

Disclosure Statements

**INTESA SANPAOLO S.p.A.
Hong Kong Branch**

31 December 2016

INTESA SANPAOLO S.p.A.
Hong Kong Branch

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INTESA SANPAOLO S.p.A.**Hong Kong Branch****PROFIT AND LOSS ACCOUNT**

Year ended 31 December 2016

	31 December 2016 Note	31 December 2015 HK\$'000
NET INTEREST INCOME		
Interest income	978,867	903,769
Interest expenses	<u>(553,009)</u>	<u>(442,429)</u>
	425,858	461,340
OTHER OPERATING INCOME		
Gains less losses arising from trading in foreign currencies	(3,290)	(63,122)
Gains less losses on securities held for trading purposes	(96,826)	(47,895)
Gains less losses from other trading activities	(26,110)	(56,454)
Net fees and commission income	1 157,592	156,981
Others	<u>73</u>	<u>-</u>
TOTAL INCOME	457,297	450,850
OPERATING EXPENSES		
Staff expenses	(81,403)	(80,184)
Rental expenses	(21,188)	(20,843)
Other expenses	<u>(35,671)</u>	<u>(25,780)</u>
	(138,262)	(126,807)
IMPAIRMENT LOSSES WRITTEN BACK ON LOANS AND RECEIVABLES	(78,698)	(274,453)
LOSSES FROM THE DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES	<u>-</u>	<u>-</u>
PROFIT BEFORE TAXATION	240,337	49,590
TAX EXPENSE	(33,737)	5,800
EXTRAORDINARY (EXPENSES)/ INCOME AFTER TAXATION	<u>851</u>	<u>3,307</u>
PROFIT AFTER TAXATION	<u><u>207,451</u></u>	<u><u>58,697</u></u>

INTESA SANPAOLO S.p.A.
Hong Kong Branch

BALANCE SHEET

31 December 2016

	Notes	31 December 2016 HK\$'000	30 June 2016 HK\$'000
ASSETS			
Cash and balances with banks		137,320	226,084
Placement with banks which have a residual contractual maturity of more than one month but not more than 12 months		-	-
Due from Exchange Fund		28,514	19,430
Amount due from overseas offices of the institution		22,482,278	14,352,382
Trade bills		505,434	883,553
Certificates of deposit held		-	-
Securities held for trading purposes		12,468,285	18,041,318
Loans and receivables	2	15,923,691	16,940,872
Investment securities		-	-
Other investments		-	-
Reverse repurchase agreement		-	-
Property, plant and equipment and investment properties		3,988	5,130
		<u>51,549,510</u>	<u>50,468,769</u>
Total assets		<u>51,549,510</u>	<u>50,468,769</u>
LIABILITIES			
Deposits and balances from banks		2,090,054	1,894,767
Due to Exchange Fund		-	-
Deposits from customers	3	1,908,849	1,583,181
Amount due to overseas offices of the institution		44,413,182	42,632,108
Certificates of deposit issued		440,000	440,000
Issued debt securities		-	-
Sale and repurchase agreement		1,020,622	1,245,433
Other liabilities		1,676,803	2,673,280
		<u>51,549,510</u>	<u>50,468,769</u>
Total liabilities		<u>51,549,510</u>	<u>50,468,769</u>

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ADDITIONAL INFORMATION

31 December 2016

1. NET FEES AND COMMISSION INCOME

	31 December 2016 HK\$'000	31 December 2015 HK\$'000
Commission income, gross	171,335	169,907
Commission expenses, gross	(13,743)	(12,926)
Net fees and commission income	<u>157,592</u>	<u>156,981</u>

2. LOANS AND RECEIVABLES

	Notes	31 December 2016 HK\$'000	30 June 2016 HK\$'000
(i) Loans and advances to customers	5	13,606,218	15,042,447
Provisions for impaired loans			
Collective provisions	2 (iv)	(29,445)	(29,457)
Specific provisions	4	<u>(368,899)</u>	<u>(314,827)</u>
		13,207,874	14,698,163
(ii) Loans and advances to banks		1,151,103	126,189
Provisions for impaired loans			
Collective provisions		-	-
Specific provisions		<u>-</u>	<u>-</u>
		14,358,977	14,824,352
(iii) Other accounts		<u>1,564,714</u>	<u>2,116,520</u>
		<u>15,923,691</u>	<u>16,940,872</u>

INTESA SANPAOLO S.p.A.
Hong Kong Branch

ADDITIONAL INFORMATION

31 December 2016

2. LOANS AND RECEIVABLES (continued)

(iv) Impaired loans and advances provisions booked at Head Office

Collective impaired loan provision for impaired assets is not maintained by the branch but by the Branch's Head Office to cover possible impaired assets losses not separately identified. Within the collective impaired loan provision maintained in the Head Office, there is no specific portion allocated for exposures in Hong Kong. The current balance was brought forward from the mergers of Banca Intesa S.p.A. and Sanpaolo IMI S.p.A. on January 1, 2007.

(v) Impaired loans and advances :

	31 December 2016 HK\$'000	30 June 2016 HK\$'000
Impaired loans and advances to customers	689,650	579,269
Specific Provisions	287,241	255,642
Percentage of such advances to total advances to customers	<u>5.07%</u>	<u>3.85%</u>

There was no collateral for impaired loans and advances to customers as of 31 December 2016 and 30 June 2016.

(vi) There was no impaired loans and advances to banks as of 31 December 2016 and 30 June 2016.

3. DEPOSITS FROM CUSTOMERS

	31 December 2016 HK\$'000	30 June 2016 HK\$'000
Demand deposits and current accounts	1,110,000	923,716
Savings deposits	2,869	3,070
Time, call and notice deposits	<u>795,980</u>	<u>656,395</u>
	<u>1,908,849</u>	<u>1,583,181</u>

INTESA SANPAOLO S.p.A.
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4. PROVISIONS FOR IMPAIRED LOANS AND ADVANCES

	31 December 2016		
	Collective HK\$'000	Specific HK\$'000	Total HK\$'000
Beginning balance as of 1st January	29,425	422,055	451,480
Charge for the period	-	80,627	80,627
Amounts recoveries	-	(388)	(388)
Amounts written-back	-	-	-
Amounts written-off	-	(133,614)	(133,614)
Other movements	-	-	-
Exchange differences	20	219	239
Ending balance as of 31st December	<u>29,445</u>	<u>368,899</u>	<u>398,344</u>
Provisions against:			
Advances to banks	-	-	-
Advances to customers	29,445	287,241	316,686
Trade bills	-	-	-
Contingent liabilities and commitments	-	-	-
Accrued interest	-	81,658	81,658
	<u>29,445</u>	<u>368,899</u>	<u>398,344</u>
	30 June 2016		
	Collective HK\$'000	Specific HK\$'000	Total HK\$'000
Beginning balance as of 1st January	29,425	422,055	451,480
Charge for the period	-	20,691	20,691
Amounts recoveries	-	-	-
Amounts written-back	-	-	-
Amounts written-off	-	(128,300)	(128,300)
Other movements	-	-	-
Exchange differences	32	381	413
Ending balance as of 30th June	<u>29,457</u>	<u>314,827</u>	<u>344,284</u>
Provisions against:			
Advances to banks	-	-	-
Advances to customers	29,457	255,642	285,099
Trade bills	-	-	-
Contingent liabilities and commitments	-	-	-
Accrued interest	-	59,185	59,185
	<u>29,457</u>	<u>314,827</u>	<u>344,284</u>

INTESA SANPAOLO S.p.A.
Hong Kong Branch

ADDITIONAL INFORMATION

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5. ANALYSIS OF LOANS AND ADVANCES TO CUSTOMERS

(i) Sectoral analysis of gross advances to customers

The information concerning gross amount of loans and advances to customers by industry sectors has been classified according to the business activity of the borrowers or usage of the loans.

	31 December 2016		30 June 2016	
	Loan HK\$'000	Collateral HK\$'000	Loan HK\$'000	Collateral HK\$'000
Loans and advances for use in Hong Kong				
Industrial, Commercial and financial:				
Property development	-	-	-	-
Property investment	-	-	-	-
Financial concerns	-	-	-	-
Stockbrokers	-	-	-	-
Wholesale and retail trade	79,566	-	109,010	-
Manufacturing	13,902	-	55,414	2,707
Transport and transport equipment	1,266	1,266	21	-
Recreational activities	1,635	-	-	-
Information Technology	-	-	-	-
Electricity and gas	613,133	-	-	-
Others	-	-	-	-
Individuals:				
Loans for the purchase of flats in the Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme or their respective successor Schemes	-	-	-	-
Loans for the purchase of other residential properties	-	-	-	-
Credit card advances	-	-	-	-
Others	-	-	-	-
Trade finance	319,579	8,505	289,396	9,860
Loans and advances for use outside Hong Kong	<u>12,577,137</u>	<u>1,244,915</u>	<u>14,588,606</u>	<u>1,436,000</u>
Total gross amount of loans and advances to customers	<u>13,606,218</u>	<u>1,254,686</u>	<u>15,042,447</u>	<u>1,448,567</u>

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5. ANALYSIS OF LOANS AND ADVANCES TO CUSTOMERS (continued)

(ii) Geographical analysis of advances to customers

The analysis of advances to customers by geographical area is classified according to the location of the counterparties after taking into account the transfer of risk. In general, risk transfer applies when an advance is guaranteed by a party located in an area which is different from that of the counterparty.

(a) Analysis of gross amount of loans and advances to customers by major countries or geographical areas

	31 December 2016 HK\$'000	30 June 2016 HK\$'000
Australia	2,525,481	3,058,288
Italy	1,420,847	1,492,269
Marshall Islands	1,382,139	931,845
Mongolia	1,124,551	1,124,984
Hong Kong	1,038,753	430,515
Indonesia	890,704	1,027,845
South Korea	788,808	123,959
Others	4,434,935	6,852,742
	<u>13,606,218</u>	<u>15,042,447</u>

(b) Analysis of gross amount of overdue loans and advances to customers by major countries or geographical areas

Brazil	476,383	476,567
British Virgin Island	109,237	-
Others	33,843	17,359
	<u>619,463</u>	<u>493,926</u>

(c) Analysis of impaired loans and advances to customers by major countries or geographical areas

Brazil	476,383	476,567
British Virgin Island	109,237	-
Others	104,030	102,702
	<u>689,650</u>	<u>579,269</u>

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Hong Kong Branch

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6. ANALYSIS OF OVERDUE AND RESCHEDULED ADVANCES

(i) Overdue loans and advances to customers

	Amount HK\$'000	31 December 2016 % of total advances to customers	Amount HK\$'000	30 June 2016 % of total advances to customers
Gross advances overdue for:				
3 months or less but over 1 months	-	-	-	-
6 months or less but over 3 months	131,478	0.97%	-	-
1 year or less but over 6 months	-	-	-	-
Over 1 year	<u>487,985</u>	<u>3.59%</u>	<u>493,926</u>	<u>3.28%</u>
Total overdue advances	<u><u>619,463</u></u>	<u><u>4.56%</u></u>	<u><u>493,926</u></u>	<u><u>3.28%</u></u>

(ii) There were rescheduled loan of account as follows :

- Beghelli Innovation Co Ltd for amount of HKD65,921,971 and HKD65,947,351 as 0.48% and 0.44% to loans and advances to customers, no overdue and without collateral as of 31 December 2016 and 30 June 2016 respectively and
- PT Apexindo Pratama Duta TBK for amount of HKD185,504,582 as 1.36% , no overdue and without collateral as of 31 December 2016.

(iii) There were no overdue or rescheduled advances to banks and other assets (trade bills and debt securities) as of 31 December 2016 and 30 June 2016.

(iv) There were no collateral in respect of overdue loans and advances as of 31 December 2016 and 30 June 2016.

(v) There were no repossessed assets held as of 31 December 2016 and 30 June 2016.

(vi) There were amount for HKD287,240,936 and HKD255,642,708 as specific provisions for overdue loans and advances as of 31 December 2016 and 30 June 2016 respectively.

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ADDITIONAL INFORMATION

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7. NON-BANK MAINLAND EXPOSURES

31 December 2016

Equivalent in millions of HK\$

Types of Counterparties	On-balance sheet exposure	Off-balance sheet exposure	Total
1. Central government, central government-owned entities and their subsidiaries and JVs	894	194	1,088
2. Local governments, local government-owned entities and their subsidiaries and JVs	-	-	-
3. PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	0	582	582
4. Other entities of central government not reported in item 1 above	1,472	-	1,472
5. Other entities of local governments not reported in item 2 above	-	-	-
6. PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	1	-	1
7. Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	1,223	123	1,346
Total	3,590	899	4,489
Total assets after provision	51,550		
On-balance sheet exposures as percentage of total assets	6.97%		

30 June 2016

Equivalent in millions of HK\$

Types of Counterparties	On-balance sheet exposure	Off-balance sheet exposure	Total
1. Central government, central government-owned entities and their subsidiaries and JVs	285	233	518
2. Local governments, local government-owned entities and their subsidiaries and JVs	-	-	-
3. PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	350	582	932
4. Other entities of central government not reported in item 1 above	783	-	783
5. Other entities of local governments not reported in item 2 above	-	-	-
6. PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	5	-	5
7. Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	1,204	128	1,332
Total	2,627	943	3,570
Total assets after provision	50,469		
On-balance sheet exposures as percentage of total assets	5.21%		

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ADDITIONAL INFORMATION

31 December 2016

8. INTERNATIONAL CLAIMS

International claims by country or geographical segment is based on the physical location of the counterparty in which not less than 10% of total international claims (including Hong Kong) after taking into account the transfer of risks. In general, such transfer of risk takes place if the claims are guaranteed by party in a country, which is different from that of the counterparty, or if the claims are on an overseas branch of a bank whose head office is located in another country.

	<u>Banks</u>	<u>Official sector</u>	<u>Non-bank private sector</u>		<u>Total</u>
	HK\$m	HK\$m	Non-bank financial institutions HK\$m	Non-financial private sectors HK\$m	HK\$m
<u>As at 31 December 2016</u>					
1. Developed countries	4,156	1,826	1,714	7,430	15,126
2. Offshore centres	15	-	-	2,631	2,646
3. Developing Asia and Pacific	2,189	-	-	4,955	7,144
<u>As at 30 June 2016</u>					
1. Developed countries	6,987	2,836	3,483	6,781	20,087
2. Offshore centres	59	-	-	3,920	3,979
3. Developing Asia and Pacific	1,174	-	-	5,299	6,473

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9. FOREIGN CURRENCY EXPOSURES

The foreign currency exposures are prepared in accordance with the HKMA banking return of "Foreign Currency Position" completion instructions. The net position in foreign currencies are disclosed as follows:

31 December 2016

Equivalent in millions of HK\$	USD	EUR	JPY	GBP	AUD	Others	Total
a. Spot assets	33,187	3,747	7,757	357	3,367	2,404	50,819
b. Spot liabilities	(45,540)	(2,079)	(603)	(26)	(2,120)	(315)	(50,683)
c. Forward purchases	30,197	5,111	2,419	155	2,150	5,079	45,111
d. Forward sales	(17,801)	(6,783)	(9,569)	(486)	(3,409)	(7,188)	(45,236)
e. Net option position	-	-	-	-	-	-	-
f. Net long (short) position (i.e. sum of (a) to (e))	43	(4)	4	-	(12)	(20)	11
	USD	EUR	JPY	GBP	AUD	Others	Total
Net structural position	-	-	-	-	-	-	-

30 June 2016

Equivalent in millions of HK\$	USD	EUR	JPY	GBP	AUD	Others	Total
a. Spot assets	27,662	3,855	7,581	1,536	5,237	3,797	49,668
b. Spot liabilities	(43,582)	(1,715)	(731)	(24)	(2,846)	(526)	(49,424)
c. Forward purchases	25,222	4,091	1,366	372	274	1,054	32,379
d. Forward sales	(9,162)	(6,252)	(8,196)	(1,885)	(2,710)	(4,345)	(32,550)
e. Net option position	-	-	-	-	-	-	-
f. Net long (short) position (i.e. sum of (a) to (e))	140	(21)	20	(1)	(45)	(20)	73
	USD	EUR	JPY	GBP	AUD	Others	Total
Net structural position	-	-	-	-	-	-	-

There were no foreign currency structural positions as at 31 December 2016 and 30 June 2016.

INTESA SANPAOLO S.p.A.
Hong Kong Branch

ADDITIONAL INFORMATION

31 December 2016

10. OFF-BALANCE SHEET EXPOSURES

(i) Contingent Liabilities and commitments

The following is a summary of the contractual or notional amounts of each material class of contingent liability and commitment outstanding :

	31 December 2016 HK\$'000	30 June 2016 HK\$'000
Direct credit substitutes	1,142,363	2,550,725
Transaction-related contingencies	-	-
Trade-related contingencies	1,062,813	1,381,862
Note issuance and revolving underwriting facilities	-	-
Other commitments	2,186,575	2,280,330
Others - Forward forward deposits placed	9,707	300,544
	<u>4,401,458</u>	<u>6,513,461</u>

(ii) Derivatives

The following is a summary of the total contractual or notional amount of derivative transactions :

	31 December 2016 HK\$'000	30 June 2016 HK\$'000
Exchange rate-related derivative contracts (exclude forward foreign exchange contracts arising from swap deposit arrangements)	48,548,533	36,065,793
Interest rate derivative contracts	209,647,780	240,906,120
Others	-	-
	<u>258,196,313</u>	<u>276,971,913</u>

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31 December 2016

10. OFF-BALANCE SHEET EXPOSURES (continued)

(ii) Derivatives (continued)

The total fair value of the above off-balance sheet derivative transactions which have been taken into account the effects of bilateral netting arrangement are as follows:

	31 December 2016 HK\$'000	30 June 2016 HK\$'000
Exchange rate-related contracts	329,900	(306,245)
Valid bilateral netting agreement	-	-
	<u>329,900</u>	<u>(306,245)</u>
Interest rate derivative contracts	74,967	61,969
Valid bilateral netting agreement	-	-
	<u>74,967</u>	<u>61,969</u>
Others	-	-
	<u>404,867</u>	<u>(244,276)</u>

The notional amounts of the off-balance sheet instruments indicate the volume of transactions outstanding at the balance sheet date and do not represent amounts at risk.

11. LIQUIDITY INFORMATION

	For the period 1 Jan 16 to 31 Dec 16	For the period 1 Jan 15 to 31 Dec 15
Average Liquidity Maintenance Ratio ("LMR")	<u>45.80%</u>	<u>37.38%</u>

The average LMR for the period from January to December 2016 is the arithmetic mean of each calendar month's average LMR calculated in accordance with the Banking (Liquidity) Rules and complies with the minimum requirement of 25% as stipulated by the Hong Kong Monetary Authority (HKMA).

The liquidity and funding requirements are managed in a manner that ensures the Branch meets all local statutory requirements, internal risk limits and guidelines. Internal limits and guidelines on various liquidity indicators are monitored at an appropriate interval to ensure the liquidity risk of the Branch is properly managed. The internal limits and guidelines are subject to review on a regular basis. Special review on an ad hoc basis will also be required when it is deemed necessary. Liquidity and funding management reporting is provided on a timely basis and of sufficient quality and integrity so that it can be relied upon for decision making.

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12. DISCLOSURE ON REMUNERATION

According to the Supervisory Policy Manual (“SPM”) CG-5 “Guideline on a Sound Remuneration System” issued by HKMA, Intesa Sanpaolo, S.p.A., Hong Kong Branch, as an overseas-incorporated Authorized Institution is not required to make separate disclosures in respect of the remuneration system applicable to their Hong Kong operations. The disclosures made by Head Office in the Annual Report also cover information as set out in the said Guideline, where appropriate. The relevant Annual Report can be viewed in the Investor Relations section of the Intesa Sanpaolo website : www.group.intesasanpaolo.com.

INTESA SANPAOLO S.p.A.
BANK INFORMATION (CONSOLIDATED BASIS)

31 December 2016

The following information is based on the consolidated financial statements of Intesa Sanpaolo S.p.A. as of 31 December 2016, 30 June 2016 and 31 December 2015. (conversion rate for US\$/EUR = 1.0541 as at 31 December 2016, 1.1102 as at 30 June 2016 and 1.0887 as at 31 December 2015).

(i) Capital adequacy ratio and shareholders' funds

	31 December 2016	30 June 2016
Capital adequacy ratio	<u>17.00%</u>	<u>16.90%</u>

The capital adequacy ratio is computed in accordance with the Basel Capital Accord taking into consideration of an allowance for market risk.

	31 December 2016 US\$'000	30 June 2016 US\$'000
Aggregate amount of shareholders' funds	<u>51,557,085</u>	<u>52,764,475</u>

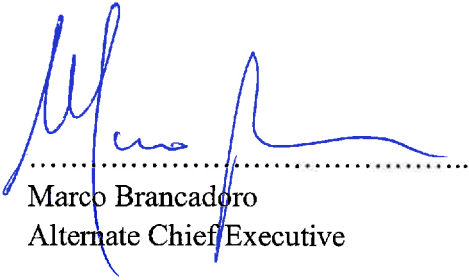
(ii) Other financial information

	31 December 2016 US\$'000	30 June 2016 US\$'000
Total assets	764,327,910	796,337,578
Total liabilities	712,770,825	743,573,103
Total loans and advances	440,465,172	440,881,514
Total customer deposits	<u>566,996,174</u>	<u>584,289,378</u>

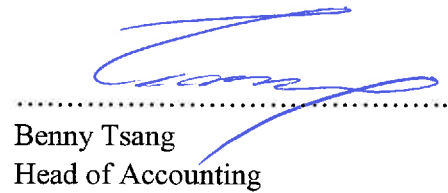
	Year ended 31 December 2016 US\$'000	Year ended 31 December 2015 US\$'000
Profit before taxation	<u>5,725,871</u>	<u>5,459,831</u>

CHIEF EXECUTIVE'S DECLARATION

This is to certify that the information disclosed above complies with the Banking (Disclosure) rules and the disclosure standards set out in the Supervisory Policy Manual - "Guideline on the Application of the Banking (Disclosure) Rules" issued by the Hong Kong Monetary Authority and is not false or misleading.



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Marco Brancadoro
Alternate Chief Executive



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Benny Tsang
Head of Accounting

30 March 2017