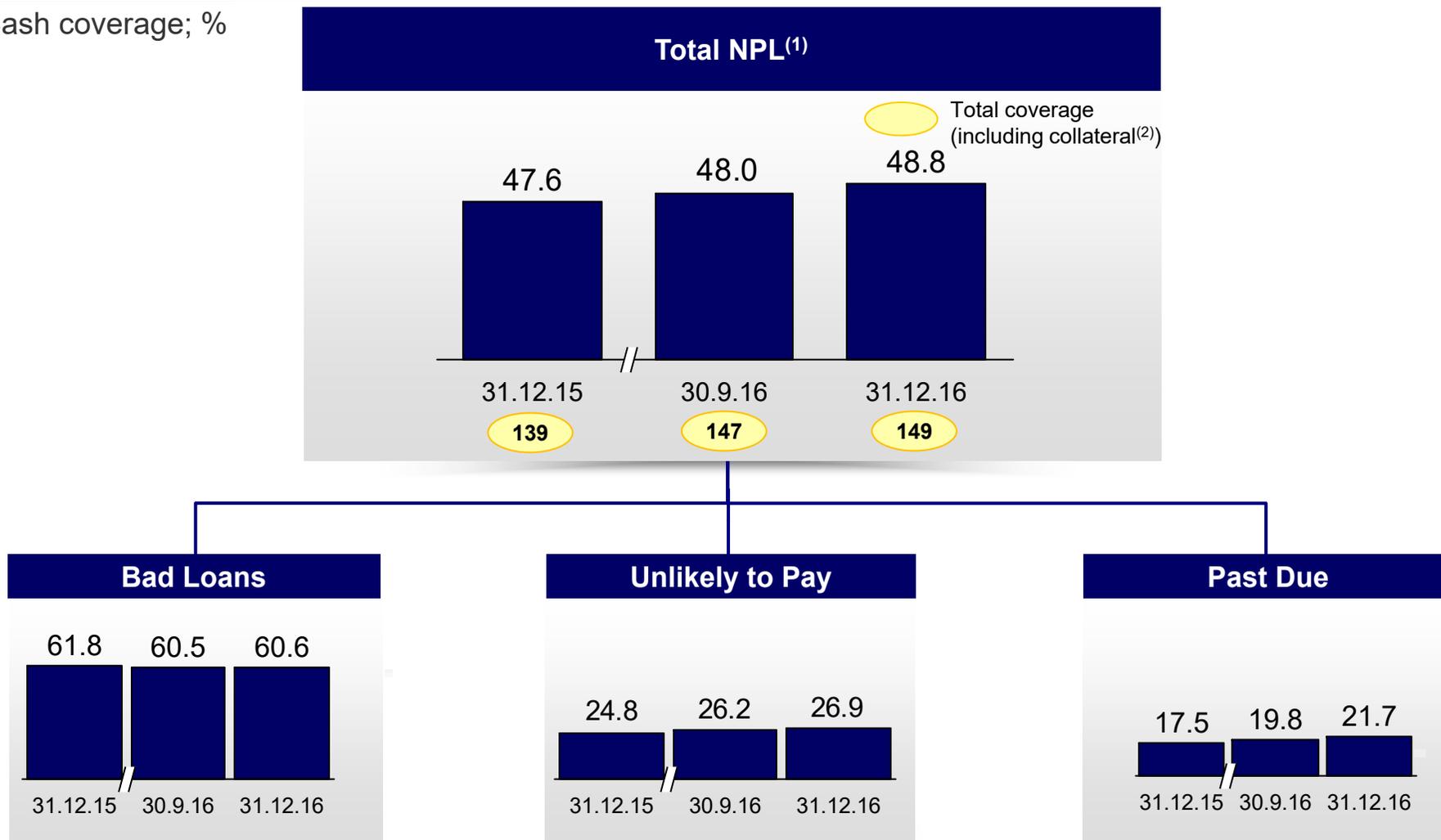
(1) Excluding personal guarantees

(2) Sample: BPOP, MPS, UBI and UniCredit (data as of 30.9.16)

(3) Repayment on Bad Loans/Net book value

# Non-performing Loans: Coverage Increased

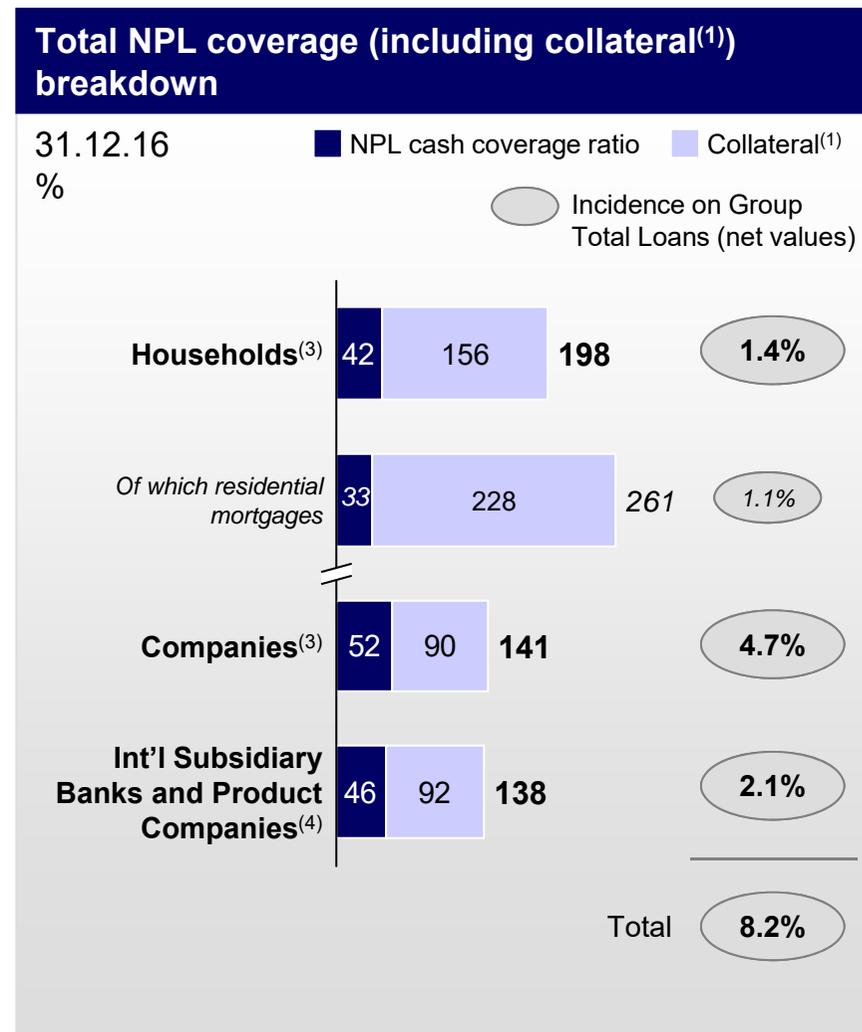
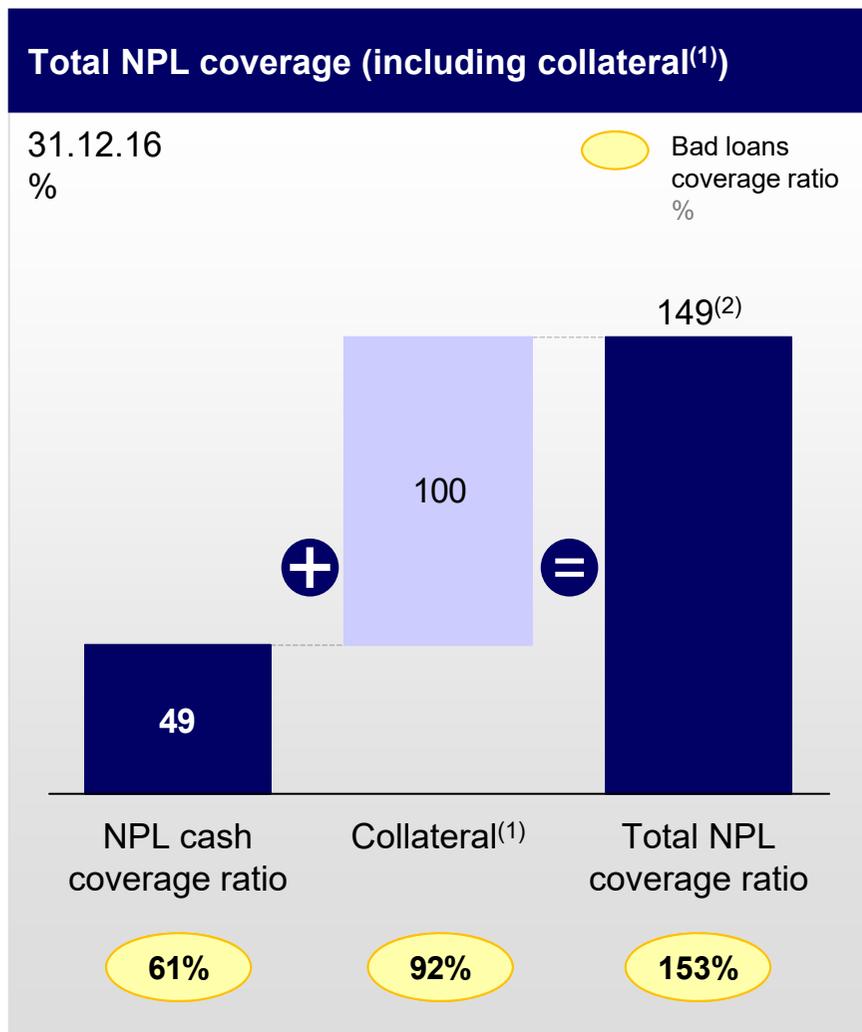
Cash coverage; %



(1) Bad Loans (*Sofferenze*), Unlikely to pay (*Inadempienze probabili*) and Past Due (*Scaduti e sconfinanti*)

(2) Excluding personal guarantees

# Very Strong NPL Coverage when Considering Collateral



Note: figures may not add up exactly due to rounding differences

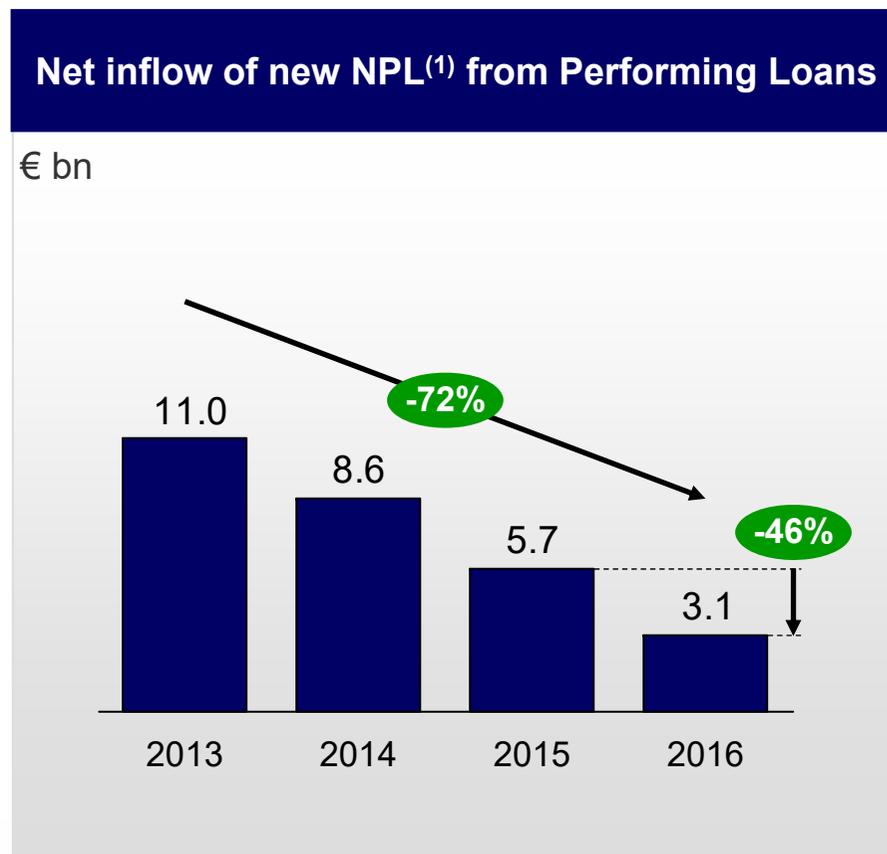
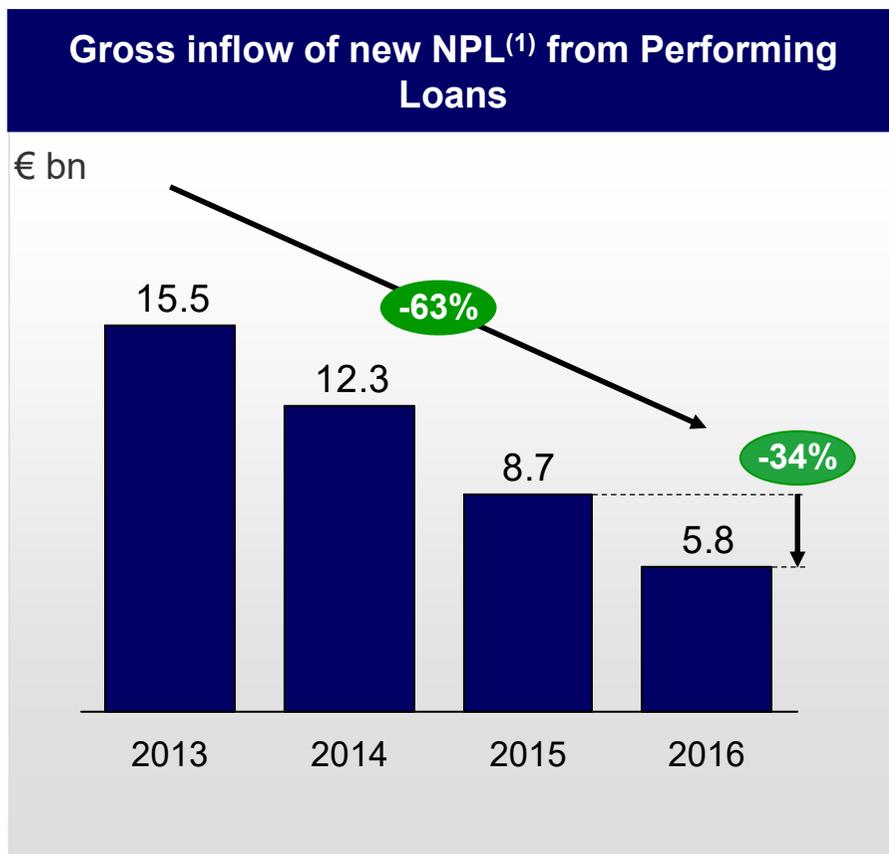
(1) Excluding personal guarantees

(2) 157% including personal guarantees

(3) Parent Bank and Italian Subsidiary Banks

(4) Mediocredito Italiano (Industrial Credit, Factoring and Leasing) and Banca IMI (Capital Markets and Investment Banking)

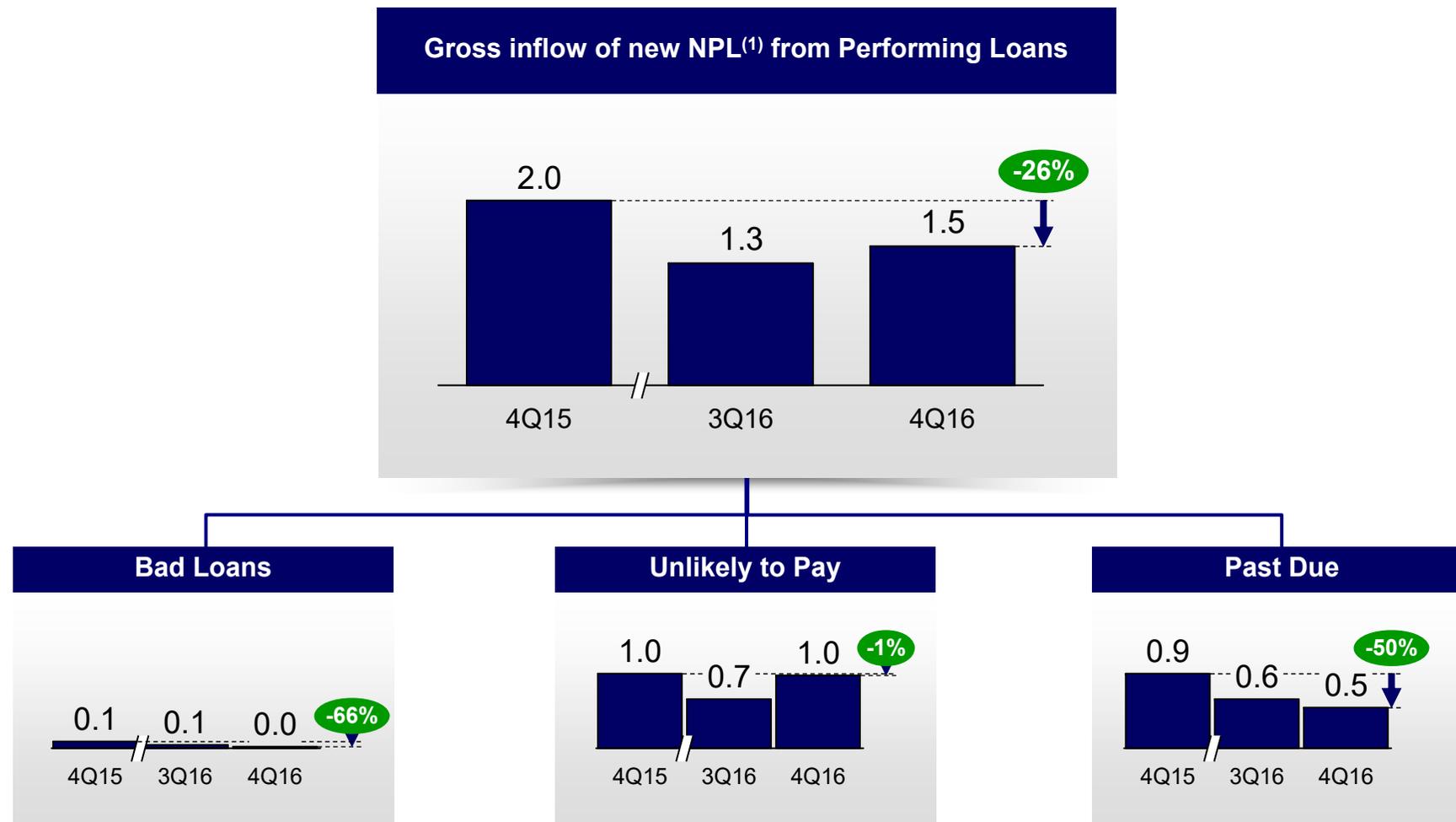
# Non-performing Loans: Lowest NPL Inflow since ISP was Created (2007)



(1) Bad Loans (*Sofferenze*), Unlikely to pay (*Inadempienze probabili*) and Past Due (*Scaduti e sconfinanti*)

# Non-performing Loans: Lowest Q4 Gross Inflow since 2007

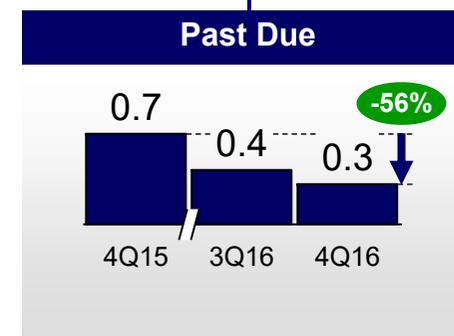
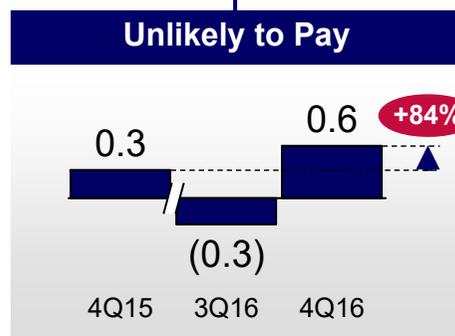
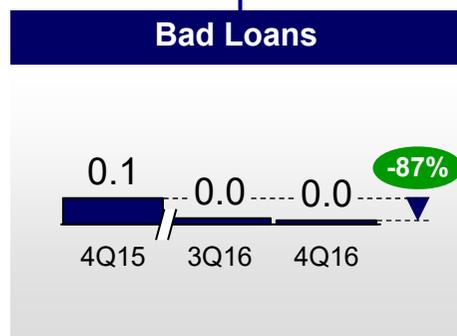
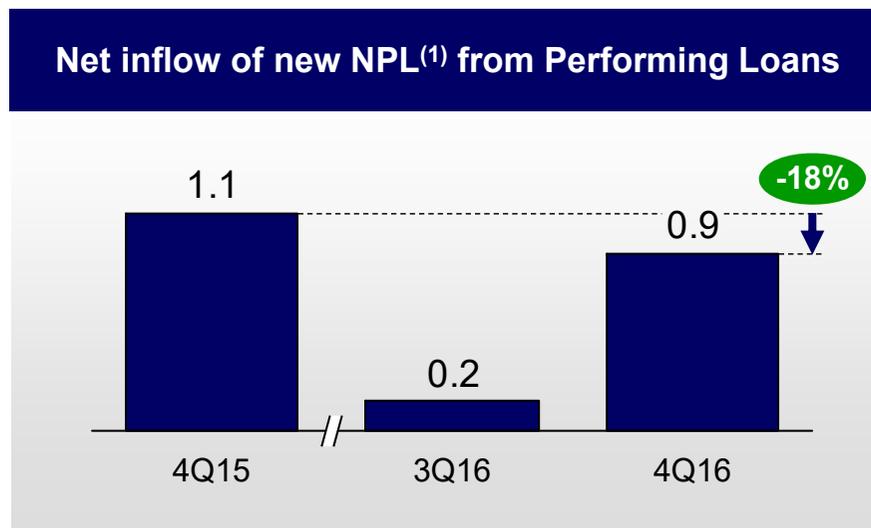
€ bn



Note: figures may not add up exactly due to rounding differences  
 (1) Bad Loans (*Sofferenze*), Unlikely to pay (*Inadempienze probabili*) and Past Due (*Scaduti e sconfinanti*)

# Non-performing Loans: Lowest Q4 Net Inflow since 2007

€ bn

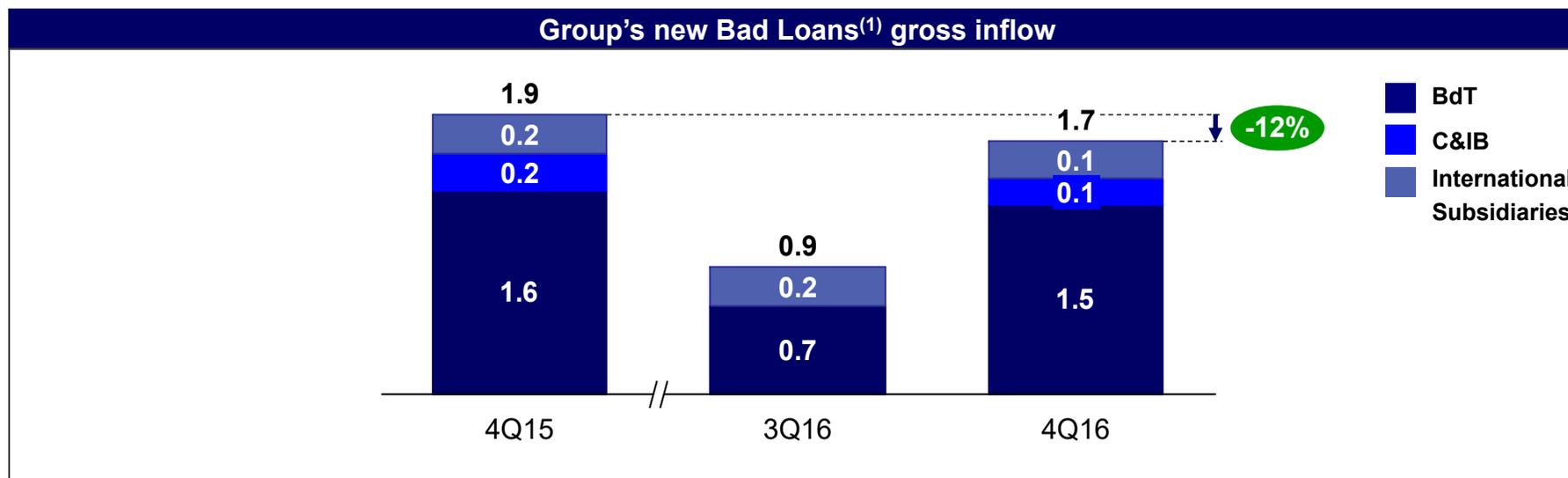


Note: figures may not add up exactly due to rounding differences

(1) Bad Loans (*Sofferenze*), Unlikely to pay (*Inadempienze probabili*) and Past Due (*Scaduti e sconfinanti*)

# New Bad Loans: Decrease in Gross Inflow vs 4Q15

€ bn



## BdT's new Bad Loans<sup>(1)</sup> gross inflow

	4Q15	3Q16	4Q16
<b>Total</b>	<b>1.6</b>	<b>0.7</b>	<b>1.5</b>
Mediocredito Italiano <sup>(2)</sup>	0.3	0.1	0.3
Households	0.4	0.2	0.3
SMEs	0.9	0.4	0.9

## C&IB's new Bad Loans<sup>(1)</sup> gross inflow

	4Q15	3Q16	4Q16
<b>Total</b>	<b>0.2</b>	<b>-</b>	<b>0.1</b>
Banca IMI <sup>(3)</sup>	-	-	-
Corporate and Public Finance	0.1	-	0.1
International Network & Global Industries	-	-	-
Financial Institutions	-	-	-

Note: figures may not add up exactly due to rounding differences

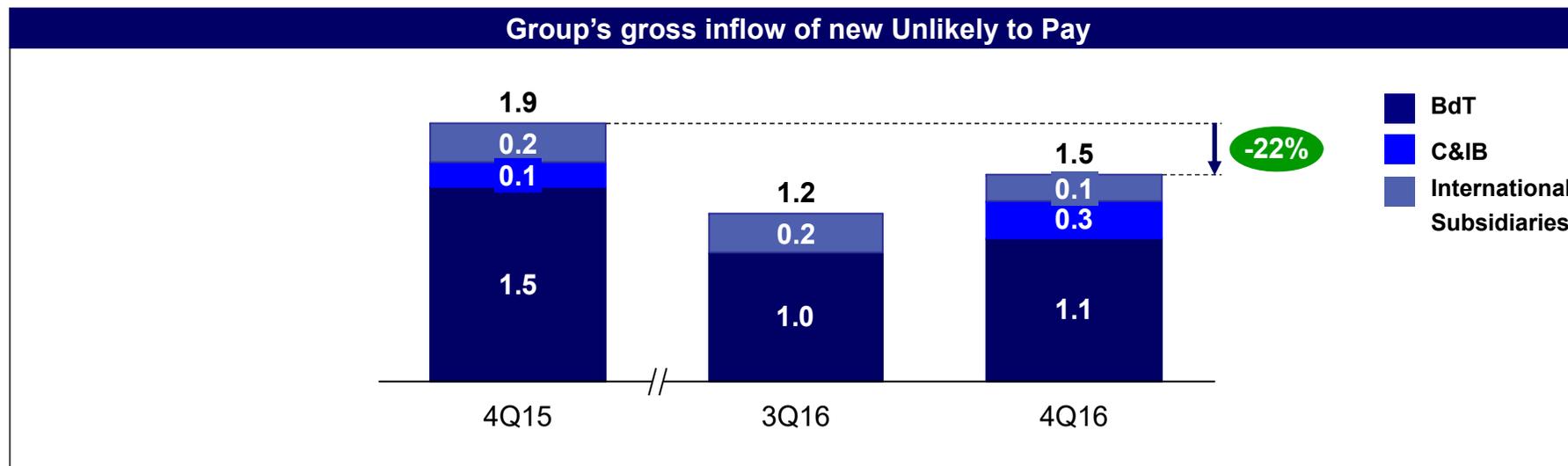
(1) *Sofferenze*

(2) Industrial Credit, Factoring and Leasing

(3) Capital Markets and Investment Banking

# New Unlikely to Pay: Strong Decrease in Gross Inflow vs 4Q15

€ bn



## BdT's gross inflow of new Unlikely to Pay

	4Q15	3Q16	4Q16
<b>Total</b>	<b>1.5</b>	<b>1.0</b>	<b>1.1</b>
Mediocredito Italiano <sup>(1)</sup>	0.3	0.2	0.2
Households	0.3	0.2	0.2
SMEs	0.9	0.6	0.6

## C&IB's gross inflow of new Unlikely to Pay

	4Q15	3Q16	4Q16
<b>Total</b>	<b>0.1</b>	<b>-</b>	<b>0.3</b>
Banca IMI <sup>(2)</sup>	0.1	-	-
Corporate and Public Finance	-	-	0.2
International Network & Global Industries	-	-	-
Financial Institutions	-	-	-

Note: figures may not add up exactly due to rounding differences

(1) Industrial Credit, Factoring and Leasing

(2) Capital Markets and Investment Banking

## Non-performing Loans: Fifth Consecutive Quarterly Decline in Stock, Marking the Lowest Level of the Past Twelve Quarters

Gross NPL			
€ m	31.12.15	30.9.16	31.12.16
Bad Loans	39,150	38,028	37,834
- of which forborne	1,690	2,220	2,397
Unlikely to pay	22,725	20,981	19,745
- of which forborne	9,020	9,196	9,256
Past Due	1,239	686	558
- of which forborne	146	96	74
<b>Total</b>	<b>63,114</b>	<b>59,695</b>	<b>58,137</b>

-8%

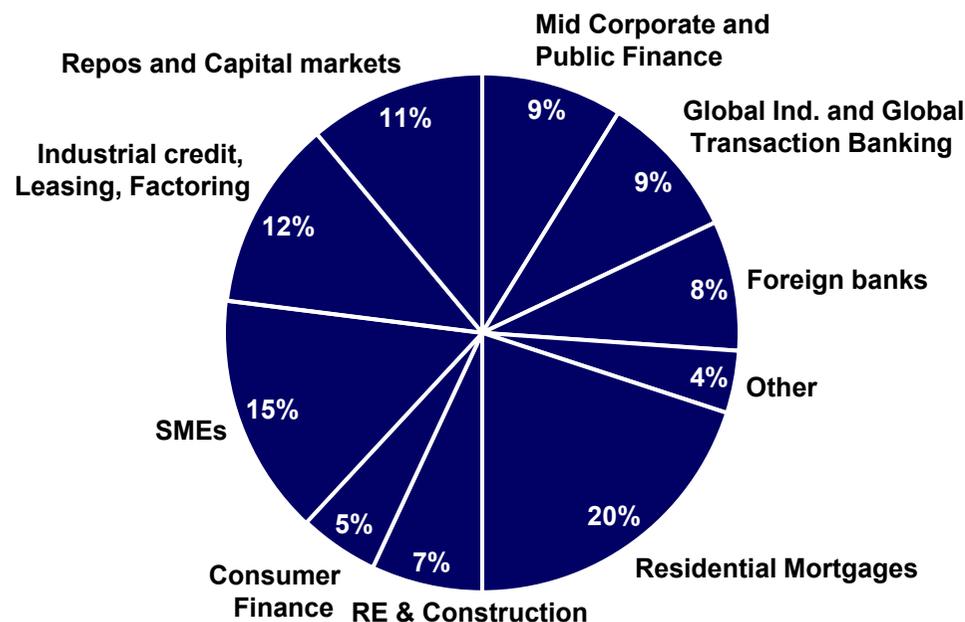
Net NPL			
€ m	31.12.15	30.9.16	31.12.16
Bad Loans	14,973	15,014	14,895
- of which forborne	755	1,002	1,089
Unlikely to pay	17,091	15,480	14,435
- of which forborne	6,824	6,995	7,053
Past Due	1,022	550	437
- of which forborne	126	81	62
<b>Total</b>	<b>33,086</b>	<b>31,044</b>	<b>29,767</b>

-10%

**€6.3bn decrease in Gross NPL stock since 30.9.15**

# Loans to Customers: Well-Diversified Portfolio

**Breakdown by business area**  
(Data as of 31.12.16)



## ■ Low risk profile of residential mortgage portfolio

- Instalment/available income ratio at 34%
- Average Loan-to-Value equal to 55%
- Original average maturity equal to ~22 years
- Residual average life equal to ~18 years

**Breakdown by economic business sector**

	30.9.16	31.12.16
<b>Loans of the Italian banks and companies of the Group</b>		
Households	23.4%	24.0%
Public Administration	4.9%	4.2%
Financial companies	7.6%	7.9%
Non-financial companies	35.7%	33.5%
<i>of which:</i>		
SERVICES	5.9%	5.8%
DISTRIBUTION	5.8%	5.3%
REAL ESTATE	4.2%	4.1%
CONSTRUCTION	2.6%	2.4%
UTILITIES	3.0%	2.0%
METALS AND METAL PRODUCTS	1.9%	1.8%
AGRICULTURE	1.6%	1.6%
TRANSPORT	1.6%	1.6%
FOOD AND DRINK	1.4%	1.4%
MECHANICAL	1.1%	1.1%
INTERMEDIATE INDUSTRIAL PRODUCTS	1.1%	1.0%
FASHION	0.9%	0.9%
HOLDING AND OTHER	0.5%	0.6%
ELECTROTECHNICAL AND ELECTRONIC	0.6%	0.6%
TRANSPORTATION MEANS	0.5%	0.6%
ENERGY AND EXTRACTION	0.5%	0.5%
BASE AND INTERMEDIATE CHEMICALS	0.4%	0.4%
INFRASTRUCTURE	0.4%	0.4%
PUBLISHING AND PRINTING	0.4%	0.4%
MATERIALS FOR CONSTRUCTION	0.3%	0.3%
FURNITURE	0.2%	0.2%
OTHER CONSUMPTION GOODS	0.2%	0.2%
PHARMACEUTICAL	0.2%	0.2%
NON-CLASSIFIED UNITS	0.0%	0.1%
MASS CONSUMPTION GOODS	0.1%	0.1%
WHITE GOODS	0.1%	0.1%
<b>Rest of the world</b>	<b>11.0%</b>	<b>12.9%</b>
<b>Loans of the foreign banks and companies of the Group</b>	<b>9.0%</b>	<b>9.2%</b>
<b>Non-performing loans</b>	<b>8.5%</b>	<b>8.2%</b>
<b>TOTAL</b>	<b>100.0%</b>	<b>100.0%</b>

Note: figures may not add up exactly due to rounding differences

# Contents

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Detailed Consolidated P&L Results

Liquidity, Funding and Capital Base

Asset Quality

**Divisional Results and Other Information**

# Divisional Financial Highlights

Data as of 31.12.16

	Divisions							Total
	Banca dei Territori	Corporate & Investment Banking	International Subsidiary Banks <sup>(1)</sup>	Private Banking <sup>(2)</sup>	Asset Management <sup>(3)</sup>	Insurance <sup>(4)</sup>	Corporate Centre / Others <sup>(5)</sup>	
Operating Income (€ m)	8,611	3,385	2,002	1,740	647	1,172	(628)	16,929
Operating Margin (€ m)	3,709	2,428	1,040	1,206	506	999	(1,633)	8,255
Net Income (€ m)	1,837	1,448	703	710	357	669	(2,613)	3,111
Cost/Income (%)	56.9	28.3	48.1	30.7	21.8	14.8	n.m.	51.2
RWA (€ bn)	83.0	103.7	30.0	9.7	1.1	0.0	56.3	283.9
Direct Deposits from Banking Business (€ bn)	173.6	112.7	33.0	27.5	0.0	0.0	47.0	393.8
Loans to Customers (€ bn)	187.6	98.2	26.5	9.6	0.3	0.0	42.5	364.7

Note: figures may not add up exactly due to rounding differences

(1) Excluding the Ukrainian subsidiary Pravex-Bank and the Hungarian "bad bank" which are included in the Capital Light Bank

(2) Fideuram, Intesa Sanpaolo Private Bank (Suisse), Intesa Sanpaolo Private Banking and Sirefid

(3) Eurizon Capital

(4) Fideuram Vita, Intesa Sanpaolo Assicura and Intesa Sanpaolo Vita

(5) Treasury Department, Central Structures, Capital Light Bank and consolidation adjustments

## Banca dei Territori: 2016 vs 2015

€ m

	2015	2016	Δ%
	Restated		
Net interest income	4,903	4,623	(5.7)
Net fee and commission income	4,066	3,895	(4.2)
Income from insurance business	0	0	n.m.
Profits (Losses) on trading	66	70	6.1
Other operating income (expenses)	21	23	9.5
<b>Operating income</b>	<b>9,056</b>	<b>8,611</b>	<b>(4.9)</b>
Personnel expenses	(3,043)	(3,024)	(0.6)
Other administrative expenses	(1,914)	(1,877)	(1.9)
Adjustments to property, equipment and intangible assets	(1)	(1)	0.0
<b>Operating costs</b>	<b>(4,958)</b>	<b>(4,902)</b>	<b>(1.1)</b>
<b>Operating margin</b>	<b>4,098</b>	<b>3,709</b>	<b>(9.5)</b>
Net adjustments to loans	(2,076)	(2,039)	(1.8)
Net provisions and net impairment losses on other assets	(61)	(57)	(6.6)
Other income (expenses)	0	109	n.m.
Income (Loss) from discontinued operations	84	892	961.9
<b>Gross income (loss)</b>	<b>2,045</b>	<b>2,614</b>	<b>27.8</b>
Taxes on income	(871)	(725)	(16.8)
Charges (net of tax) for integration and exit incentives	(37)	(44)	18.9
Effect of purchase price allocation (net of tax)	(2)	(8)	300.0
Levies and other charges concerning the banking industry (net of tax)	0	0	n.m.
Impairment (net of tax) of goodwill and other intangible assets	0	0	n.m.
Minority interests	0	0	n.m.
<b>Net income</b>	<b>1,135</b>	<b>1,837</b>	<b>61.9</b>

Note: figures may not add up exactly due to rounding differences

## Banca dei Territori: Q4 vs Q3

€ m

	3Q16 Restated	4Q16	Δ%
Net interest income	1,162	1,147	(1.3)
Net fee and commission income	961	992	3.2
Income from insurance business	0	0	n.m.
Profits (Losses) on trading	17	22	25.3
Other operating income (expenses)	6	5	(16.3)
<b>Operating income</b>	<b>2,146</b>	<b>2,166</b>	<b>0.9</b>
Personnel expenses	(747)	(767)	2.8
Other administrative expenses	(451)	(508)	12.5
Adjustments to property, equipment and intangible assets	(0)	(0)	94.5
<b>Operating costs</b>	<b>(1,198)</b>	<b>(1,275)</b>	<b>6.4</b>
<b>Operating margin</b>	<b>949</b>	<b>891</b>	<b>(6.1)</b>
Net adjustments to loans	(569)	(540)	(5.0)
Net provisions and net impairment losses on other assets	(10)	(17)	69.9
Other income (expenses)	0	(0)	n.m.
Income (Loss) from discontinued operations	22	828	n.m.
<b>Gross income (loss)</b>	<b>392</b>	<b>1,161</b>	<b>196.6</b>
Taxes on income	(175)	(145)	(17.3)
Charges (net of tax) for integration and exit incentives	(5)	(29)	532.2
Effect of purchase price allocation (net of tax)	0	(4)	n.m.
Levies and other charges concerning the banking industry (net of tax)	0	0	n.m.
Impairment (net of tax) of goodwill and other intangible assets	0	0	n.m.
Minority interests	0	0	n.m.
<b>Net income</b>	<b>211</b>	<b>983</b>	<b>364.8</b>

Note: figures may not add up exactly due to rounding differences

## Corporate and Investment Banking: 2016 vs 2015

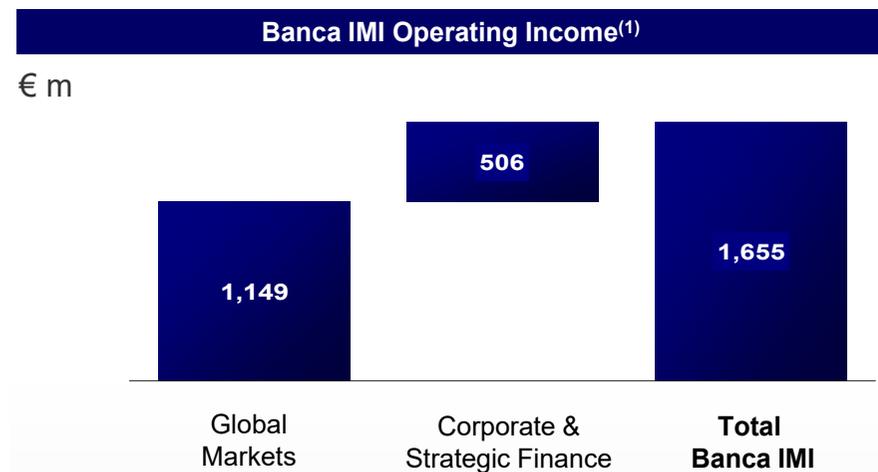
€ m

	2015	2016	Δ%
	Restated		
Net interest income	1,544	1,447	(6.3)
Net fee and commission income	868	1,111	28.0
Income from insurance business	0	0	n.m.
Profits (Losses) on trading	712	808	13.5
Other operating income (expenses)	10	19	90.0
<b>Operating income</b>	<b>3,134</b>	<b>3,385</b>	<b>8.0</b>
Personnel expenses	(362)	(372)	2.8
Other administrative expenses	(578)	(582)	0.7
Adjustments to property, equipment and intangible assets	(3)	(3)	0.0
<b>Operating costs</b>	<b>(943)</b>	<b>(957)</b>	<b>1.5</b>
<b>Operating margin</b>	<b>2,191</b>	<b>2,428</b>	<b>10.8</b>
Net adjustments to loans	(203)	(333)	64.0
Net provisions and net impairment losses on other assets	(20)	(10)	(50.0)
Other income (expenses)	0	33	n.m.
Income (Loss) from discontinued operations	0	0	n.m.
<b>Gross income (loss)</b>	<b>1,968</b>	<b>2,118</b>	<b>7.6</b>
Taxes on income	(609)	(664)	9.0
Charges (net of tax) for integration and exit incentives	(3)	(6)	100.0
Effect of purchase price allocation (net of tax)	0	0	n.m.
Levies and other charges concerning the banking industry (net of tax)	0	0	n.m.
Impairment (net of tax) of goodwill and other intangible assets	0	0	n.m.
Minority interests	0	0	n.m.
<b>Net income</b>	<b>1,356</b>	<b>1,448</b>	<b>6.8</b>

Note: figures may not add up exactly due to rounding differences

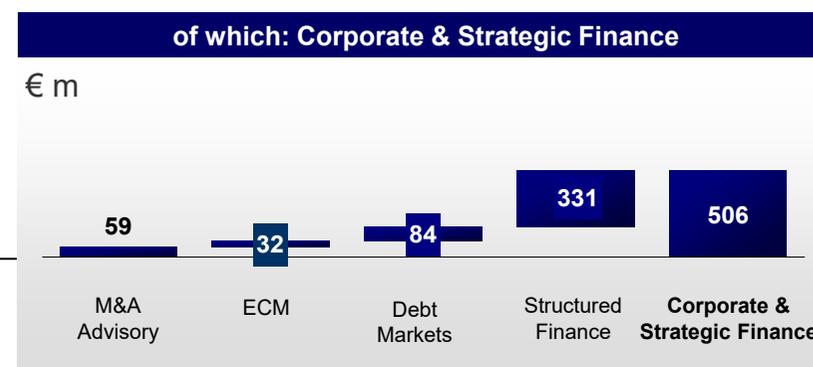
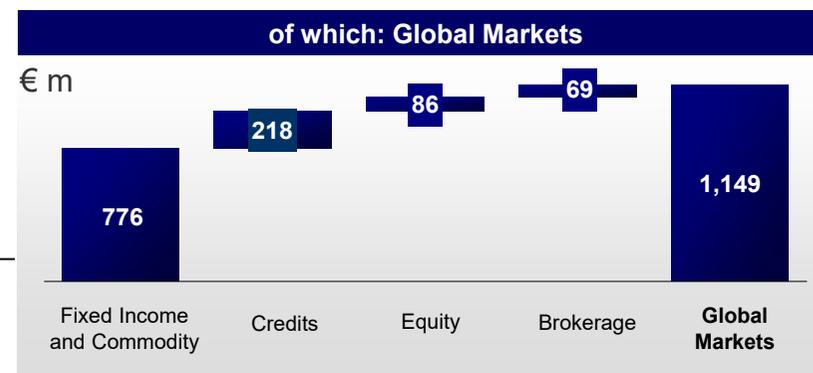
# Banca IMI: A Significant Contribution to Group Results

2016 Results



Cost/Income ratio	28.0%	25.3%	27.2%
RWA (€ bn)	21.8	6.8	28.6

- ~71% of Operating income is customer driven
- 2016 average VaR at €82m
- 2016 Net income at €805m



Note: figures may not add up exactly due to rounding differences

(1) Banca IMI S.p.A. and its subsidiaries

## Corporate and Investment Banking: Q4 vs Q3

€ m

	3Q16 Restated	4Q16	Δ%
Net interest income	383	352	(7.9)
Net fee and commission income	214	414	92.8
Income from insurance business	0	0	n.m.
Profits (Losses) on trading	112	216	92.6
Other operating income (expenses)	3	13	345.2
<b>Operating income</b>	<b>712</b>	<b>995</b>	<b>39.8</b>
Personnel expenses	(86)	(114)	33.0
Other administrative expenses	(137)	(160)	16.8
Adjustments to property, equipment and intangible assets	(1)	(0)	(80.4)
<b>Operating costs</b>	<b>(224)</b>	<b>(274)</b>	<b>22.4</b>
<b>Operating margin</b>	<b>488</b>	<b>721</b>	<b>47.7</b>
Net adjustments to loans	(71)	(138)	94.8
Net provisions and net impairment losses on other assets	(1)	(7)	607.5
Other income (expenses)	2	13	550.0
Income (Loss) from discontinued operations	0	0	n.m.
<b>Gross income (loss)</b>	<b>418</b>	<b>589</b>	<b>40.8</b>
Taxes on income	(120)	(194)	62.3
Charges (net of tax) for integration and exit incentives	(1)	(2)	96.9
Effect of purchase price allocation (net of tax)	0	0	n.m.
Levies and other charges concerning the banking industry (net of tax)	0	0	n.m.
Impairment (net of tax) of goodwill and other intangible assets	0	0	n.m.
Minority interests	0	0	n.m.
<b>Net income</b>	<b>298</b>	<b>393</b>	<b>32.0</b>

Note: figures may not add up exactly due to rounding differences

## International Subsidiary Banks: 2016 vs 2015

€ m

	2015	2016	Δ%
	Restated		
Net interest income	1,495	1,428	(4.5)
Net fee and commission income	512	483	(5.7)
Income from insurance business	0	0	n.m.
Profits (Losses) on trading	100	108	8.0
Other operating income (expenses)	(22)	(17)	(22.7)
<b>Operating income</b>	<b>2,085</b>	<b>2,002</b>	<b>(4.0)</b>
Personnel expenses	(553)	(533)	(3.6)
Other administrative expenses	(364)	(341)	(6.3)
Adjustments to property, equipment and intangible assets	(94)	(88)	(6.4)
<b>Operating costs</b>	<b>(1,011)</b>	<b>(962)</b>	<b>(4.8)</b>
<b>Operating margin</b>	<b>1,074</b>	<b>1,040</b>	<b>(3.2)</b>
Net adjustments to loans	(340)	(221)	(35.0)
Net provisions and net impairment losses on other assets	(161)	(8)	(95.0)
Other income (expenses)	1	71	n.m.
Income (Loss) from discontinued operations	5	31	520.0
<b>Gross income (loss)</b>	<b>579</b>	<b>913</b>	<b>57.7</b>
Taxes on income	(144)	(179)	24.3
Charges (net of tax) for integration and exit incentives	(4)	(31)	675.0
Effect of purchase price allocation (net of tax)	0	0	n.m.
Levies and other charges concerning the banking industry (net of tax)	0	0	n.m.
Impairment (net of tax) of goodwill and other intangible assets	0	0	n.m.
Minority interests	0	0	n.m.
<b>Net income</b>	<b>431</b>	<b>703</b>	<b>63.1</b>

+1% with constant exchange rates

+2% with constant exchange rates

Note: figures may not add up exactly due to rounding differences. Excluding the Ukrainian subsidiary Pravex-Bank and the Hungarian "bad bank" which are included in the Capital Light Bank

## International Subsidiary Banks: Q4 vs Q3

€ m

	3Q16 Restated	4Q16	Δ%	
Net interest income	367	333	(9.3)	
Net fee and commission income	124	123	(0.5)	
Income from insurance business	0	0	n.m.	
Profits (Losses) on trading	31	17	(43.8)	
Other operating income (expenses)	6	(6)	n.m.	(2%) with constant exchange rates
<b>Operating income</b>	<b>527</b>	<b>468</b>	<b>(11.3)</b>	
Personnel expenses	(135)	(132)	(2.2)	
Other administrative expenses	(82)	(90)	10.1	
Adjustments to property, equipment and intangible assets	(22)	(22)	(1.7)	
<b>Operating costs</b>	<b>(240)</b>	<b>(245)</b>	<b>2.1</b>	(13%) with constant exchange rates
<b>Operating margin</b>	<b>287</b>	<b>223</b>	<b>(22.6)</b>	
Net adjustments to loans	(41)	(74)	80.2	
Net provisions and net impairment losses on other assets	(4)	(23)	553.1	
Other income (expenses)	1	6	832.6	
Income (Loss) from discontinued operations	2	28	n.m.	(24%) with constant exchange rates
<b>Gross income (loss)</b>	<b>245</b>	<b>159</b>	<b>(35.0)</b>	
Taxes on income	(54)	(24)	(56.4)	
Charges (net of tax) for integration and exit incentives	(1)	(11)	n.m.	
Effect of purchase price allocation (net of tax)	0	0	n.m.	
Levies and other charges concerning the banking industry (net of tax)	0	0	n.m.	
Impairment (net of tax) of goodwill and other intangible assets	0	(0)	n.m.	
Minority interests	(0)	(0)	24.8	
<b>Net income</b>	<b>190</b>	<b>124</b>	<b>(34.6)</b>	

Note: figures may not add up exactly due to rounding differences. Excluding the Ukrainian subsidiary Pravex-Bank and the Hungarian "bad bank" which are included in the Capital Light Bank

## Private Banking: 2016 vs 2015

€ m

	2015	2016	Δ%
	Restated		
Net interest income	201	175	(12.9)
Net fee and commission income	1,449	1,527	5.4
Income from insurance business	0	0	n.m.
Profits (Losses) on trading	27	31	14.8
Other operating income (expenses)	3	7	133.3
<b>Operating income</b>	<b>1,680</b>	<b>1,740</b>	<b>3.6</b>
Personnel expenses	(290)	(292)	0.7
Other administrative expenses	(226)	(227)	0.4
Adjustments to property, equipment and intangible assets	(16)	(15)	(6.3)
<b>Operating costs</b>	<b>(532)</b>	<b>(534)</b>	<b>0.4</b>
<b>Operating margin</b>	<b>1,148</b>	<b>1,206</b>	<b>5.1</b>
Net adjustments to loans	0	6	n.m.
Net provisions and net impairment losses on other assets	(39)	(44)	12.8
Other income (expenses)	0	0	n.m.
Income (Loss) from discontinued operations	0	0	n.m.
<b>Gross income (loss)</b>	<b>1,109</b>	<b>1,168</b>	<b>5.3</b>
Taxes on income	(332)	(339)	2.1
Charges (net of tax) for integration and exit incentives	(30)	(35)	16.7
Effect of purchase price allocation (net of tax)	(84)	(84)	0.0
Levies and other charges concerning the banking industry (net of tax)	0	0	n.m.
Impairment (net of tax) of goodwill and other intangible assets	0	0	n.m.
Minority interests	0	0	n.m.
<b>Net income</b>	<b>663</b>	<b>710</b>	<b>7.1</b>

€794m excluding the Effect of purchase cost allocation

Note: figures may not add up exactly due to rounding differences

## Private Banking: Q4 vs Q3

€ m

	3Q16 Restated	4Q16	Δ%
Net interest income	44	43	(2.1)
Net fee and commission income	364	399	9.5
Income from insurance business	0	0	n.m.
Profits (Losses) on trading	12	9	(27.2)
Other operating income (expenses)	1	(1)	n.m.
<b>Operating income</b>	<b>421</b>	<b>450</b>	<b>6.7</b>
Personnel expenses	(73)	(77)	4.6
Other administrative expenses	(57)	(62)	9.5
Adjustments to property, equipment and intangible assets	(4)	(4)	(0.0)
<b>Operating costs</b>	<b>(134)</b>	<b>(143)</b>	<b>6.5</b>
<b>Operating margin</b>	<b>288</b>	<b>307</b>	<b>6.8</b>
Net adjustments to loans	(1)	1	n.m.
Net provisions and net impairment losses on other assets	(12)	(3)	(72.1)
Other income (expenses)	0	0	n.m.
Income (Loss) from discontinued operations	0	0	n.m.
<b>Gross income (loss)</b>	<b>274</b>	<b>304</b>	<b>11.1</b>
Taxes on income	(82)	(91)	10.3
Charges (net of tax) for integration and exit incentives	(6)	(12)	94.6
Effect of purchase price allocation (net of tax)	(21)	(21)	0.0
Levies and other charges concerning the banking industry (net of tax)	0	0	n.m.
Impairment (net of tax) of goodwill and other intangible assets	0	0	n.m.
Minority interests	0	(0)	n.m.
<b>Net income</b>	<b>165</b>	<b>181</b>	<b>9.8</b>

€202m excluding the Effect of purchase cost allocation

Note: figures may not add up exactly due to rounding differences

# Asset Management: 2016 vs 2015

€ m

	2015	2016	Δ%
	Restated		
Net interest income	1	1	0.0
Net fee and commission income	670	567	(15.4)
Income from insurance business	0	0	n.m.
Profits (Losses) on trading	1	11	n.m.
Other operating income (expenses)	87	68	(21.8)
<b>Operating income</b>	<b>759</b>	<b>647</b>	<b>(14.8)</b>
Personnel expenses	(65)	(64)	(1.5)
Other administrative expenses	(77)	(76)	(1.3)
Adjustments to property, equipment and intangible assets	0	(1)	n.m.
<b>Operating costs</b>	<b>(142)</b>	<b>(141)</b>	<b>(0.7)</b>
<b>Operating margin</b>	<b>617</b>	<b>506</b>	<b>(18.0)</b>
Net adjustments to loans	0	0	n.m.
Net provisions and net impairment losses on other assets	(3)	1	n.m.
Other income (expenses)	0	0	n.m.
Income (Loss) from discontinued operations	0	0	n.m.
<b>Gross income (loss)</b>	<b>614</b>	<b>507</b>	<b>(17.4)</b>
Taxes on income	(139)	(139)	0.0
Charges (net of tax) for integration and exit incentives	0	0	n.m.
Effect of purchase price allocation (net of tax)	0	0	n.m.
Levies and other charges concerning the banking industry (net of tax)	0	0	n.m.
Impairment (net of tax) of goodwill and other intangible assets	0	0	n.m.
Minority interests	(9)	(11)	22.2
<b>Net income</b>	<b>466</b>	<b>357</b>	<b>(23.4)</b>

+6% excluding performance fees

+9% excluding performance fees

+9% excluding performance fees

Note: figures may not add up exactly due to rounding differences

## Asset Management: Q4 vs Q3

€ m

	3Q16 Restated	4Q16	Δ%
Net interest income	0	0	8.2
Net fee and commission income	145	160	10.4
Income from insurance business	0	0	n.m.
Profits (Losses) on trading	4	3	(15.3)
Other operating income (expenses)	19	15	(19.3)
<b>Operating income</b>	<b>168</b>	<b>179</b>	<b>6.4</b>
Personnel expenses	(14)	(22)	60.6
Other administrative expenses	(18)	(21)	17.4
Adjustments to property, equipment and intangible assets	(0)	(0)	(3.5)
<b>Operating costs</b>	<b>(32)</b>	<b>(44)</b>	<b>35.9</b>
<b>Operating margin</b>	<b>136</b>	<b>135</b>	<b>(0.5)</b>
Net adjustments to loans	0	0	n.m.
Net provisions and net impairment losses on other assets	0	0	(12.9)
Other income (expenses)	0	0	n.m.
Income (Loss) from discontinued operations	0	0	n.m.
<b>Gross income (loss)</b>	<b>137</b>	<b>136</b>	<b>(0.6)</b>
Taxes on income	(30)	(58)	93.2
Charges (net of tax) for integration and exit incentives	(0)	(0)	276.1
Effect of purchase price allocation (net of tax)	0	0	n.m.
Levies and other charges concerning the banking industry (net of tax)	0	0	n.m.
Impairment (net of tax) of goodwill and other intangible assets	0	0	n.m.
Minority interests	(4)	(3)	(14.0)
<b>Net income</b>	<b>103</b>	<b>74</b>	<b>(27.6)</b>

Note: figures may not add up exactly due to rounding differences

## Insurance: 2016 vs 2015

€ m

	2015 Restated	2016	Δ%
Net interest income	0	0	n.m.
Net fee and commission income	0	0	n.m.
Income from insurance business	1,100	1,179	7.2
Profits (Losses) on trading	0	0	n.m.
Other operating income (expenses)	2	(7)	n.m.
<b>Operating income</b>	<b>1,102</b>	<b>1,172</b>	<b>6.4</b>
Personnel expenses	(67)	(71)	6.0
Other administrative expenses	(90)	(100)	11.1
Adjustments to property, equipment and intangible assets	(3)	(2)	(33.3)
<b>Operating costs</b>	<b>(160)</b>	<b>(173)</b>	<b>8.1</b>
<b>Operating margin</b>	<b>942</b>	<b>999</b>	<b>6.1</b>
Net adjustments to loans	0	0	n.m.
Net provisions and net impairment losses on other assets	(19)	(12)	(36.8)
Other income (expenses)	0	21	n.m.
Income (Loss) from discontinued operations	0	0	n.m.
<b>Gross income (loss)</b>	<b>923</b>	<b>1,008</b>	<b>9.2</b>
Taxes on income	(258)	(315)	22.1
Charges (net of tax) for integration and exit incentives	(4)	(5)	25.0
Effect of purchase price allocation (net of tax)	(31)	(19)	(38.7)
Levies and other charges concerning the banking industry (net of tax)	0	0	n.m.
Impairment (net of tax) of goodwill and other intangible assets	0	0	n.m.
Minority interests	0	0	n.m.
<b>Net income</b>	<b>630</b>	<b>669</b>	<b>6.2</b>

€688m excluding the Effect of purchase cost allocation

Note: figures may not add up exactly due to rounding differences

## Insurance: Q4 vs Q3

€ m

	3Q16 Restated	4Q16	Δ%
Net interest income	0	0	n.m.
Net fee and commission income	0	0	n.m.
Income from insurance business	298	206	(30.9)
Profits (Losses) on trading	0	0	n.m.
Other operating income (expenses)	(1)	(3)	179.0
<b>Operating income</b>	<b>297</b>	<b>202</b>	<b>(31.8)</b>
Personnel expenses	(16)	(22)	33.7
Other administrative expenses	(22)	(36)	60.3
Adjustments to property, equipment and intangible assets	(1)	(1)	(1.4)
<b>Operating costs</b>	<b>(39)</b>	<b>(58)</b>	<b>48.4</b>
<b>Operating margin</b>	<b>257</b>	<b>144</b>	<b>(44.0)</b>
Net adjustments to loans	0	0	n.m.
Net provisions and net impairment losses on other assets	(2)	(2)	(35.0)
Other income (expenses)	0	21	n.m.
Income (Loss) from discontinued operations	0	0	n.m.
<b>Gross income (loss)</b>	<b>255</b>	<b>164</b>	<b>(35.9)</b>
Taxes on income	(81)	(49)	(39.1)
Charges (net of tax) for integration and exit incentives	(1)	(2)	164.3
Effect of purchase price allocation (net of tax)	(6)	(3)	(54.5)
Levies and other charges concerning the banking industry (net of tax)	0	0	n.m.
Impairment (net of tax) of goodwill and other intangible assets	0	0	n.m.
Minority interests	0	0	n.m.
<b>Net income</b>	<b>168</b>	<b>110</b>	<b>(34.6)</b>

€113m excluding the Effect of purchase cost allocation

Note: figures may not add up exactly due to rounding differences

# Quarterly P&L Analysis

€ m

	1Q15	2Q15	3Q15	4Q15	1Q16	2Q16	3Q16	4Q16
	Restated							
Net interest income	1,950	1,954	1,887	1,926	1,855	1,831	1,859	1,748
Net fee and commission income	1,775	1,941	1,748	1,878	1,676	1,848	1,745	2,018
Income from insurance business	343	282	241	131	332	239	258	166
Profits (Losses) on trading	596	380	1	57	228	467	248	247
Other operating income (expenses)	36	20	41	(1)	75	67	29	(7)
<b>Operating income</b>	<b>4,700</b>	<b>4,577</b>	<b>3,918</b>	<b>3,991</b>	<b>4,166</b>	<b>4,452</b>	<b>4,139</b>	<b>4,172</b>
Personnel expenses	(1,295)	(1,263)	(1,249)	(1,479)	(1,275)	(1,338)	(1,306)	(1,389)
Other administrative expenses	(629)	(668)	(632)	(791)	(595)	(638)	(625)	(762)
Adjustments to property, equipment and intangible assets	(174)	(176)	(178)	(200)	(177)	(178)	(186)	(205)
<b>Operating costs</b>	<b>(2,098)</b>	<b>(2,107)</b>	<b>(2,059)</b>	<b>(2,470)</b>	<b>(2,047)</b>	<b>(2,154)</b>	<b>(2,117)</b>	<b>(2,356)</b>
<b>Operating margin</b>	<b>2,602</b>	<b>2,470</b>	<b>1,859</b>	<b>1,521</b>	<b>2,119</b>	<b>2,298</b>	<b>2,022</b>	<b>1,816</b>
Net adjustments to loans	(767)	(847)	(769)	(923)	(694)	(923)	(917)	(1,174)
Net provisions and net impairment losses on other assets	(37)	(88)	(242)	(203)	(46)	(194)	(77)	(105)
Other income (expenses)	2	27	232	91	5	196	16	138
Income (Loss) from discontinued operations	22	21	22	22	20	28	23	881
<b>Gross income (loss)</b>	<b>1,822</b>	<b>1,583</b>	<b>1,102</b>	<b>508</b>	<b>1,404</b>	<b>1,405</b>	<b>1,067</b>	<b>1,556</b>
Taxes on income	(661)	(525)	(346)	(195)	(431)	(359)	(319)	(313)
Charges (net of tax) for integration and exit incentives	(6)	(25)	(15)	(37)	(13)	(38)	(16)	(83)
Effect of purchase price allocation (net of tax)	(26)	(33)	(27)	(33)	(29)	(27)	(26)	(30)
Levies and other charges concerning the banking industry (net of tax)	(54)	(48)	(2)	(248)	(102)	(11)	(69)	(377)
Impairment (net of tax) of goodwill and other intangible assets	0	0	0	0	0	0	0	0
Minority interests	(11)	(12)	10	18	(23)	(69)	(9)	23
<b>Net income</b>	<b>1,064</b>	<b>940</b>	<b>722</b>	<b>13</b>	<b>806</b>	<b>901</b>	<b>628</b>	<b>776</b>

Note: figures may not add up exactly due to rounding differences

# Net Fee and Commission Income: Quarterly Development Breakdown

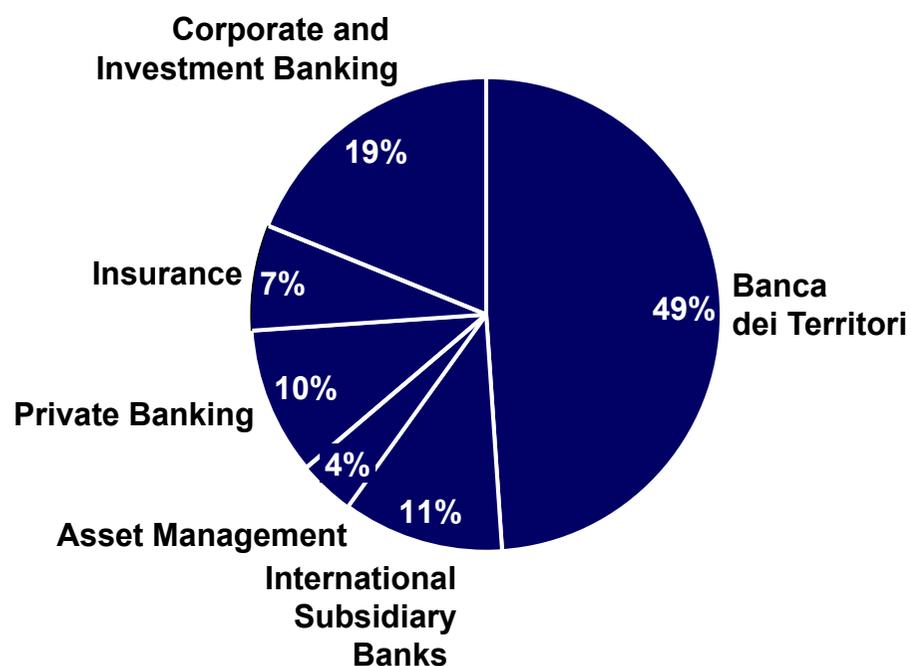
€ m

Net Fee and Commission Income								
	1Q15	2Q15	3Q15	4Q15	1Q16	2Q16	3Q16	4Q16
	Restated							
Guarantees given / received	92	78	88	86	83	83	90	86
Collection and payment services	86	95	89	104	85	91	90	96
Current accounts	254	255	268	255	247	255	251	254
Credit and debit cards	86	96	106	92	90	94	98	94
<b>Commercial banking activities</b>	<b>518</b>	<b>524</b>	<b>551</b>	<b>537</b>	<b>505</b>	<b>523</b>	<b>529</b>	<b>530</b>
Dealing and placement of securities	233	197	107	118	91	153	137	143
Currency dealing	11	11	11	11	10	10	10	11
Portfolio management	514	590	552	564	493	512	504	546
Distribution of insurance products	265	335	300	332	327	362	335	362
Other	45	48	42	49	41	38	47	89
<b>Management, dealing and consultancy activities</b>	<b>1,068</b>	<b>1,181</b>	<b>1,012</b>	<b>1,074</b>	<b>962</b>	<b>1,075</b>	<b>1,033</b>	<b>1,151</b>
Other net fee and commission income	189	236	185	267	209	250	183	337
<b>Net fee and commission income</b>	<b>1,775</b>	<b>1,941</b>	<b>1,748</b>	<b>1,878</b>	<b>1,676</b>	<b>1,848</b>	<b>1,745</b>	<b>2,018</b>

Note: figures may not add up exactly due to rounding differences

# Market Leadership in Italy

## 2016 Operating Income Breakdown by business area<sup>(1)</sup>



## Leader in Italy (data as of 31.12.16)

Ranking	Market share
1	Loans 15.9
1	Deposits <sup>(2)</sup> 16.8
1	Life Premiums <sup>(3)</sup> 19.4
1	Asset Management <sup>(4)</sup> 20.0
1	Pension Funds <sup>(3)</sup> 21.7
1	Factoring <sup>(3)</sup> 29.2

Note: figures may not add up exactly due to rounding differences

(1) Excluding Corporate Centre

(2) Including bonds

(3) Data as of 30.9.16

(4) Mutual funds; data as of 30.9.16

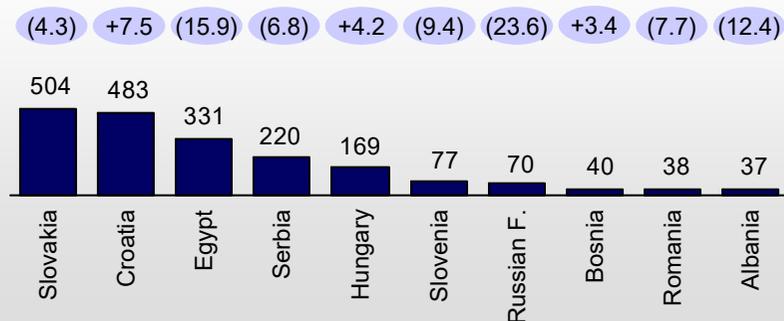
# International Subsidiary Banks: Key P&L Data by Country

Data as of 31.12.16

(Δ% vs 2015)

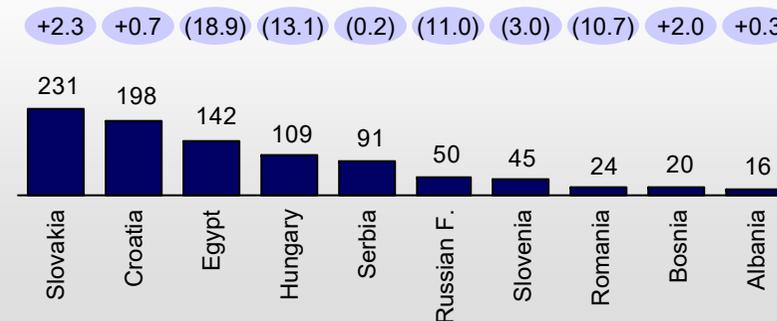
## Operating Income

€ m



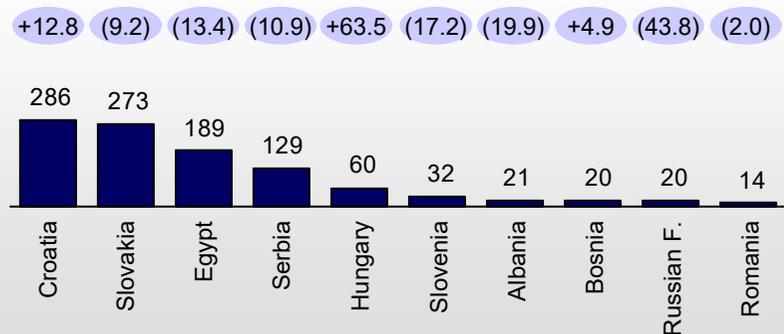
## Operating Costs

€ m



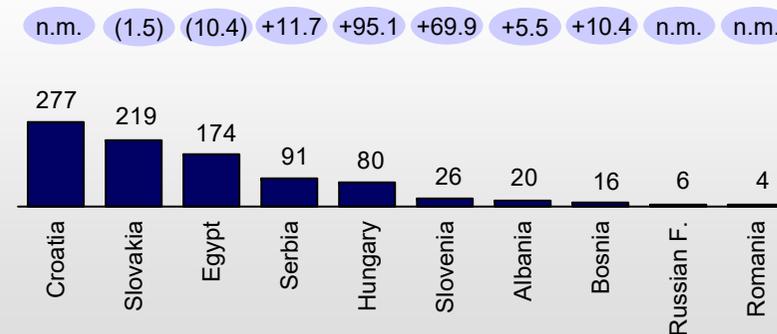
## Operating Margin

€ m



## Gross Income

€ m



Note: excluding the Ukrainian subsidiary Pravex-Bank and the Hungarian "bad bank" included in the Capital Light Bank

# International Subsidiary Banks by Country: ~7% of the Group's Total Loans

Data as of 31.12.16

	 Hungary <sup>(*)</sup>	 Slovakia	 Slovenia	 Croatia	 Serbia	 Bosnia	 Albania	 Romania	 Russian F.	 CEE Total	 Egypt	 Total
<b>Oper. Income (€ m)</b>	169	504	77	483	220	40	37	38	70	1,637	331	1,969
<b>% of Group total</b>	<b>1.0%</b>	<b>3.0%</b>	<b>0.5%</b>	<b>2.9%</b>	<b>1.3%</b>	<b>0.2%</b>	<b>0.2%</b>	<b>0.2%</b>	<b>0.4%</b>	<b>9.7%</b>	<b>2.0%</b>	<b>11.6%</b>
<b>Net income (€ m)</b>	49	157	20	198	82	14	17	3	5	544	122	665
<b>% of Group total</b>	<b>1.6%</b>	<b>5.0%</b>	<b>0.7%</b>	<b>6.4%</b>	<b>2.6%</b>	<b>0.4%</b>	<b>0.5%</b>	<b>0.1%</b>	<b>0.2%</b>	<b>17.5%</b>	<b>3.9%</b>	<b>21.4%</b>
<b>Customer Deposits (€ bn)</b>	3.8	11.5	1.8	7.3	3.2	0.7	0.9	0.6	0.5	30.3	2.7	33.1
<b>% of Group total</b>	<b>1.0%</b>	<b>2.9%</b>	<b>0.5%</b>	<b>1.9%</b>	<b>0.8%</b>	<b>0.2%</b>	<b>0.2%</b>	<b>0.2%</b>	<b>0.1%</b>	<b>7.7%</b>	<b>0.7%</b>	<b>8.4%</b>
<b>Customer Loans (€ bn)</b>	2.5	10.7	1.6	6.4	2.3	0.6	0.3	0.6	0.5	25.6	1.6	27.1
<b>% of Group total</b>	<b>0.7%</b>	<b>2.9%</b>	<b>0.4%</b>	<b>1.8%</b>	<b>0.6%</b>	<b>0.2%</b>	<b>0.1%</b>	<b>0.2%</b>	<b>0.1%</b>	<b>7.0%</b>	<b>0.4%</b>	<b>7.4%</b>
<b>Total Assets (€ bn)</b>	5.3	14.0	2.3	10.0	4.6	0.9	1.1	0.9	0.9	39.9	3.3	43.2
<b>% of Group total</b>	<b>0.7%</b>	<b>1.9%</b>	<b>0.3%</b>	<b>1.4%</b>	<b>0.6%</b>	<b>0.1%</b>	<b>0.2%</b>	<b>0.1%</b>	<b>0.1%</b>	<b>5.5%</b>	<b>0.5%</b>	<b>6.0%</b>
<b>Book value (€ m)</b>	688	1,429	283	1,878	1,007	124	135	112	191	5,847	267	6,114
<b>- goodwill/intangibles</b>	26	69	4	17	11	2	4	5	11	150	2	152

Note: figures may not add up exactly due to rounding differences. Excluding the Ukrainian subsidiary Pravex-Bank which is included in the Capital Light Bank

(\*) Balance sheet figures incorporate the Hungarian "bad bank" which is included in the Capital Light Bank

# International Subsidiary Banks by Country: Loans Breakdown and Coverage

Data as of 31.12.16

	 Hungary <sup>(*)</sup>	 Slovakia	 Slovenia	 Croatia	 Serbia	 Bosnia	 Albania	 Romania	 Russian F.	 CEE Total	 Egypt	 Total
<b>Performing loans (€ bn)</b>	2.2	10.5	1.5	6.1	2.2	0.6	0.3	0.6	0.4	<b>24.4</b>	1.4	<b>25.8</b>
<b>of which:</b>												
<b>Retail local currency</b>	40%	56%	42%	23%	21%	16%	12%	34%	5%	<b>40%</b>	51%	<b>40%</b>
<b>Retail foreign currency</b>	0%	0%	0%	29%	26%	34%	14%	34%	0%	<b>11%</b>	0%	<b>11%</b>
<b>Corporate local currency</b>	31%	38%	56%	13%	5%	22%	23%	13%	89%	<b>29%</b>	26%	<b>29%</b>
<b>Corporate foreign currency</b>	28%	6%	2%	35%	48%	28%	51%	19%	6%	<b>20%</b>	22%	<b>20%</b>
<b>Bad loans<sup>(1)</sup> (€ m)</b>	94	126	47	90	71	11	13	12	25	<b>489</b>	4	<b>493</b>
<b>Unlikely to pay<sup>(2)</sup> (€ m)</b>	196	104	38	230	61	4	17	8	24	<b>682</b>	138	<b>820</b>
<b>Performing loans coverage</b>	2.7%	0.9%	1.0%	1.2%	0.8%	0.5%	4.2%	2.3%	2.0%	<b>1.2%</b>	2.3%	<b>1.2%</b>
<b>Bad loans<sup>(1)</sup> coverage</b>	61%	66%	58%	71%	62%	77%	32%	59%	72%	<b>65%</b>	96%	<b>67%</b>
<b>Unlikely to pay<sup>(2)</sup> coverage</b>	46%	38%	41%	33%	49%	50%	37%	43%	54%	<b>41%</b>	25%	<b>39%</b>
<b>Cost of credit<sup>(3)</sup> (bps)</b>	n.m.	70	130	76	158	61	n.m.	119	275	<b>76</b>	84	<b>76</b>

Note: figures may not add up exactly due to rounding differences. Excluding the Ukrainian subsidiary Pravex-Bank which is included in the Capital Light Bank

(\*) Including the Hungarian "bad bank" which is included in the Capital Light Bank

(1) Sofferenze

(2) Including Past due

(3) Net adjustments to loans/Net customer loans

# Common Equity Ratio as of 31.12.16: from Phased-in to Pro-forma Fully Loaded

	~€ bn	~bps
<b>Transitional adjustments</b>		
Reserve shortfall	(0.0)	(0)
Valuation reserves	(0.2)	(5)
Minorities exceeding requirements	(0.0)	(2)
DTA on losses carried forward <sup>(1)</sup>	0.1	3
<b>Total</b>	<b>(0.1)</b>	<b>(4)</b>
<b>Deductions exceeding cap<sup>(*)</sup></b>		
<b>Total</b>	<b>(0.8)</b>	<b>(31)</b>
(*) as a memo, constituents of deductions subject to cap:		
- Other DTA <sup>(2)</sup>	1.5	
- Investments in banking and financial companies	0.8	
- Investments in insurance companies	4.6	
<b>RWA from 100% weighted DTA<sup>(3)</sup></b>	<b>(8.5)</b>	<b>38</b>
Benefit from the Danish Compromise		14
<b>Total estimated impact</b>		<b>18</b>
<b>Pro-forma fully loaded Common Equity ratio</b>		<b>12.9%</b>

Note: figures may not add up exactly due to rounding differences

(1) Considering the expected absorption of DTA on losses carried forward (€0.2bn as of 31.12.16)

(2) Other DTA: mostly related to provisions for risks and charges. DTA related to goodwill realignment and adjustments to loans are excluded due to their treatment as credits to tax authorities

(3) Considering the total absorption of DTA convertible into tax credit related to goodwill realignment (€4.9bn as of 31.12.16) and adjustments to loans (€3.5bn as of 31.12.16)

# Total Exposure<sup>(1)</sup> by Main Countries

€ m

	DEBT SECURITIES								LOANS
	Banking Business					Total	Insurance Business <sup>(2)</sup>	Total	
	L&R	AFS	HTM	CFV	HFT				
<b>EU Countries</b>	<b>9,617</b>	<b>54,072</b>	<b>959</b>	<b>936</b>	<b>5,069</b>	<b>70,653</b>	<b>64,510</b>	<b>135,163</b>	<b>346,286</b>
Austria	134	33	4		48	219	5	224	338
Belgium		658			138	796	196	992	2,033
Bulgaria							81	81	9
Croatia	180	161	2	726	69	1,138	78	1,216	6,388
Cyprus									245
Czech Republic									605
Denmark		52			18	70	43	113	174
Estonia									2
Finland		93			30	123	32	155	88
France	151	3,929		200	352	4,632	1,552	6,184	3,193
Germany	73	9,830			359	10,262	1,674	11,936	3,657
Greece	15					15		15	8
Hungary	45	643			126	814	39	853	2,486
Ireland	194	322			196	712	216	928	318
Italy	7,672	27,871	355		2,572	38,470	55,540	94,010	287,083
Latvia		21				21		21	50
Lithuania		57			6	63		63	10
Luxembourg	186	109			172	467	143	610	3,748
Malta									633
The Netherlands	69	883			430	1,382	858	2,240	3,781
Poland	17	89			41	147	19	166	724
Portugal	176				5	181	8	189	215
Romania		150			4	154	132	286	689
Slovakia		490	598			1,088		1,088	9,397
Slovenia		254				254	8	262	1,597
Spain	356	8,119			351	8,826	2,233	11,059	1,928
Sweden		17			51	68	5	73	155
United Kingdom	349	291		10	101	751	1,648	2,399	16,732
<b>North African Countries</b>		<b>605</b>				<b>605</b>		<b>605</b>	<b>1,825</b>
Algeria									6
Egypt		605				605		605	1,715
Libya									5
Morocco									87
Tunisia									12
<b>Japan</b>		<b>14</b>			<b>880</b>	<b>894</b>	<b>122</b>	<b>1,016</b>	<b>685</b>

Note: figures may not add up exactly due to rounding differences

(1) Exposure to sovereign risks (central and local governments), banks and other customers. Book Value of Debt Securities and Net Loans as of 31.12.16

(2) Excluding securities in which money is collected through insurance policies where the total risk is retained by the insured

# Exposure to Sovereign Risks<sup>(1)</sup> by Main Countries

€ m

	DEBT SECURITIES										LOANS
	Banking Business					Total	Insurance Business <sup>(3)</sup>	Total	AFS Reserve <sup>(4)</sup>		
	L&R	AFS	HTM	CFV	HFT <sup>(2)</sup>						
<b>EU Countries</b>	<b>6,977</b>	<b>50,467</b>	<b>959</b>	<b>725</b>	<b>2,401</b>	<b>61,529</b>	<b>54,550</b>	<b>116,079</b>	<b>146</b>		<b>16,981</b>
Austria			4		-6	-2	3	1			
Belgium		609			28	637	8	645	4		
Bulgaria							59	59			
Croatia	94	161	2	725	67	1,049	61	1,110			1,103
Cyprus											
Czech Republic											9
Denmark		19				19		19			
Estonia											
Finland		83				83	9	92			6
France	101	3,446			217	3,764	90	3,854	-3		6
Germany		9,569			131	9,700	867	10,567	27		
Greece											
Hungary	33	643			126	802	39	841			27
Ireland		77			-9	68	101	169	2		
Italy	6,461	26,291	355		1,521	34,628	51,852	86,480	91		15,099
Latvia		21				21		21			50
Lithuania		57			6	63		63			
Luxembourg											
Malta											
The Netherlands		553			1	554	100	654	4		
Poland	17	89			41	147	19	166	-2		
Portugal	17				-4	13		13			25
Romania		150			4	154	132	286	1		1
Slovakia		348	598			946		946	2		123
Slovenia		225				225	8	233	6		247
Spain	254	8,036			225	8,515	1,202	9,717	14		285
Sweden					53	53		53			
United Kingdom		90				90		90			
<b>North African Countries</b>		<b>605</b>				<b>605</b>		<b>605</b>	<b>-3</b>		
Algeria											
Egypt		605				605		605	-3		
Libya											
Morocco											
Tunisia											
<b>Japan</b>					<b>709</b>	<b>709</b>		<b>709</b>			

**Banking Business Government bond  
duration: ~5.2 years  
Adjusted duration due to hedging: ~0.3 years**

Note: figures may not add up exactly due to rounding differences

(1) Exposure to central and local governments. Book Value of Debt Securities and Net Loans as of 31.12.16

(2) Taking into account cash short positions

(3) Excluding securities in which money is collected through insurance policies where the total risk is retained by the insured

(4) Net of tax and allocation to insurance products under separate management; referred to all debt securities; almost entirely regarding sovereign risks

# Exposure to Banks by Main Countries<sup>(1)</sup>

€ m

	DEBT SECURITIES								LOANS
	Banking Business					Total	Insurance Business <sup>(2)</sup>	Total	
	L&R	AFS	HTM	CFV	HFT				
<b>EU Countries</b>	<b>641</b>	<b>1,701</b>		<b>200</b>	<b>1,095</b>	<b>3,637</b>	<b>3,936</b>	<b>7,573</b>	<b>18,198</b>
Austria	124	10			45	179		179	99
Belgium		39			110	149	58	207	1,439
Bulgaria									
Croatia	59					59		59	35
Cyprus									1
Czech Republic									
Denmark		22			20	42	16	58	88
Estonia									
Finland		10			30	40		40	64
France		260		200	91	551	568	1,119	1,751
Germany	4	124			206	334	160	494	1,608
Greece									2
Hungary									88
Ireland		82				82	51	133	62
Italy	230	769			155	1,154	1,778	2,932	5,109
Latvia									
Lithuania									6
Luxembourg	60				161	221	110	331	1,914
Malta									595
The Netherlands	22	95			198	315	308	623	242
Poland									216
Portugal									6
Romania									10
Slovakia		142				142		142	
Slovenia		22				22		22	1
Spain		36			64	100	301	401	494
Sweden		8			-2	6	2	8	7
United Kingdom	142	82			17	241	584	825	4,361
<b>North African Countries</b>									<b>218</b>
Algeria									1
Egypt									120
Libya									
Morocco									87
Tunisia									10
<b>Japan</b>		<b>14</b>			<b>92</b>	<b>106</b>	<b>45</b>	<b>151</b>	<b>11</b>

Note: figures may not add up exactly due to rounding differences

(1) Book Value of Debt Securities and Net Loans as of 31.12.16

(2) Excluding securities in which money is collected through insurance policies where the total risk is retained by the insured

# Exposure to Other Customers by Main Countries<sup>(1)</sup>

€ m

	DEBT SECURITIES								LOANS
	Banking Business					Total	Insurance Business <sup>(2)</sup>	Total	
	L&R	AFS	HTM	CFV	HFT				
<b>EU Countries</b>	<b>1,999</b>	<b>1,904</b>		<b>11</b>	<b>1,573</b>	<b>5,487</b>	<b>6,024</b>	<b>11,511</b>	<b>311,107</b>
Austria	10	23			9	42	2	44	239
Belgium		10				10	130	140	594
Bulgaria							22	22	9
Croatia	27			1	2	30	17	47	5,250
Cyprus									244
Czech Republic									596
Denmark		11			-2	9	27	36	86
Estonia									2
Finland							23	23	18
France	50	223			44	317	894	1,211	1,436
Germany	69	137			22	228	647	875	2,049
Greece	15					15		15	6
Hungary	12					12		12	2,371
Ireland	194	163			205	562	64	626	256
Italy	981	811			896	2,688	1,910	4,598	266,875
Latvia									
Lithuania									4
Luxembourg	126	109			11	246	33	279	1,834
Malta									38
The Netherlands	47	235			231	513	450	963	3,539
Poland									508
Portugal	159				9	168	8	176	184
Romania									678
Slovakia									9,274
Slovenia		7				7		7	1,349
Spain	102	47			62	211	730	941	1,149
Sweden		9				9	3	12	148
United Kingdom	207	119		10	84	420	1,064	1,484	12,371
<b>North African Countries</b>									<b>1,607</b>
Algeria									5
Egypt									1,595
Libya									5
Morocco									
Tunisia									2
<b>Japan</b>					<b>79</b>	<b>79</b>	<b>77</b>	<b>156</b>	<b>674</b>

Note: figures may not add up exactly due to rounding differences

(1) Book Value of Debt Securities and Net Loans as of 31.12.16

(2) Excluding securities in which money is collected through insurance policies where the total risk is retained by the insured

## Methodological note

The figures of the income statement for the four quarters of 2015 and the first three quarters of 2016 were restated and included under the captions of the new format of the reclassified income statement as shown below. This format was introduced as of 4Q16 with the aim of improving operating performance visibility:

1. **“Other operating income (expenses)” no longer includes:**
  - contributions to the Resolution Fund and the Deposit Guarantee Scheme, which are now included in a new caption **“Levies and other charges concerning the banking industry (net of tax)”** reported after **“Gross income (loss)”** which replaces the previous caption **“Income before tax from continuing operations”**
  - non-recurring items of a non-operating nature, like the income from the sale of VISA Europe (2Q16) and the benefit from a claim (3Q15), which are now included in a new caption **“Other income (expenses)”** reported after **“Operating margin”** and comprising the previous specific caption **“Profits (Losses) on investments held to maturity and on other investments”** as well
2. **“Other operating income (expenses)” now includes the previous specific caption “Profits (Losses) on investments carried at equity”**
3. **“Net provisions and net impairment losses on other assets” is a new caption which includes the previous specific captions “Net provisions for risks and charges” and “Net impairment losses on other assets”**
4. **“Income (Loss) from discontinued operations”, no longer net of tax, is now reported before “Gross income (loss)”, which replaces the previous caption “Income before tax from continuing operations”**

# Disclaimer

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

\* \* \*

This presentation includes certain forward looking statements, projections, objectives and estimates reflecting the current views of the management of the Company with respect to 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 the Company’s future financial position and results of operations, strategy, plans, objectives, goals and targets and future developments in the markets where the Company 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 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 the Company as of the date hereof. The Company 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 the Company or persons acting on its behalf are expressly qualified in their entirety by these cautionary statements.