

Disclosure Statements

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

31 December 2017

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 2017

	31 December 2017	31 December 2016
Note	HK\$'000	HK\$'000
NET INTEREST INCOME		
Interest income	1,069,735	978,867
Interest expenses	(767,263)	(553,009)
	<u>302,472</u>	<u>425,858</u>
OTHER OPERATING INCOME		
Gains less losses arising from trading in foreign currencies	103,494	(3,290)
Gains less losses on securities held for trading purposes	(15,215)	(96,826)
Gains less losses from other trading activities	39,239	(26,110)
Net fees and commission income	154,717	157,592
Others	-	73
	<u>-</u>	<u>73</u>
TOTAL INCOME	584,707	457,297
OPERATING EXPENSES		
Staff expenses	(86,108)	(81,403)
Rental expenses	(23,958)	(21,188)
Other expenses	(25,286)	(35,671)
	<u>(135,352)</u>	<u>(138,262)</u>
IMPAIRMENT LOSSES WRITTEN BACK ON LOANS AND RECEIVABLES	(235,217)	(78,698)
LOSSES FROM THE DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES	-	-
	<u>-</u>	<u>-</u>
PROFIT BEFORE TAXATION	214,138	240,337
TAX EXPENSE	(28,054)	(33,737)
EXTRAORDINARY (EXPENSES)/ INCOME AFTER TAXATION	4,552	851
	<u>4,552</u>	<u>851</u>
PROFIT AFTER TAXATION	190,636	207,451
	<u><u>190,636</u></u>	<u><u>207,451</u></u>

INTESA SANPAOLO S.p.A.
Hong Kong Branch

BALANCE SHEET

31 December 2017

	Notes	31 December 2017 HK\$'000	30 June 2017 HK\$'000
ASSETS			
Cash and balances with banks		145,136	150,462
Placement with banks which have a residual contractual maturity of more than one month but not more than 12 months		-	-
Due from Exchange Fund		72,465	22,674
Amount due from overseas offices of the institution		18,615,505	18,911,402
Trade bills		352,635	649,637
Certificates of deposit held		-	-
Securities held for trading purposes		9,117,237	10,721,940
Loans and receivables	2	17,474,590	16,364,866
Investment securities		-	-
Other investments		-	-
Reverse repurchase agreement		-	-
Property, plant and equipment and investment properties		2,816	3,045
Total assets		<u>45,780,384</u>	<u>46,824,026</u>
LIABILITIES			
Deposits and balances from banks		3,765,326	863,413
Due to Exchange Fund		-	-
Deposits from customers	3	1,709,952	1,539,656
Amount due to overseas offices of the institution		38,327,487	41,117,581
Certificates of deposit issued		360,000	360,000
Issued debt securities		-	-
Sale and repurchase agreement		-	117,530
Other liabilities		1,617,619	2,825,846
Total liabilities		<u>45,780,384</u>	<u>46,824,026</u>

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Hong Kong Branch

ADDITIONAL INFORMATION

31 December 2017

1. NET FEES AND COMMISSION INCOME

	31 December 2017 HK\$'000	31 December 2016 HK\$'000
Commission income, gross	167,155	171,335
Commission expenses, gross	(12,438)	(13,743)
Net fees and commission income	<u>154,717</u>	<u>157,592</u>

2. LOANS AND RECEIVABLES

	Notes	31 December 2017 HK\$'000	30 June 2017 HK\$'000
(i) Loans and advances to customers	5	13,377,131	13,984,811
Provisions for impaired loans			
Collective provisions	2 (iv)	(29,670)	(29,633)
Specific provisions	4	<u>(606,917)</u>	<u>(391,755)</u>
		12,740,544	13,563,423
(ii) Loans and advances to banks		3,467,225	1,202,775
Provisions for impaired loans			
Collective provisions		-	-
Specific provisions		<u>-</u>	<u>-</u>
		16,207,769	14,766,198
(iii) Other accounts		<u>1,266,821</u>	<u>1,598,668</u>
		<u>17,474,590</u>	<u>16,364,866</u>

INTESA SANPAOLO S.p.A.
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ADDITIONAL INFORMATION

31 December 2017

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 2017 HK\$'000	30 June 2017 HK\$'000
Impaired loans and advances to customers	1,091,405	619,520
Specific Provisions	474,771	286,079
Percentage of such advances to total advances to customers	<u>8.16%</u>	<u>4.43%</u>

There was no collateral for impaired loans and advances to customers as of 31 December 2017 and 30 June 2017.

(vi) There was no impaired loans and advances to banks as of 31 December 2017 and 30 June 2017.

3. DEPOSITS FROM CUSTOMERS

	31 December 2017 HK\$'000	30 June 2017 HK\$'000
Demand deposits and current accounts	810,427	889,390
Savings deposits	-	-
Time, call and notice deposits	<u>899,525</u>	<u>650,266</u>
	<u>1,709,952</u>	<u>1,539,656</u>

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ADDITIONAL INFORMATION

31 December 2017

4. PROVISIONS FOR IMPAIRED LOANS AND ADVANCES

	31 December 2017		
	Collective HK\$'000	Specific HK\$'000	Total HK\$'000
Beginning balance as of 1st January	29,445	368,899	398,344
Charge for the period	-	238,707	238,707
Amounts recoveries	-	(3,490)	(3,490)
Amounts written-back	-	-	-
Amounts written-off	-	-	-
Other movements	-	-	-
Exchange differences	225	2,801	3,026
Ending balance as of 31st December	<u>29,670</u>	<u>606,917</u>	<u>636,587</u>
Provisions against:			
Advances to banks	-	-	-
Advances to customers	29,670	474,771	504,441
Trade bills	-	-	-
Contingent liabilities and commitments	-	-	-
Accrued interest	-	132,146	132,146
	<u>29,670</u>	<u>606,917</u>	<u>636,587</u>
	30 June 2017		
	Collective HK\$'000	Specific HK\$'000	Total HK\$'000
Beginning balance as of 1st January	29,445	368,899	398,344
Charge for the period	-	24,003	24,003
Amounts recoveries	-	(3,474)	(3,474)
Amounts written-back	-	-	-
Amounts written-off	-	-	-
Other movements	-	-	-
Exchange differences	188	2,327	2,515
Ending balance as of 30th June	<u>29,633</u>	<u>391,755</u>	<u>421,388</u>
Provisions against:			
Advances to banks	-	-	-
Advances to customers	29,633	286,079	315,712
Trade bills	-	-	-
Contingent liabilities and commitments	-	-	-
Accrued interest	-	105,676	105,676
	<u>29,633</u>	<u>391,755</u>	<u>421,388</u>

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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 2017		30 June 2017	
	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	42,285	-	106,848	-
Manufacturing	8,125	-	19,022	-
Transport and transport equipment	2,300	-	-	-
Recreational activities	-	-	-	-
Information Technology	84,877	-	-	-
Electricity and gas	-	-	1,852,614	-
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	236,443	7,960	187,318	8,205
Loans and advances for use outside Hong Kong	<u>13,003,101</u>	<u>784,540</u>	<u>11,819,009</u>	<u>800,181</u>
Total gross amount of loans and advances to customers	<u><u>13,377,131</u></u>	<u><u>792,500</u></u>	<u><u>13,984,811</u></u>	<u><u>808,386</u></u>

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ADDITIONAL INFORMATION

31 December 2017

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 2017 HK\$'000	30 June 2017 HK\$'000
Australia	3,166,639	2,630,690
Italy	2,304,768	1,446,662
Marshall Islands	1,414,230	1,399,229
Mongolia	1,133,111	1,131,691
Cayman Island	795,124	479,408
Others	<u>4,563,259</u>	<u>6,897,131</u>
	<u><u>13,377,131</u></u>	<u><u>13,984,811</u></u>

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

Brazil	480,009	479,408
British Virgin Island	116,214	109,931
Others	<u>26,309</u>	<u>26,278</u>
	<u><u>622,532</u></u>	<u><u>615,617</u></u>

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

Brazil	480,009	479,408
British Virgin Island	116,214	109,931
Bermuda	468,873	-
Others	<u>26,309</u>	<u>30,181</u>
	<u><u>1,091,405</u></u>	<u><u>619,520</u></u>

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6. ANALYSIS OF OVERDUE AND RESCHEDULED ADVANCES

(i) Overdue loans and advances to customers

	Amount HK\$'000	31 December 2017 % of total advances to customers	Amount HK\$'000	30 June 2017 % 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	-	-	124,549	0.89%
1 year or less but over 6 months	-	-	-	-
Over 1 year	<u>622,532</u>	<u>4.65%</u>	<u>491,068</u>	<u>3.51%</u>
Total overdue advances	<u><u>622,532</u></u>	<u><u>4.65%</u></u>	<u><u>615,617</u></u>	<u><u>4.40%</u></u>

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

- There were no rescheduled loan of account as of 31 December 2017 and 30 June 2017 respectively.
There were no overdue and without collateral as of 31 December 2017 and 30 June 2017

(iii) There were no overdue or rescheduled advances to banks and other assets (trade bills and debt securities) as of 31 December 2017 and 30 June 2017.

(iv) There were no collateral in respect of overdue loans and advances as of 31 December 2017 and 30 June 2017.

(v) There were no repossessed assets held as of 31 December 2017 and 30 June 2017.

(vi) There were amount for HKD336,383,230 and HKD286,078,982 as specific provisions for overdue loans and advances as of 31 December 2017 and 30 June 2017 respectively.

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ADDITIONAL INFORMATION

31 December 2017

7. NON-BANK MAINLAND EXPOSURES

31 December 2017

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	201	14	215
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	206	251	457
4. Other entities of central government not reported in item 1 above	1,769	114	1,883
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	242	2,149	2,391
7. Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	1,256	126	1,382
Total	3,674	2,654	6,328
Total assets after provision	45,780		
On-balance sheet exposures as percentage of total assets	8.02%		

30 June 2017

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	2,284	216	2,500
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	176	585	761
4. Other entities of central government not reported in item 1 above	1,473	19	1,492
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	1,267	85	1,352
Total	5,205	905	6,110
Total assets after provision	46,824		
On-balance sheet exposures as percentage of total assets	11.11%		

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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 2017</u>					
1. Developed countries	2,454	2,279	1,438	6,933	13,104
2. Offshore centres	5	-	-	2,135	2,140
3. Developing Asia and Pacific	4,146	-	-	4,303	8,449
 <u>As at 30 June 2017</u>					
1. Developed countries	2,909	1,374	2,056	8,280	14,619
2. Offshore centres	8	-	-	3,741	3,749
3. Developing Asia and Pacific	2,241	-	-	4,490	6,731

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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 2017

Equivalent in millions of HK\$	USD	EUR	JPY	GBP	AUD	Others	Total
a. Spot assets	25,234	4,832	8,788	250	3,486	2,491	45,081
b. Spot liabilities	(31,665)	(2,460)	(4,966)	(34)	(2,314)	(54)	(41,493)
c. Forward purchases	27,955	6,998	4,506	30	1,035	4,315	44,839
d. Forward sales	(21,526)	(9,375)	(8,320)	(246)	(2,193)	(6,759)	(48,419)
e. Net option position	-	-	-	-	-	-	-
f. Net long (short) position (i.e. sum of (a) to (e))	(2)	(5)	8	-	14	(7)	8
	USD	EUR	JPY	GBP	AUD	Others	Total
Net structural position	-	-	-	-	-	-	-

30 June 2017

Equivalent in millions of HK\$	USD	EUR	JPY	GBP	AUD	Others	Total
a. Spot assets	26,357	5,837	7,279	237	3,398	3,149	46,257
b. Spot liabilities	(40,220)	(2,181)	(789)	(24)	(2,140)	(371)	(45,725)
c. Forward purchases	26,324	3,217	1,711	81	2,530	4,515	38,378
d. Forward sales	(12,336)	(6,867)	(8,192)	(294)	(3,779)	(7,311)	(38,779)
e. Net option position	-	-	-	-	-	-	-
f. Net long (short) position (i.e. sum of (a) to (e))	125	6	9	-	9	(18)	131
	USD	EUR	JPY	GBP	AUD	Others	Total
Net structural position	-	-	-	-	-	-	-

There were no foreign currency structural positions as at 31 December 2017 and 30 June 2017.

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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 2017 HK\$'000	30 June 2017 HK\$'000
Direct credit substitutes	592,804	802,166
Transaction-related contingencies	-	-
Trade-related contingencies	1,010,766	1,298,131
Note issuance and revolving underwriting facilities	-	-
Other commitments	3,759,006	1,609,103
Others - Forward forward deposits placed	<u>1,218,907</u>	<u>172,718</u>
	<u><u>6,581,483</u></u>	<u><u>3,882,118</u></u>

(ii) Derivatives

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

	31 December 2017 HK\$'000	30 June 2017 HK\$'000
Exchange rate-related derivative contracts (exclude forward foreign exchange contracts arising from swap deposit arrangements)	50,625,574	40,751,083
Interest rate derivative contracts	158,645,992	181,393,533
Others	<u>-</u>	<u>-</u>
	<u><u>209,271,566</u></u>	<u><u>222,144,616</u></u>

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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 2017 HK\$'000	30 June 2017 HK\$'000
Exchange rate-related contracts	(5,330)	(15,628)
Valid bilateral netting agreement	<u>-</u>	<u>-</u>
	<u>(5,330)</u>	<u>(15,628)</u>
Interest rate derivative contracts	28,770	96,291
Valid bilateral netting agreement	<u>-</u>	<u>-</u>
	<u>28,770</u>	<u>96,291</u>
Others	<u>-</u>	<u>-</u>
	<u><u>23,440</u></u>	<u><u>80,663</u></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 17 to 31 Dec 17	For the period 1 Jan 16 to 31 Dec 16
Average Liquidity Maintenance Ratio ("LMR")	<u>40.74%</u>	<u>45.80%</u>

The average LMR for the period from January to December 2017 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 2017

The following information is based on the consolidated financial statements of Intesa Sanpaolo S.p.A. as of 31 December 2017, 30 June 2017 and 31 December 2016. (conversion rate for US\$/EUR = 1.1993 as at 31 December 2017, 1.1412 as at 30 June 2017 and 1.0541 as at 31 December 2016).

(i) Capital adequacy ratio and shareholders' funds

	31 December 2017	30 June 2017
Capital adequacy ratio	<u>17.90%</u>	<u>17.10%</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 2017 US\$'000	30 June 2017 US\$'000
Aggregate amount of shareholders' funds	<u>67,406,657</u>	<u>60,670,757</u>

(ii) Other financial information

	31 December 2017 US\$'000	30 June 2017 US\$'000
Total assets	955,675,397	899,286,142
Total liabilities	888,268,741	838,615,385
Total loans and advances	579,511,354	538,262,957
Total customer deposits	<u>690,649,286</u>	<u>638,847,184</u>

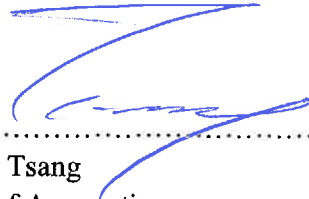
	Period ended 31 December 2017 US\$'000	Period ended 31 December 2016 US\$'000
Profit before taxation	<u>11,341,780</u>	<u>5,744,845</u>

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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Alessandro Vitale
Chief Executive



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Benny Tsang
Head of Accounting

29 March 2018