

Disclosure Statements

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

30 June 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 30 June 2017

	Note	30 June 2017 HK\$'000	30 June 2016 HK\$'000
NET INTEREST INCOME			
Interest income		526,412	469,129
Interest expenses		<u>(365,038)</u>	<u>(246,675)</u>
		161,374	222,454
OTHER OPERATING INCOME			
Gains less losses arising from trading in foreign currencies		66,678	(12,601)
Gains less losses on securities held for trading purposes		39,638	25,786
Gains less losses from other trading activities		(17,226)	(120,577)
Net fees and commission income	1	82,648	105,240
Others		<u>-</u>	<u>73</u>
TOTAL INCOME		333,112	220,375
OPERATING EXPENSES			
Staff expenses		(39,483)	(36,938)
Rental expenses		(11,293)	(10,546)
Other expenses		<u>(11,534)</u>	<u>(14,895)</u>
		(62,310)	(62,379)
IMPAIRMENT LOSSES WRITTEN BACK ON LOANS AND RECEIVABLES		(20,529)	(20,302)
LOSSES FROM THE DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES		<u>-</u>	<u>-</u>
PROFIT BEFORE TAXATION		250,273	137,694
TAX EXPENSE		(39,024)	(19,396)
EXTRAORDINARY (EXPENSES)/ INCOME AFTER TAXATION		<u>702</u>	<u>(226)</u>
PROFIT AFTER TAXATION		<u><u>211,951</u></u>	<u><u>118,072</u></u>

INTESA SANPAOLO S.p.A.
Hong Kong Branch

BALANCE SHEET

30 June 2017

	Notes	30 June 2017 HK\$'000	31 December 2016 HK\$'000
ASSETS			
Cash and balances with banks		150,462	137,320
Placement with banks which have a residual contractual maturity of more than one month but not more than 12 months		-	-
Due from Exchange Fund		22,674	28,514
Amount due from overseas offices of the institution		18,911,402	22,482,278
Trade bills		649,637	505,434
Certificates of deposit held		-	-
Securities held for trading purposes		10,721,940	12,468,285
Loans and receivables	2	16,364,866	15,923,691
Investment securities		-	-
Other investments		-	-
Reverse repurchase agreement		-	-
Property, plant and equipment and investment properties		3,045	3,988
		<u>46,824,026</u>	<u>51,549,510</u>
Total assets		<u><u>46,824,026</u></u>	<u><u>51,549,510</u></u>
LIABILITIES			
Deposits and balances from banks		863,413	2,090,054
Due to Exchange Fund		-	-
Deposits from customers	3	1,539,656	1,908,849
Amount due to overseas offices of the institution		41,117,581	44,413,182
Certificates of deposit issued		360,000	440,000
Issued debt securities		-	-
Sale and repurchase agreement		117,530	1,020,622
Other liabilities		2,825,846	1,676,803
		<u>46,824,026</u>	<u>51,549,510</u>
Total liabilities		<u><u>46,824,026</u></u>	<u><u>51,549,510</u></u>

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Hong Kong Branch

ADDITIONAL INFORMATION

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1. NET FEES AND COMMISSION INCOME

	30 June 2017 HK\$'000	30 June 2016 HK\$'000
Commission income, gross	88,632	112,027
Commission expenses, gross	(5,984)	(6,787)
Net fees and commission income	<u>82,648</u>	<u>105,240</u>

2. LOANS AND RECEIVABLES

	Notes	30 June 2017 HK\$'000	31 December 2016 HK\$'000
(i) Loans and advances to customers	5	13,984,811	13,606,218
Provisions for impaired loans			
Collective provisions	2 (iv)	(29,633)	(29,445)
Specific provisions	4	<u>(391,755)</u>	<u>(368,899)</u>
		13,563,423	13,207,874
(ii) Loans and advances to banks		1,202,775	1,151,103
Provisions for impaired loans			
Collective provisions		-	-
Specific provisions		<u>-</u>	<u>-</u>
		14,766,198	14,358,977
(iii) Other accounts		<u>1,598,668</u>	<u>1,564,714</u>
		<u>16,364,866</u>	<u>15,923,691</u>

INTESA SANPAOLO S.p.A.
Hong Kong Branch

ADDITIONAL INFORMATION

30 June 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 :

	30 June 2017 HK\$'000	31 December 2016 HK\$'000
Impaired loans and advances to customers	619,520	689,650
Specific Provisions	286,079	287,241
Percentage of such advances to total advances to customers	<u>4.43%</u>	<u>5.07%</u>

There was no collateral for impaired loans and advances to customers as of 30 June 2017 and 31 December 2016.

(vi) There was no impaired loans and advances to banks as of 30 June 2017 and 31 December 2016.

3. DEPOSITS FROM CUSTOMERS

	30 June 2017 HK\$'000	31 December 2016 HK\$'000
Demand deposits and current accounts	889,390	1,110,000
Savings deposits	-	2,869
Time, call and notice deposits	<u>650,266</u>	<u>795,980</u>
	<u>1,539,656</u>	<u>1,908,849</u>

INTESA SANPAOLO S.p.A.
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ADDITIONAL INFORMATION

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4. PROVISIONS FOR IMPAIRED LOANS AND ADVANCES

	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
	<u>29,633</u>	<u>391,755</u>	<u>421,388</u>
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>

	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
	<u>29,445</u>	<u>368,899</u>	<u>398,344</u>
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>

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.

	30 June 2017		31 December 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	106,848	-	79,566	-
Manufacturing	19,022	-	13,902	-
Transport and transport equipment	-	-	1,266	1,266
Recreational activities	-	-	1,635	-
Information Technology	-	-	-	-
Electricity and gas	1,852,614	-	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	187,318	8,205	319,579	8,505
Loans and advances for use outside Hong Kong	<u>11,819,009</u>	<u>800,181</u>	<u>12,577,137</u>	<u>1,244,915</u>
Total gross amount of loans and advances to customers	<u>13,984,811</u>	<u>808,386</u>	<u>13,606,218</u>	<u>1,254,686</u>

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Hong Kong Branch

ADDITIONAL INFORMATION

30 June 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

	30 June 2017 HK\$'000	31 December 2016 HK\$'000
Australia	2,630,690	2,525,481
Hong Kong	2,386,450	1,038,753
Italy	1,446,662	1,420,847
Marshall Islands	1,399,229	1,382,139
Mongolia	1,131,691	1,124,551
South Korea	709,502	788,808
Others	4,280,587	4,434,935
	<u>13,984,811</u>	<u>12,715,514</u>

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

Brazil	479,408	476,383
British Virgin Island	109,931	109,237
Others	26,278	33,843
	<u>615,617</u>	<u>619,463</u>

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

Brazil	479,408	476,383
British Virgin Island	109,931	109,237
Others	30,181	104,030
	<u>619,520</u>	<u>689,650</u>

6. ANALYSIS OF OVERDUE AND RESCHEDULED ADVANCES

(i) Overdue loans and advances to customers

	Amount HK\$'000	30 June 2017 % of total advances to customers	Amount HK\$'000	31 December 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	124,549	0.89%	131,478	0.97%
1 year or less but over 6 months	-	-	-	-
Over 1 year	<u>491,068</u>	<u>3.51%</u>	<u>487,985</u>	<u>3.59%</u>
Total overdue advances	<u><u>615,617</u></u>	<u><u>4.40%</u></u>	<u><u>619,463</u></u>	<u><u>4.56%</u></u>

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

- There were no rescheduled loan of account as of 30 June 2017 and Beghelli Innovation Co Ltd for amount of HKD65,921,971 as 0.48% to loans and advances to customers as at 31 December 2016. There were no overdue and without collateral as of 30 June 2017 and 31 December 2016 respectively.

(iii) There were no overdue or rescheduled advances to banks and other assets (trade bills and debt securities) as of 30 June 2017 and 31 December 2016.

(iv) There were no collateral in respect of overdue loans and advances as of 30 June 2017 and 31 December 2016.

(v) There were no repossessed assets held as of 30 June 2017 and 31 December 2016.

(vi) There were amount for HKD286,078,982 and HKD287,240,936 as specific provisions for overdue loans and advances as of 30 June 2017 and 31 December 2016 respectively.

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30 June 2017

7. NON-BANK MAINLAND EXPOSURES

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%		

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	-	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%		

ADDITIONAL INFORMATION

30 June 2017

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 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
<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

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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:

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	-	-	-	-	-	-	-

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	-	-	-	-	-	-	-

There were no foreign currency structural positions as at 30 June 2017 and 31 December 2016.

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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 :

	30 June 2017 HK\$'000	31 December 2016 HK\$'000
Direct credit substitutes	802,166	1,142,363
Transaction-related contingencies	-	-
Trade-related contingencies	1,298,131	1,062,813
Note issuance and revolving underwriting facilities	-	-
Other commitments	1,609,103	2,186,575
Others - Forward forward deposits placed	<u>172,718</u>	<u>9,707</u>
	<u><u>3,882,118</u></u>	<u><u>4,401,458</u></u>

(ii) Derivatives

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

	30 June 2017 HK\$'000	31 December 2016 HK\$'000
Exchange rate-related derivative contracts (exclude forward foreign exchange contracts arising from swap deposit arrangements)	40,751,083	48,548,533
Interest rate derivative contracts	181,393,533	209,647,780
Others	<u>-</u>	<u>-</u>
	<u><u>222,144,616</u></u>	<u><u>258,196,313</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:

	30 June 2017 HK\$'000	31 December 2016 HK\$'000
Exchange rate-related contracts	(15,628)	329,900
Valid bilateral netting agreement	<u>-</u>	<u>-</u>
	(15,628)	329,900
Interest rate derivative contracts	96,291	74,967
Valid bilateral netting agreement	<u>-</u>	<u>-</u>
	96,291	74,967
Others	<u>-</u>	<u>-</u>
	<u>80,663</u>	<u>404,867</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 30 Jun 17	For the period 1 Jan 16 to 30 Jun 16
Average Liquidity Maintenance Ratio ("LMR")	<u>40.69%</u>	<u>45.39%</u>

The average LMR for the period from January to June 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)

30 June 2017

The following information is based on the consolidated financial statements of Intesa Sanpaolo S.p.A. as of 30 June 2017, 31 December 2016 and 30 June 2016. (conversion rate for US\$/EUR = 1.1412 as at 30 June 2017, 1.0541 as at 31 December 2016 and 1.1102 as at 30 June 2016).

(i) Capital adequacy ratio and shareholders' funds

	30 June 2017	31 December 2016
Capital adequacy ratio	<u>17.10%</u>	<u>17.00%</u>

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

	30 June 2017 US\$'000	31 December 2016 US\$'000
Aggregate amount of shareholders' funds	<u>60,670,757</u>	<u>51,557,085</u>

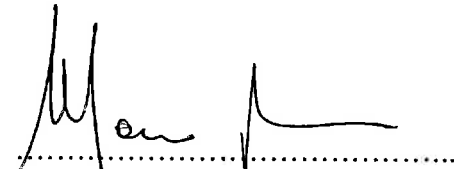
(ii) Other financial information

	30 June 2017 US\$'000	31 December 2016 US\$'000
Total assets	899,286,142	764,327,910
Total liabilities	838,615,385	712,770,825
Total loans and advances	538,262,957	440,465,172
Total customer deposits	<u>638,847,184</u>	<u>566,996,174</u>


	Period ended 30 June 2017 US\$'000	Period ended 30 June 2016 US\$'000
Profit before taxation	<u>7,604,957</u>	<u>3,128,544</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

29 September 2017