INTESA SANPAOLO

Annual Report 2014

Supervisory Board
of 17 March 2015

Report and consolidated financial statements of the Intesa Sanpaolo Group 2014

Report and Parent Company's financial statements 2014

Intesa Sanpaolo S.p.A.
Registered office: Piazza San Carlo, 156 10121 Torino Secondary registered office: Via Monte di Pietà, 8 20121 Milano Share capital 8,724,861,778.88 Euro Registration number on the Torino Company Register and Fiscal Code 00799960158 VAT number 10810700152 Member of the National Interbank Deposit Guarantee Fund and of the National Guarantee Fund, included in the National Register of Banks No. 5361 and Parent Company of "Intesa Sanpaolo", included in the National Register of Banking Groups.

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Banks

INTESA SANPAOLO

BANCA CR FIRENZE · BANCA DELL'ADRIATICO · BANCA DI TRENTO E BOLZANO | BANK FÜR TRIENT UND BOZEN · Banca FIDEURAM

BANCA IMI · BANCA MONTE PARMA · BANCA PROSSIMA PER LE IMPRESE SOCIALI E LE COMUNITÀ · BANCO DI NAPOLI

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INTESA SANPAOLO PRIVATE BANKING · MEDIOCREDITO ITALIANO

NORTH WEST

INTESA SANPAOLO	Subsidiaries	
Branches	Company	Branches
1,354	Intesa Sanpaolo Private Banking	55
	Banca Fideuram	37
	Banca Prossima	21
	Mediocredito Italiano	3
	Banca IMI	1

NORTH EAST

INTESA SANPAOLO	Subsidiaries	
Branches	Company	Branches
114	CR del Veneto	344
	CR in Bologna	173
	CR del Friuli Venezia Giulia	105
	CR di Forlì e della Romagna	89
	Banca di Trento e Bolzano	73
	Banca Monte Parma	62
	Intesa Sanpaolo Private Banking	37
	Banca Fideuram	22
	Banca Prossima	14
	Mediocredito Italiano	2

CENTRE

INTESA SANPAOLO	Subsidiaries	
Branches	Company	Branches
228	Banca CR Firenze	560
	Banca dell'Adriatico	109
	Intesa Sanpaolo Private Banking	22
	Banca Fideuram	21
	Banca Prossima	7
	Banco di Napoli	3
	Mediocredito Italiano	3

SOUTH

INTESA SANPAOLO	Subsidiaries	
Branches	Company	Branches
8	Banco di Napoli	606
	Banca dell'Adriatico	96
	Intesa Sanpaolo Private Banking	17
	Banca Prossima	15
	Banca Fideuram	11
	Mediocredito Italiano	2

ISLANDS

INTESA SANPAOLO	Subsidiaries	
Branches	Company	Branches
238	Banca Prossima	9
	Banca Fideuram	5
	Intesa Sanpaolo Private Banking	5
	Mediocredito Italiano	2

Figures as at 31 December 2014

Product Companies

INTESA SANPAOLO VITA

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EurizonCapital

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INTESA SANPAOLO PERSONAL FINANCE

Consumer Credit

SIREFID

Fiduciary Services

SETEFI

Electronic Payments

The Intesa Sanpaolo Group: international presence

Banks, Branches and Representative Offices

INTESA SANPAOLO

ALEXBANK | بنك الإسكندرية
BANCA DI TRENTO E BOLZANO | BANK FÜR TRIENT UND BOZEN
Banca FIDEURAM
BANCA IMI
BANCA INTESA
BANCA INTESA Beograd
BANKA KOPER
CIB BANK
INTESA SANPAOLO BANK Albania
INTESA SANPAOLO BANK Romania
INTESA SANPAOLO BANKA Bosna i Hercegovina
INTESA SANPAOLO BANK IRELAND
INTESA SANPAOLO PRIVATE BANK SUISSE
PRAVEX-BANK
PRIVREDNA BANKA ZAGREB
Société Européenne de Banque
VÚB BANKA

AMERICA

Direct Branches	Representative Offices
George Town	Santiago
New York	São Paulo

OCEANIA

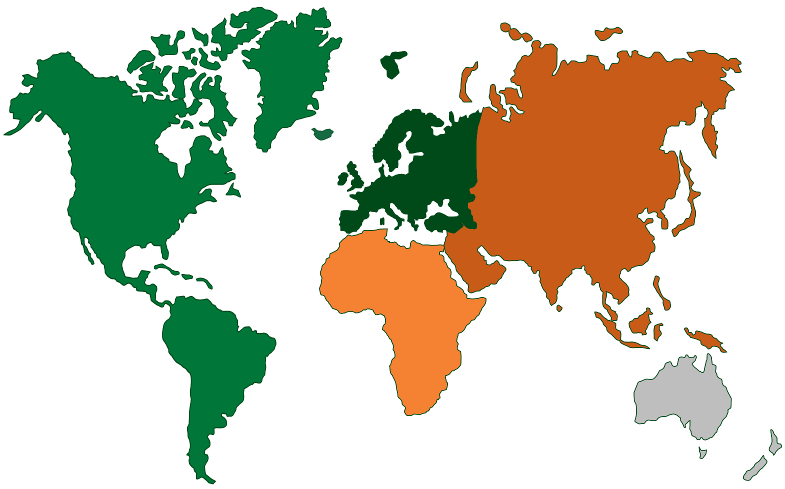
Representative Offices
Sydney

ASIA

Direct Branches	Representative Offices
Dubai	Abu Dhabi
Hong Kong	Beijing
Shanghai	Beirut
Singapore	Ho Chi Minh City
Tokyo	Mumbai
	Seoul

EUROPE

Direct Branches	Representative Offices
Amsterdam	Athens
Frankfurt	Brussels(2)
Innsbruck(1)	Istanbul
Istanbul	Moscow
London	Stockholm
Madrid	
Paris	
Warsaw	



Country	Subsidiaries	Branches
Albania	Intesa Sanpaolo Bank Albania	32
Bosnia and Herzegovina	Intesa Sanpaolo Banka Bosna i Hercegovina	51
Croatia	Privredna Banka Zagreb	197
Czech Republic	VUB Banka	1
Hungary	CIB Bank	95
Ireland	Intesa Sanpaolo Bank Ireland	1
Luxembourg	Banca Fideuram	1
	Société Européenne de Banque (SEB)	1
Romania	Intesa Sanpaolo Bank Romania	71
Russian Federation	Banca Intesa	61
Serbia	Banca Intesa Beograd	177
Slovakia	VUB Banka	233
Slovenia	Banka Koper	52
Switzerland	Intesa Sanpaolo Private Bank (Suisse)	1
Ukraine	Pravex-Bank(3)	234
United Kingdom	Banca IMI	1

AFRICA

Representative Offices	Country	Subsidiaries	Branches
Cairo	Egypt	Bank of Alexandria	170
Casablanca			
Tunis			

Figures as at 31 December 2014
(1) Branch of Italian subsidiary Banca di Trento e Bolzano
(2) International Regulatory and Antitrust Affairs and Intesa Sanpaolo Eurodesk
(3) In January 2014 an agreement was signed for the sale of 100% of Pravex-Bank. Finalisation of the transaction is subject to regulatory approval

Product Companies

CONSUMER FINANCE HOLDING
INTESA SANPAOLO CARD
PBZ CARD

Consumer Credit, E-money and Payment Systems

CIB INVESTMENT FUND MANAGEMENT
Eurizon Capital s.a.
FIDEURAM Asset Management (Ireland)
PBZ INVEST
VÚB ASSET MANAGEMENT

Asset Management

CIB LEASING
INTESA LEASING Beograd
PBZ LEASING
VÚB LEASING

Leasing

VÚB FACTORING
CIB FACTOR

Factoring

INTESA SANPAOLO LIFE

Insurance

Supervisory Board, Management Board, Manager responsible for preparing the Company's financial reports and Independent Auditors

Supervisory Board

Chairman	Giovanni BAZOLI
Deputy Chairpersons	Mario BERTOLISSI Gianfranco CARBONATO
Members	Gianluigi BACCOLINI Francesco BIANCHI Rosalba CASIRAGHI Carlo CORRADINI Franco DALLA SEGA Piergiuseppe DOLCINI Jean-Paul FITOUSSI Edoardo GAFFEO Pietro GARIBALDI Rossella LOCATELLI Giulio Stefano LUBATTI Marco MANGIAGALLI Iacopo MAZZEI Beatrice RAMASCO Marcella SARALE Monica SCHIRALDI

Management Board

Chairman	Gian Maria GROS-PIETRO
Senior Deputy Chairperson	Marcello SALA
Deputy Chairperson	Giovanni COSTA
Managing Director and Chief Executive Officer	Carlo MESSINA (*)
Members	Stefano DEL PUNTA Carla Patrizia FERRARI Piera FILIPPI Gaetano MICCICHE' (*) Giuseppe MORBIDELLI Bruno PICCA

Manager responsible for preparing the Company's financial reports	Ernesto RIVA
Independent Auditors	KPMG S.p.A.

(*) General Managers

Letter from the Chairmen

Distinguished Shareholders,

2014 was an important year for Intesa Sanpaolo: an industrial plan was presented to consolidate our mission for households and businesses and renew our way of banking in order to identify opportunities for growth in an ever-changing context.

Today, Intesa Sanpaolo is a very different business from 2007, when it was established from the merger between Intesa and Sanpaolo IMI, and is now one of Europe's leading banks in terms of capitalisation and total assets. In Italy, it has a top ranking in all market segments it operates in. It boasts an international mindset too, with a selected presence on foreign markets and a growing number of foreign institutional investors.

In 2014, the Bank had to face a still difficult economic scenario at a national and international level.

The slight deceleration of emerging countries was offset by a modest recovery in advanced economies, thanks to the United States and the Eurozone, where GDP picked up after two years of recession. The world growth rate remained modest, 3.3% according to International Monetary Fund estimates. This scenario, even looking towards the future, is still fragile and uneven.

In Italy, the recession and geopolitical tensions in nearby areas left their mark. For the third year running, real GDP fell - albeit to a lesser extent compared to the two previous years - by 0.4 in 2014. During the year, household spending began to stabilise, while gross fixed investments were still negative, weakening prospects for a recovery in industrial production. At the end of 2014, confidence, production orders, the exchange rate trend, the trend of oil prices and the ECB’s adoption of extraordinary expansionary policies all supported expectations of a reverse in the cycle and easing of deflationary pressures. The beginning of 2015 consolidated these expectations.

Despite the expansionary monetary policy and innovative measures adopted by the ECB, such as LTROs and TLTROs, bankruptcy rates were still high last year, particularly for SMEs, thus keeping doubtful loans ratios and relative provisions at record levels; this prevented monetary policy from switching entirely to private sector interest rates. Credit volumes remained low, also due to a lack of demand for production investments; households resumed saving, but did not invest, due to ongoing uncertainties over the future.

Intesa Sanpaolo committed to changing this scenario, providing solid support to the real economy with 34 billion euro of new medium and long-term loans to households and businesses, of which 28 billion to Italian customers. Your Bank was the main lender of the Italian economy, accounting for a volume well over its market share. At the same time, the profitability target of the 2014-2017 Business Plan was exceeded thanks to core operating margin, which provided a considerable contribution to the net income totalling approximately 1.7 billion euro, gross of the retroactive tax rate increase relating to the capital gain from the Bank of Italy stake.

The ongoing crisis increased the risk level of loans, which Intesa Sanpaolo addressed by adopting various organisational measures and the use of external vehicles, in conjunction with other private entities. An appropriate reduction in non-core assets and the reorganisation of the doubtful loan recovery model will make it possible to further ease the accounts and free up new resources at a time when the cycle is expected to recover, as reflected by the credit trend, which is improving thanks to a reduction in flows of new non-performing loans.

The transition to the Single Supervisory Mechanism offered a chance to embrace a new, organisational and operational challenge, confirming Intesa Sanpaolo's role as a European top player. The Bank successfully completed the Comprehensive Assessment conducted by the ECB and EBA to assess credit quality and resilience to extreme shock. The assessment entailed a considerable investment by Intesa Sanpaolo in terms of human resources, time, and preparation of documentation and data. The results reflect our excellent position as regards the quality of our assets and capitalisation level. The Common Equity Tier 1 (CET1) ratio was equal to 12.47% compared to the minimum capital requirement of 8%, with a capital excess of 12.7 billion euro, which would decrease to 10.9 billion euro in the event of an adverse scenario.

Considering profits above the Plan targets, the Group's capital soundness and future prospects, a proposal was made to the Ordinary Shareholders' Meeting to distribute cash dividends amounting to 1.2 billion euro, equal to 7 eurocents per ordinary share and 8.1 eurocents per savings share, before tax.

As the end of the term of office of current Boards draws nearer, a Committee has been set up to assess the Bank's Governance. This aims to propose changes that may help to further improve the efficiency of the decision-making process, the effectiveness of risk control and the scope of strategic vision, drawing on the best experience at an international level.

A focus on people, which is a key aspect of the Industrial Plan, has led to about 2,600 employees being re-allocated to priority initiatives, stable employment levels, implementation of the employee share ownership plan (with more than 79% of those entitled taking part), and considerable investments in innovation, which include the launch of a programme for integrated management of customer and financial data. Intesa Sanpaolo has also been working for several months as Official Global Sponsor for Expo 2015, an event that will be officially inaugurated in just a few days' time and will be a driving force for Italy's economic growth, with benefits in the immediate future for everyone.

Today, Intesa Sanpaolo is a highly competitive Group and one of the best players at a European level for its soundness and risk management, capable of holding a leading role in its sector. This result is due to a change in gear, that has been possible also thanks to the involvement and dedication of people working in the Group with passion and professionalism, who we greatly appreciate.

Giovanni Bazoli　　　　Gian Maria Gros-Pietro

Intesa Sanpaolo Group
Report on operations and consolidated financial statements

Introduction

As set forth by Legislative Decree 38 of 28 February 2005, the Intesa Sanpaolo Group's Consolidated financial statements have been prepared in compliance with the accounting principles issued by the International Accounting Standards Board (IASB) and the related interpretations of the International Financial Reporting Interpretations Committee (IFRIC), endorsed by the European Commission as provided for by Community Regulation 1606 of 19 July 2002.
The Consolidated financial statements as at 31 December 2014 have been prepared based on the "Instructions for the preparation of the separate and consolidated financial statements of banks and financial companies, which are parent companies of banking groups" issued by the Bank of Italy, in the exercise of powers set forth by Art. 9 of Legislative Decree 38/2005, with Regulation of 22 December 2005, which issued Circular 262/05, and subsequent updates. These Instructions set out compulsory financial statement forms, as well as the contents of the Notes to the financial statements.
The Consolidated financial statements are made up of the Balance sheet, the Income statement, the Statement of comprehensive income, the Changes in shareholders' equity, the Statement of cash flows and the Notes to the financial statements and the related comparative information; the Report on operations on the economic results achieved and on the Group's balance sheet and financial position has also been included.
In support of the comments on the results for the year, the Report on operations also presents and illustrates reclassified income statement and balance sheet schedules. The reconciliation with the financial statements, as required by Consob in its communication 6064293 of 28 July 2006, is included in the Attachments. The Report on operations contains financial information taken from or attributable to the Consolidated financial statements, as well as other information – for example, figures on quarterly trends, and other alternative performance measures – not taken from or directly attributable to the Consolidated financial statements.
Information on corporate governance and ownership structures required by Art. 123 bis of the Consolidated Law on Finance is set forth, as permitted, in a separate report, approved by the Management Board and published together with these financial statements. This report also contains the information on remuneration as provided for by Art. 123 ter of the Consolidated Law on Finance. The "Report on Corporate Governance and Ownership Structures - Report on Remuneration" can be found in the Governance section of the Intesa Sanpaolo internet site, at www.group.intesasanpaolo.com. This same section of the site provides the disclosure required by Basel 3 Pillar 3, as well as press releases published during the year and other financial documentation.

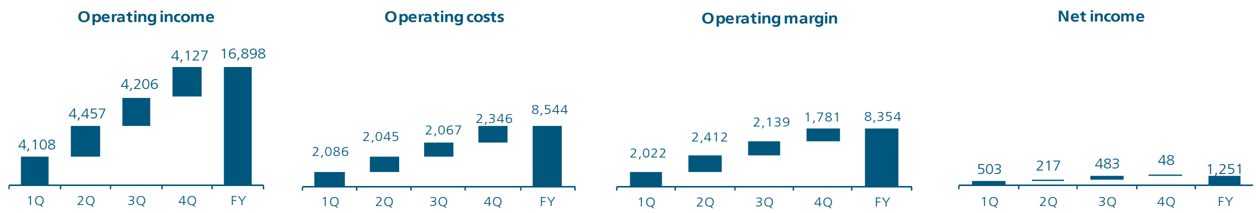
Report on operations

Overview of 2014

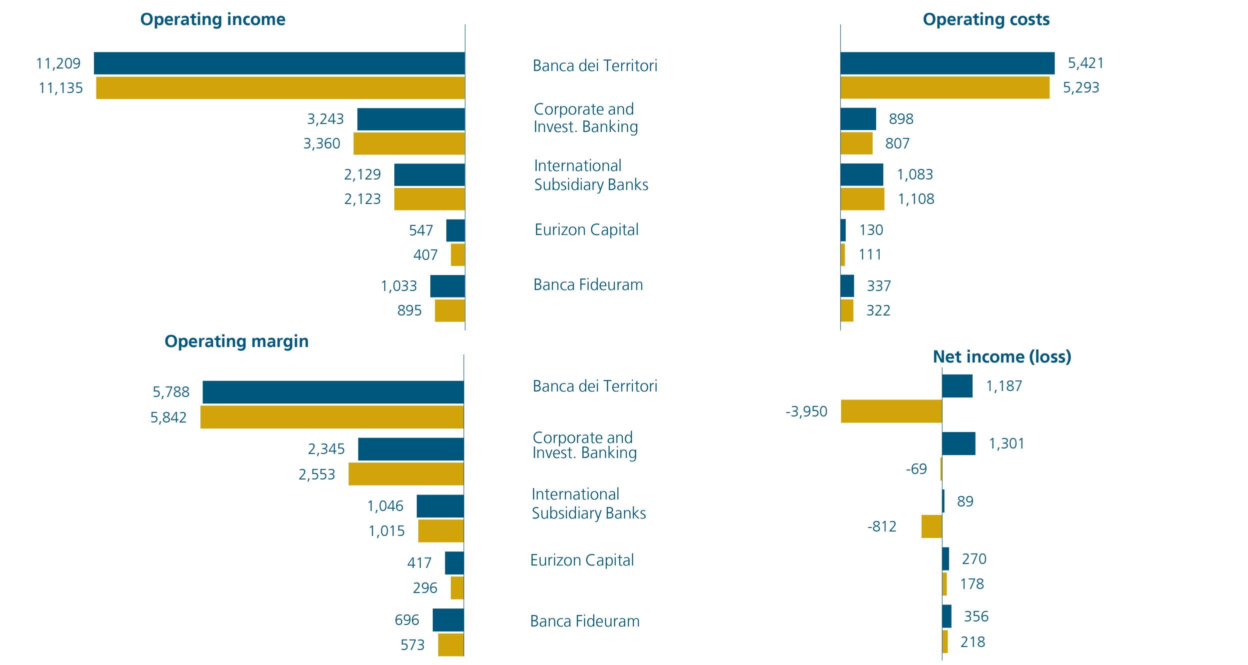
Income statement figures and alternative performance measures

Consolidated income statement figures (millions of euro)	2014	2013	Changes amount	Changes %
Net interest income	8,374	8,110	264	3.3
Net fee and commission income	6,775	6,132	643	10.5
Profits (losses) on trading	777	1,159	-382	-33.0
Income from insurance business	919	790	129	16.3
Operating income	16,898	16,248	650	4.0
Operating costs	-8,544	-8,298	246	3.0
Operating margin	8,354	7,950	404	5.1
Net adjustments to loans	-4,538	-7,111	-2,573	-36.2
Income after tax from discontinued operations	-48	-31	17	54.8
Net income (loss)	1,251	-4,550	5,801	

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



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



Figures restated, where necessary, considering the changes in the scope of consolidation and in business unit constituents.

(*) Since the changes to the Group's organisational model became operational in late 2014, information by business area has been prepared in reference to the previous operating structure.

2014
2013

Balance sheet figures and alternative performance measures

Consolidated balance sheet figures (millions of euro)	31.12.2014	31.12.2013	**Changes** amount	**Changes** %
Financial assets	223,225	202,105	21,120	10.5
of which: Insurance Companies	*115,046*	*89,905*	*25,141*	*28.0*
Loans to customers	339,105	343,789	-4,684	-1.4
Total assets	646,427	624,179	22,248	3.6
Direct deposits from banking business	359,629	372,066	-12,437	-3.3
Direct deposits from insurance business and technical reserves	118,612	93,493	25,119	26.9
Indirect deposits:	465,777	430,287	35,490	8.2
of which: Assets under management	*301,715*	*258,570*	*43,145*	*16.7*
Shareholders' equity	44,683	44,520	163	0.4

Main balance sheet figures by business area (*)
(millions of euro)

	Loans to customers 31.12.2014	**Loans to customers** 31.12.2013	**Direct deposits from banking business** 31.12.2014	**Direct deposits from banking business** 31.12.2013
Banca dei Territori	200,566	209,556	176,078	193,799
Corporate and Invest.Banking	91,017	90,907	97,400	113,956
International Subsidiary Banks	26,398	27,015	31,078	30,182
Eurizon Capital	473	281	9	3
Banca Fideuram	5,291	4,730	8,660	7,256

Operating structure	**31.12.2014**	**31.12.2013**	**Changes amount**
Number of employees	**89,486**	**90,245**	**-759**
Italy	64,800	65,247	-447
Abroad	24,686	24,998	-312
Number of financial advisors	**5,044**	**5,104**	**-60**
Number of branches [a]	**5,867**	**6,227**	**-360**
Italy	4,473	4,766	-293
Abroad	1,394	1,461	-67

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

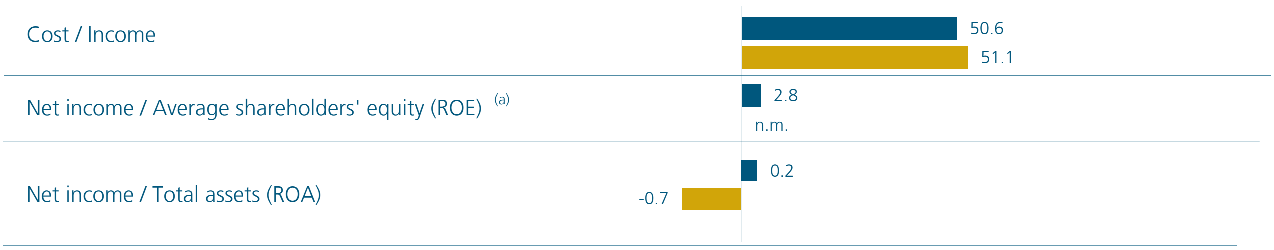
(*) Since the changes to the Group's organisational model became operational in late 2014, information by business area has been prepared in reference to the previous operating structure.

(a) Including Retail Branches, SME Branches and Corporate Branches.

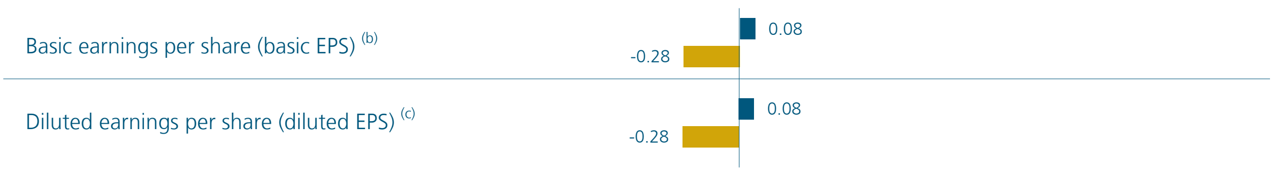
31.12.2014
31.12.2013

Other alternative performance measures

Consolidated profitability ratios (%)



Earnings per share (euro)



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

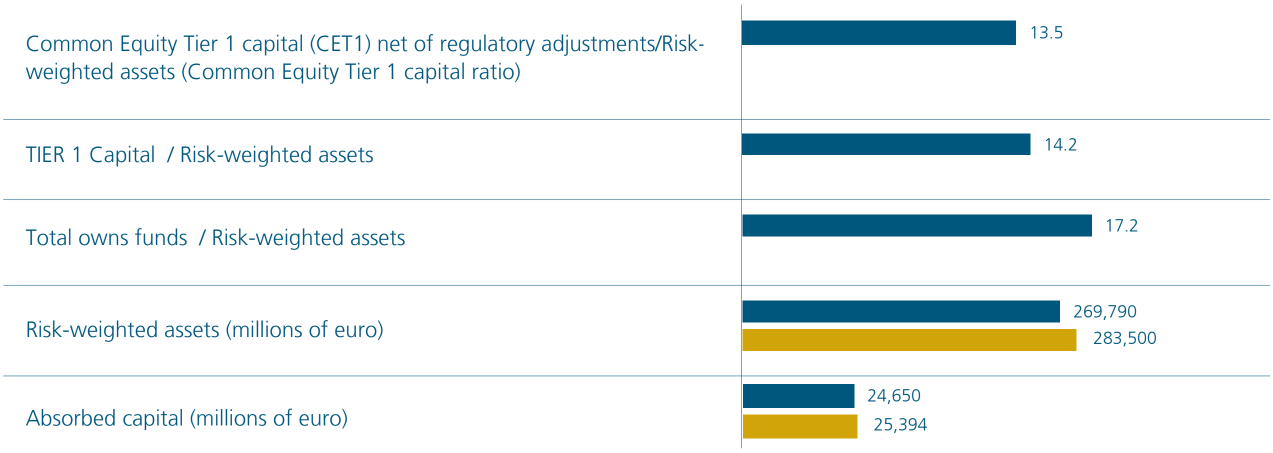
(a) Ratio between net income (loss) and average of share capital, share premium reserve, reserves and valuation reserves.

(b) Net income (loss) attributable to holders of ordinary shares compared to the weighted average number of outstanding ordinary shares. The figure for comparison is not restated.

(c) The dilutive effect is calculated with reference to the programmed issues of new ordinary shares.

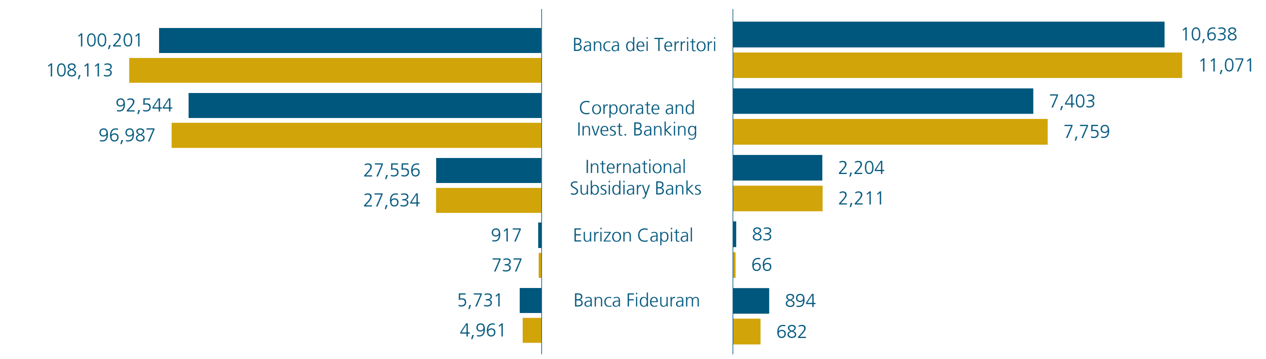
Consolidated risk ratios (%)

Consolidated capital ratios (%) [(d)]



Risk-weighted assets by sector (*) [(d)]
(millions of euro)

Absorbed capital by sector (*) [(d)]
(millions of euro)



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

(*) Since the changes to the Group's organisational model became operational in late 2014, information by business area has been prepared in reference to the previous operating structure.

(d) Values as at 31 December 2014 are determined using the methodology envisaged by the Basel 3 Capital Accord. Values as at 31 December 2013 are reconstructed also to account for new regulatory metrics.

Stakeholder map

SHAREHOLDERS		2014	2013
Small investors Foundations Institutional investors Socially reponsible investors Shareholders' Associations	Number of ordinary shares (thousands)	15,846,090	15,501,622
	Share price at period-end - ordinary share (euro)	2.422	1.794
	Average share price for the period - ordinary share (euro)	2.288	1.476
	Average market capitalisation (million)	38,096	24,026
	Shareholders' equity (million)	45,062	45,063
	Book value per share (euro)	2.690	2.746
	Long-term rating		
	Moody's	Baa2	Baa2
	Standard & Poor's	BBB-	BBB
	Fitch	BBB+	BBB+
	DBRS	A (low)	A (low)

Figures for 2013 not restated. Book value per share does not consider treasury shares.

CUSTOMERS		2014	2013
Individual customers and households Individuals and households in financial difficulty SMEs Large businesses Start up businesses Consumer Associations Public Authorities and Public Administration Third sector Industrial associations	Number of customers (million)	19.2	19.6
	Retail customers by average account seniority (years)	12.6	11.8

Figures relating to the scope of the Sustainability Report. Figures for 2013 not restated.

EMPLOYEES		2014	2013
Network personnel Staff personnel Young employees Senior employees Personnel with positions of responsibility Top management Trade unions	Employees by gender: men (%)	46.8%	45.8%
	Employees by gender: women (%)	53.2%	54.2%
	Employees with university degree (%)	41.1%	42.5%
	Turnover rate (%)	-0.9%	-2.3%
	Training hours per employee	47.9	43.8

Figures relating to the scope of the Sustainability Report. Figures for 2013 not restated.

COMMUNITY		2014
Associations representing community stakeholders Regulatory authorities National and international public institutions Media	Total contributions to the community [*] (millions of euro)	55.1
	Breakdown of contributions to the community by areas of action:	
	1. Art and culture	27.6
	2. Education and research	4.3
	3. Social solidarity	5.5
	4. Healthcare	3.9
	5. Humanitarian emergencies	0.2
	6. Economic development	7.4
	7. Environment	1.5
	8. Other	4.6

[*] Includes non continuous donations, investments in the community and commercial initiatives (sponsorship and other contributions) having an impact on the community.

Figures relating to the scope of the Sustainability Report. Figures for 2013 not restated.

ENVIRONMENT		2014	2013
Environmental Associations Future Generations Scientific community	CO_2 emissions per employee - excluding fleet (Kg)	900	1,039
	Electricity consumption per employee (KWh)	5,110	5,300
	Paper consumption per employee (Kg)	88	89

Figures relating to the scope of the Sustainability Report. Figures for 2013 not restated.

SUPPLIERS (%)		2014	2013
Large-scale suppliers Small suppliers Trading partners Sub-suppliers	IT services	24.7%	25.9%
	Real estate management	23.9%	26.0%
	General structure costs and services provided by third parties	23.4%	22.9%
	Professional and legal expenses	16.1%	13.7%
	Advertising and promotional expenses	6.1%	5.8%
	Other expenses	5.8%	5.7%

Figures for 2013 not restated.

Executive summary

Intesa Sanpaolo in 2014

Economic trends in 2014

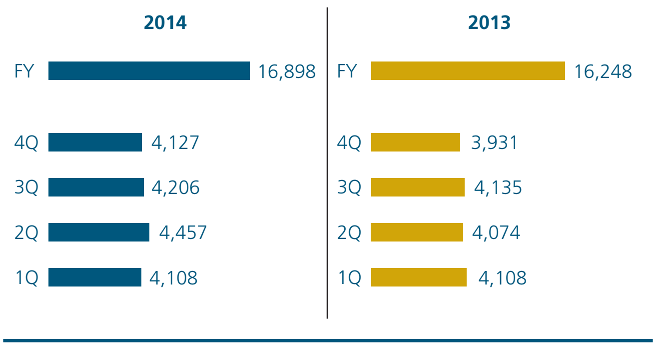
2014 saw a moderate growth in the economy and in international commerce. In the United States the recovery strengthened and the unemployment rate fell. The Eurozone emerged from the recession of 2012-13 but economic activity weakened during the year, also as a result of the Russia-Ukraine crisis. Inflation slowed everywhere due to the collapse of oil prices. Throughout the Eurozone, inflation was close to zero, well below forecasts.
Italy is the European country where the recovery is struggling the most to regain momentum. Industrial production recorded a gradual deterioration. From the middle of the year onwards many of the signs of recovery seen in previous months disappeared: confidence is again diminishing, whilst exports have slowed and the investment trend has remained negative. A positive surprise related to consumption, which benefited from an increase in real household disposable income. At the annual average level, GDP contracted by 0.4% in 2014. The negative trend in economic activity caused a new rise in unemployment.
GDP growth in the emerging economies slowed, mainly in Latin America and the Confederation of Independent States (CIS), which felt the effects of the tension between Russia and Ukraine. Growth in Asia remained steady. Positive trends were seen in the MENA area (Middle East and North Africa) as a result of Egypt's recovery. In Central and South-Eastern Europe, CEE countries recovered, driven by the recovery in Slovenia and the impetus provided by manufacturing in Hungary and Slovakia. GDP slowed, however in SEE countries with ISP subsidiaries.
The European Central Bank cut official interest rates, bringing the rate on major refinancing operations to 0.05% and the rate on deposits to -0.20%. In addition, the targeted long-term refinancing operation (TLTRO) programme and a new purchase programme of covered bonds and securitisations were launched. The ECB's expansionary monetary policy was the driver behind the decline in rates expectations on all maturities. The downwards pressure on rates was intensified by signs that the ECB might introduce government security purchasing programmes, an expectation that became a reality after year-end. The ten-year yield spreads between Italy and Germany bonds opened the year at 214 bps and reached a low of 119 bps at the beginning of December, benefiting from increasing expectations of additional extraordinary ECB measures. In this context, the second half of the year saw a considerable appreciation of the US dollar. The USD-EUR exchange rate, which at the end of June was still close to 1.37, dropped to 1.21 by year-end.

For the Italian banking system, the cost of bank funding continued to decline, driven by a combination of falling rates on individual components and a shift towards less costly types. The decline in market and ECB benchmark rates was gradually reflected in rates on loans, after some resistance seen in the first half of the year due to repricing measures. As a result of the decrease in the cost of funding, the spread between lending and funding rates improved significantly compared to 2013.
Bank loans to the private sector declined for the third consecutive year. The decline gradually slowed, however. The persistence of the recession had a significant impact on loans to businesses, especially medium-/long-term loans, which were affected by the drop in investments. Loans to households remained more resilient, showing a very modest and slowing decline. In particular, in 2014 there were signs of recovery in disbursements of residential mortgage loans. Loan performance continued to be affected by weak demand, which, however, confirmed signs of improvement. On the supply side, the restrictive impact of credit risk eased. The growth of gross doubtful loans slowed further, though confirming a strong growth rate and a continued increase in their impact on the stock of loans. Therefore, the bank lending market has maintained a prudent attitude, despite recording a clear improvement in credit access conditions.
As regards funding, the trends seen in the previous two years were confirmed in 2014, in particular the growth of deposits and sharp decline in bonds, which continued to feel the impact of shifts in investors' portfolios. The growth in deposits aided the spurt in current accounts, which accelerated from May. Overall, customer deposits thus declined slightly. At the same time, the positive trend continued in assets under management, particularly for mutual funds where the highly positive net inflows reached an all-time record.

The results for 2014

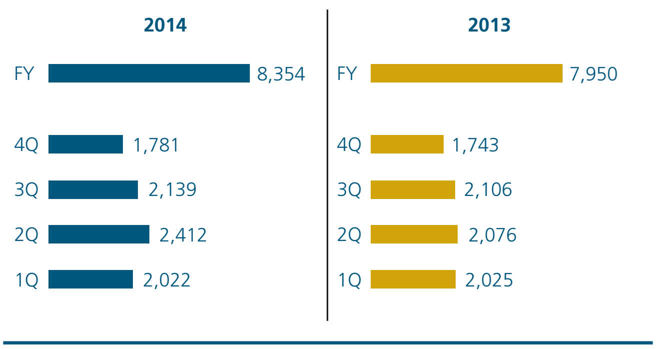
In the macroeconomic context described, the Intesa Sanpaolo Group achieved positive economic results during 2014, both as a whole and in relation to its various revenue and cost components compared to those of 2013. The consolidated income statement closed with a net income of 1,251 million euro, compared to the 4,550 million euro loss of 2013 caused by considerable impairment of goodwill and other intangible assets. In particular, operating income was up and of better quality. In fact, the contribution from interest and fee and commission income increased, added to which are the positive contributions from the companies consolidated at equity and that from the insurance segment. These positive trends have completely offset the lower contribution from trading, a component structurally subject to volatility. The increase in personnel expenses, entirely attributable to the variable component, was partly offset by lower administrative expenses. Consequently the operating margin rose by approximately 5%. Income before tax from continuing operations then benefited from the much-reduced need for adjustments to loans. Growth in income, associated with cost control and lower adjustments, allowed a pre-tax income up by approximately 37% compared to the 2013 figure, which had even included the significant positive effect of the fair value recognition of new stake in the Bank of Italy.

Operating income
(millions of euro)



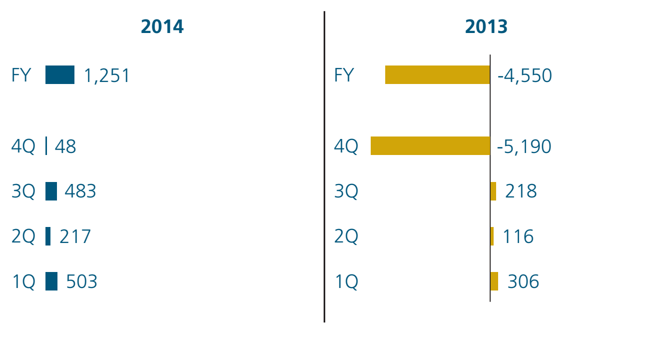
A detailed breakdown of the various operating income items shows that the income statement for the period recorded net interest income of 8,374 million euro, up 3.3% compared to 2013, relating to the decrease in interest expense on bank funding and the improved customer spread.
The services segment generated net fee and commission income of 6,775 million euro, up 10.5%, mainly driven by the positive contribution from financial instrument dealing and management activities (around +21%) which benefited from the better performance of the financial markets and renewed interest of customers in assets under management.
Profits on trading were 777 million euro, a strong decrease compared to the 1,159 million euro in 2013, relating to the lower trading result, especially in the interest rate segment.
Income from insurance business, which aggregates specific costs and revenues of the insurance business of Group companies operating in the life and non-life segments, amounted to 919 million euro, up more than 16% due to the higher net investment result.

Operating margin
(millions of euro)



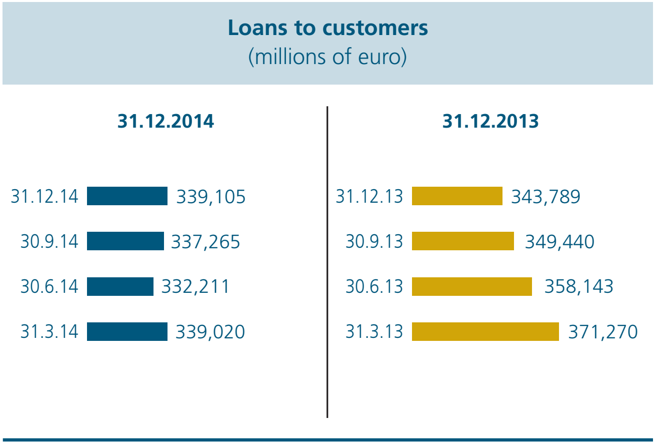
As a result of the above trends, operating income in the period amounted to 16,898 million euro, up approximately 4% on the comparative figure.
Operating costs recorded a limited growth (+3% to 8,544 million euro). In detail, personnel expenses recorded an increase (+6%) essentially attributable to the variable component. In fact, while in 2013 – in relation to the failure to achieve the income targets – this component was minimal, the positive business performance for this year and activation of the innovative bonus system envisaged in the new Business Plan resulted in suitable provisions for this purpose. Conversely, other administrative expenses and adjustments decreased (-1.4% and -0.9% respectively).
The operating margin therefore came to 8,354 million euro, up 5.1%.

Net income (loss)
(millions of euro)

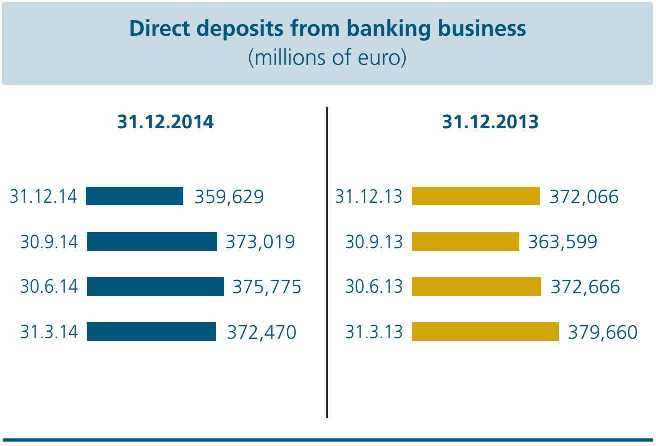


Adjustments and provisions for risks, as a whole, were down by over 32%, entirely due to lower adjustments to loans (approximately -36% to 4,538 million euro), which last year recorded an extraordinary total (7.1 billion euro) in relation to the heightened difficulties of businesses after years of economic crisis.
Conversely, provisions for risks increased significantly (+228 million euro), mainly due to the allocation by the Hungarian subsidiary in relation to new regulatory provisions impacting the country as regards loans to households. Profits on investments held to maturity and on other investments benefited from the effects of the value enhancement of non-core investments held by Intesa Sanpaolo in non-financial companies, consistent with the guidelines of the Business Plan.

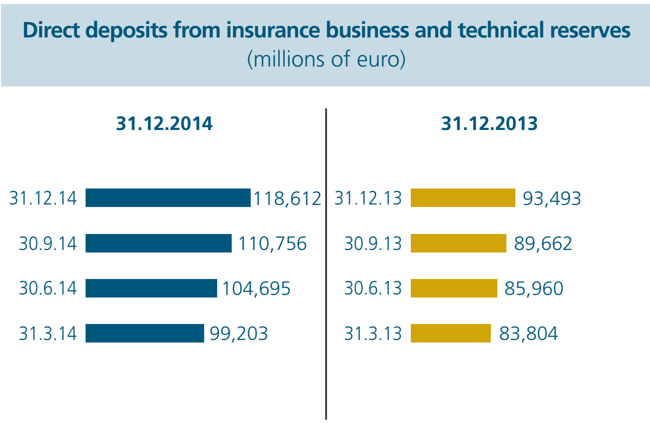
Income before tax from continuing operations therefore amounted to 3,435 million euro, up approximately 37% on the previous year.
Taxes recorded a high balance (1,781 million euro), up strongly compared to 2013 due to improved results and, to a considerable extent, to the extraordinary tax established by Law Decree 66/14, on the substitute tax on capital gains determined through recognition in the 2013 financial statements of the new stake in the Bank of Italy (443 million euro).
After recognition of charges for integration and exit incentives of 103 million euro, the effect of purchase price allocation of 193 million euro, loss from discontinued operations of 48 million euro, as well as minority interests of 59 million euro, the income statement for the period closed, as already noted, with a net income of 1,251 million euro.



As to balance sheet aggregates, loans to customers totalled around 339 billion euro (-1.4% compared to the end of 2013). The decline in commercial banking loans (current accounts, mortgages, advances and loans, down -2.8% overall), and in loans represented by securities (-6.9%) was offset by the increase in short-term financial loans represented by repurchase agreements (approximately +12%). The trends illustrated were also influenced by the growth of the non-performing loans category (+8%), to which positions showing objective signs of impairment are transferred from the various types of loans.



With regard to funding, direct deposits from banking business decreased slightly to 360 billion euro (-3.3% compared to the end of 2013), entirely due to the decline in bond funding (approximately -16%), only partly offset by higher inflows from certificates of deposit (approximately +54%, essentially due to increased issues by the foreign branches), from subordinated liabilities (approximately +11%) and from other funding (approximately +12%, mainly from commercial papers and capital protected certificates). The decrease recorded by current accounts and deposits (-1.8%) was mostly due to time deposits. Repurchase agreements increased considerably (by almost 5 billion euro).



Direct deposits from insurance business, which include technical reserves, increased significantly (+27% approximately, to almost 119 billion euro). The overall increase was attributable both to the technical reserves (approximately +28%), which represent the amount owed to customers who have bought traditional insurance policies, and to the higher value of financial liabilities of the insurance segment designated at fair value (approximately +23%), particularly of unit-linked products. The new business of Intesa Sanpaolo Vita, Intesa Sanpaolo Life and Fideuram Vita, including pension products, amounted to over 26 billion euro for the period.

As at 31 December 2014, indirect customer deposits totalled just below 466 billion euro, with an increase of 8.2% compared to the end of the previous year. During the year, it continued the repositioning of customers toward the professional asset management, which was the primary channel in asset gathering. Assets under management increased (+43 billion euro; 16.7%) as a result of net inflows and revaluation of assets under management, with a positive performance achieved by all the main technical forms managed: portfolio management, life policies and mutual funds. Conversely, assets under administration decreased by -7.7 billion euro (4.5%), also because of the aforementioned repositioning into assets under management.

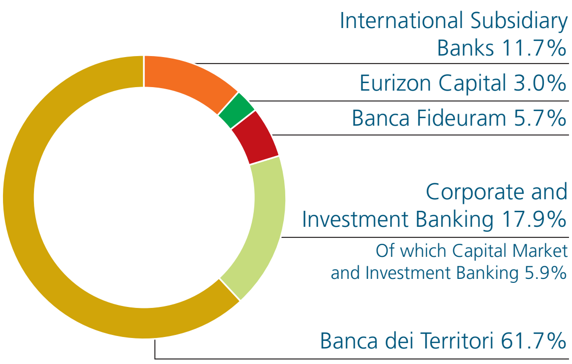
Results of the Business Units

At the end of 2014, as part of the activities involved in achieving objectives established in the 2014-2017 Business Plan, the Intesa Sanpaolo Group's organisational structure was redefined with the creation of three new Divisions:
- Private Banking Division, which coordinates the operations of Banca Fideuram, Fideuram Investimenti, Intesa Sanpaolo Private Banking, Sirefid, Fideuram Fiduciaria, Intesa Sanpaolo Private Bank (Suisse) and Fideuram Asset Management Ireland, a company managing the assets of the top customers segment (Private and High Net Worth Individuals);
- Asset Management Division, with the mission of developing the best asset management solutions for customers through the subsidiary Eurizon Capital;
- Insurance Division, with the subsidiaries Intesa Sanpaolo Vita, Fideuram Vita, Intesa Sanpaolo Previdenza and Intesa Sanpaolo Assicura, with the mission of developing the insurance product mix for Group customers.

Because of the operating structure redefinition, the Group is now arranged into six business areas: Banca dei Territori, Corporate and Investment Banking, International Subsidiary Banks, Private Banking, Asset Management and Insurance.
Furthermore, in compliance with IFRS 8, the segment reporting in these financial statements is presented according to the Group's adopted operating structure for 2014. With regard to 2014 only, at the end of the chapter on segment reporting, the income statement figures and the main balance sheet aggregates were restated with reference to the new organisational structure.

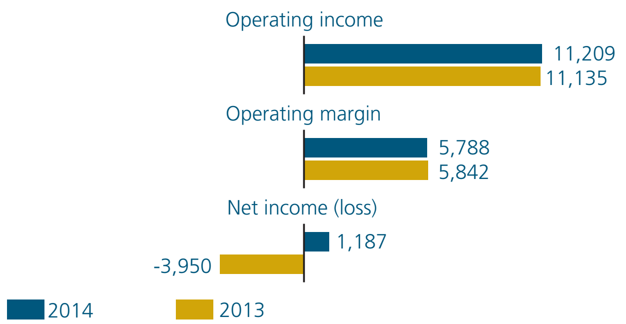
The contribution to operating income in 2014 from the Group's five business units operational during the year shows that the greatest contribution continued to come from commercial banking activities in Italy (approximately 11 billion euro, or 62% of the aggregate business areas' operating income); a significant contribution also came from corporate and investment banking activities (approximately 3.2 billion euro, i.e. 18%) and international commercial banking activities (approximately 2.1 billion euro, i.e. 12% of the total).

Operating income:
Breakdown by business area [1]



[1] Excluding Corporate Centre

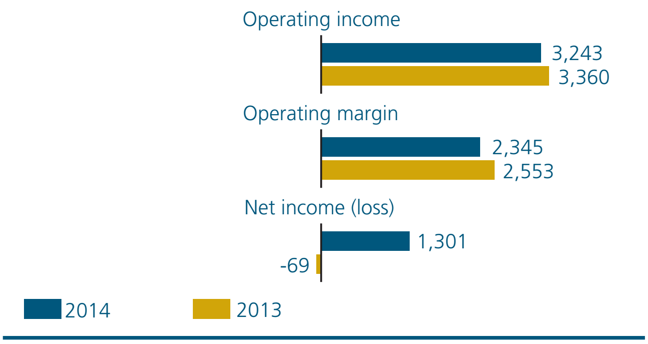
Banca dei Territori



In 2014, Banca dei Territori – which oversees the traditional lending and deposit collecting activities in Italy and the related financial services – reported operating income slightly higher than the previous year (+0.7% to 11,209 million euro). More precisely, the decrease in net interest income (-5.4%) was almost entirely offset by the increase in net fee and commission income (+7.8%), which was driven by those relating to asset management and bancassurance products. Profits on trading decreased (approximately -22%), whilst income from insurance business increased (approximately +16%) attributable to the improvement in the net investment result. Operating costs recorded a limited growth (+2.4%). Because of the performance outlined above, the operating margin decreased slightly (-0.9%). Conversely, income before tax from continuing operations recorded a strong positive performance (to 2,146 million euro from the 245 million euro of the previous year) due to the reduced need for adjustments to loans. After the allocation of taxes to the Division (805 million euro), charges for integration and exit incentives (84 million euro) and the economic effects of purchase price allocation (70 million euro), net income ended to 1,187 million euro, against the loss of 3,950 million euro recorded in 2013 which was mainly due to considerable impairment of goodwill and other intangible assets.
Balance sheet figures at the end of 2014 showed a decrease of loans to customers compared to the end of the previous year (-4.3% to 200,566 million euro), mainly as a result of the decrease in loans to SMEs and of the lower need for investments. Direct deposits from banking business also decreased (to 176,078 million euro, approximately -9%), essentially owing to the downward trend in securities issued and related to the maturity of retail bonds. On the other hand, direct deposits from insurance business

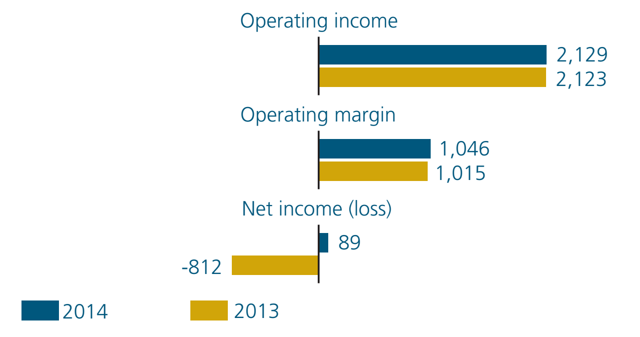
rose significantly (approximately +27% to 95,453 million euro), mainly because of the growth in technical reserves. Indirect deposits increased (approximately +11% to 282,317 million euro) as a result of the positive trend in assets under management

Corporate and Investment Banking



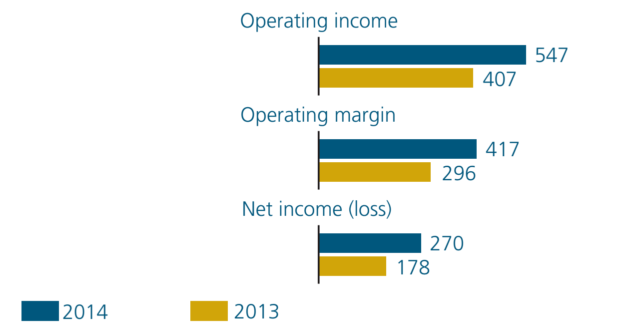
The Corporate and Investment Banking Division – which deals with corporate banking, investment banking and public finance in Italy and abroad – achieved operating income lower than 2013 (-3.5% to 3,243 million euro). More precisely, net interest income recorded a moderate decline (-1.5%) due to the lower intermediated volumes. Net fee and commission income remained steady (+0.1%) and profits on trading declined (approximately -16% to 568 million euro) as a result of the absence of merchant banking transactions in 2013 and the lower contribution from proprietary trading and capital market activities.
Operating costs increased (approx. +11%) due to higher personnel and administrative expenses. Because of the above revenue and cost trends, the operating margin decreased (approximately -8%), whereas income before tax from continuing operations rose (approximately +9%), due to lower adjustments to loans and realised gains on financial assets. Net income reached 1,301 million euro, compared to the 69 million euro loss of 2013, which included considerable impairment of goodwill and other intangible assets.
As regards intermediated volumes, direct deposits from banking business declined (-14.5% to 97,400 million euro), largely due to the decrease in securities transactions by Banca IMI and, to a lesser extent, the decline in corporate customers' deposits. Loans to customers remained stable (+0.1% to 91,017 million euro), given the lesser use of cash by Italian and international corporate customers and by the Irish subsidiary, offset by the balance of existing repurchase agreements and greater activities with regard to Trade Finance and Correspondent Banking customers.

International Subsidiary Banks

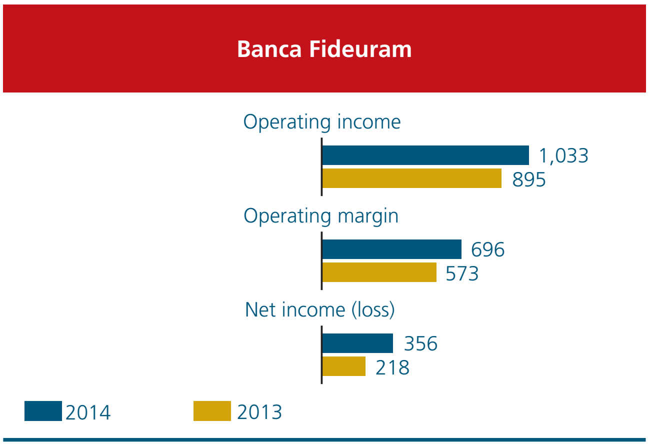


The operating income of the International Subsidiary Banks Division – which oversees the Group's commercial operations on foreign markets through subsidiary banks – essentially remained stable compared to the previous year (+0.3% to 2,129 million euro). In detail, the decrease in net interest income (-1.6%) was fully offset by the improvement in dividends and profits on investments carried at equity (approximately +34%) and especially in profits on trading (approximately +21%), whilst net fee and commission income remained steady (+0.2%). Operating costs decreased (-2.3%), allowing the operating margin to improve (+3.1%). Income before tax from continuing operations more than tripled compared to the previous year: lower adjustments to loans and other assets, in fact, more than offset the significant increase in provisions for risks and charges (228 million euro) allocated by the Hungarian subsidiary CIB Bank in relation to new national regulatory measures on retail loans. The Division's intermediated volumes increased slightly compared to the end of 2013 due to the positive performance of direct deposits from banking business (+3%), mainly in amounts due to customers. Conversely, loans to customers recorded a downward trend (-2.3%).

Eurizon Capital



The operating income of Eurizon Capital – operating in the asset management segment – recorded an increase (approximately +34% to 547 million euro), due to the positive performance of net fee and commission income (approximately +35%), mainly attributable to higher average volumes under management. Operating costs recorded an increase (approximately +17%) both in administrative and personnel expenses. Because of these trends, the operating margin grew by approximately 41%, whilst the income statement closed with net income of 270 million euro (approximately +52%).
The total customer assets under Eurizon Capital management as at the end of December 2014 went to approximately 203 billion euro (roughly +24% since the end of 2013), because of net inflows and the favourable financial market performance. As at 31 December 2014, Eurizon Capital's market share of assets under management was 15.2% (14.5% at the end of 2013).



For Banca Fideuram – specialising in the creation, management and distribution of financial products and services to customers with medium to high savings potential – operating margin recorded a significant growth (+21.5% to 696 million euro), attributable to the increase in operating income (approximately +15%). Given the downtrend in net interest income (-7.5%), the positive performance of revenues is attributable to net fee and commission income (approximately +16%), profits on trading (approximately +71%) and income from Fideuram Vita insurance business (roughly +27%).
As a consequence of the performance outlined above, income before tax from continuing operations rose by around 26% and the income statement for the year closed with net income of 356 million euro (approximately +63%).
Assets under management of the Banca Fideuram Group at the end of December 2014 amounted to approximately 90 billion euro (of which around 73 billion euro in assets under management and 17 billion euro in assets under administration), up 7.8% on the end of 2013. This trend is due to the favourable market performance of assets and the positive trend in net inflows. Assets under management increased (+10.8% compared to the end of 2013), because of the positive performance of the life insurance segment and portfolio management, while assets under administration declined (-3.9%).
Direct deposits from banking business were up (approximately +19% to 8,660 million euro), particularly from current accounts and time deposits of customers. Direct deposits from insurance business also recorded an increase (approximately +26% to 23,158 million euro), attributable to the positive trend in financial liabilities of the insurance segment designated at fair value and, to a lesser extent, to technical reserves.

Highlights

The Business Plan

With the new Business Plan approved last March by the Management Bodies, the Intesa Sanpaolo Group has introduced the 2014-2017 objective to pursue a new growth phase based on an innovative strategy which, focusing on the individuals and adopting a clear and effective business model, aims at increasing profitability in a sustainable manner, optimising capital and liquidity.
The new strategy is based on a number of priorities that are now part of the genetic inheritance of Intesa Sanpaolo, which is and will continue to be:
- a real-economy bank, which supports households and businesses and, leveraging a strong balance sheet and leadership, matches healthy credit demand and manages the financial wealth of customers with care;
- a Bank with sustainable profitability, in which operational performance, productivity, risk profile, liquidity and solidity/leverage are carefully balanced;
- a leader in retail and corporate banking in Italy and a in number of other countries of strategic importance;
- a leading European Bank in a number of high growth/high value businesses (Private banking, Asset management, Insurance);
- a Bank structured according to a divisional model and engaged in strengthening and further simplifying the current business model of Banca dei Territori, taking into account the evolution in customers' demands;
- an international Bank that carries out the role of "Local bank abroad" for Italian companies;
- a simple yet innovative Bank, acting with a truly multi-channel model.

The Plan envisages measures in the following areas:
- "New Growth Bank", to develop revenues with innovative growth engines, capable of identifying new market opportunities;
- "Core Growth Bank", to capture untapped revenue potential of existing business, in terms of revenue development, reduction in operating costs, and credit and risk governance;
- "Capital-Light Bank", to optimise the use of capital and liquidity, de-leveraging the bank's "non-core" assets;
- People and Investments as key enablers to maximise the contribution of each of the three "Banks" to the Group's result.

A number of initiatives were implemented from both the organisational standpoint and with regard to product innovation, improvement of customer service and development of Intesa Sanpaolo's human capital.

a) New Growth Bank
As part of the "New Growth Bank" initiative, the Banca 5® project was launched, relying on an *ad hoc* offer and on a dedicated commercial value chain of approximately 3,000 people to revamp approximately 5 million Retail customers currently marked by low profitability but with good loyalty potential. A "specialised" commercial model was introduced during 2014 in approximately 1,400 branches (with around 2,300 dedicated managers) and a "mixed" model in about 2,100 branches. Particular attention was also paid to the process of sharing objectives with the network structures and preparing the monitoring instruments for the initiative. The sale of Banca 5® products was supported by dedicated commercial initiatives, in which action taken also aimed to restore relations with customers who had not met with their financial advisor in the last twelve months. In addition, a specific training programme on the specialised model for the Base Managers of branches was also launched. Lastly, particular focus was placed on the constant improvement of all organisational aspects that allow effective supervision of the entire chain of the Banca 5® project.
Numerous activities were launched to develop the multi-channel approach, which will enable customers to purchase products and services from all channels through consistent, integrated paths. The guidelines for the new Digital Customer Experience were defined within this scenario and, in accordance with them, measures to activate multi-channel processes for payment cards, investments and personal loans, mortgages and non-life insurance products were launched and/or planned. With regard to multi-

channel relations management, the first block of Prossimità Project functions has been released offering communications and the setting of appointments at the branch with the manager through Home Banking, and the pilot project for the new integrated telephone contact model has been launched. Organisational solutions that will permit the Contact Unit to perform commercial activities were also defined, with adoption of the new Sales and Service model. The project was accelerated significantly in the last part of the year. Roll-out of the Remote Investment Offerings process to all the Banks was completed. The multichannel process pilot project was released for Out-of-Branch Offerings of Loans (Carisbo and BDA). The prototype for handling branches' unanswered phone calls was launched by the Contact Unit. Development of the Personal Financial Management component has continued and the implementation plan for the new front end for digital channels (Internet Banking, Showcase Website and Mobile Apps) has been defined. The new e-commerce portal has been launched that will allow use of the business potential deriving from the EXPO 2015 event.

Numerous organisational measures were implemented, with works beginning for the establishment of the Private Banking, Asset Management, Insurance and SME Finance Hubs. These projects received a particular boost from the recent establishment of the Private Banking, Asset Management and Insurance Divisions. As regards the Private Banking Division, all works that will manage the organisational, legal and administrative aspects of the Intesa Sanpaolo Private Banking and Banca Fideuram combination were launched, with particular emphasis on identifying priority action to quickly enhance the synergies between the two entities. Among the numerous activities undertaken, worthy of mention are those relating to setup of the High Net Worth Individual (HNWI) competence centre, definition of the new incentive system for ISPB private bankers and launch of the new best practices sharing process relating to advisory products and models between Banca Fideuram and Intesa Sanpaolo Private Banking. The Asset Management Division has defined development guidelines for the business model, organised the main work sites and introduced the new "best expertise" range of products dedicated to the Private Banking Division. As far as the SME Finance Hub is concerned, following incorporation of the Leasing companies into Mediocredito Italiano, the integration of Mediofactoring and Agriventure into Mediocredito Italiano became effective from 1 July 2014, consistently with the overall simplification envisaged by the Business Plan. This strengthens the SME Finance Hub as the Group's reference for specialised credit and business advisory services. Apart from the many activities necessary to manage the corporate integration, the new commercial model, products catalogue and credit model were defined. In addition, work has begun on the valuation of assets underlying the leasing portfolio and on the transfer of doubtful loans in the leasing and medium-/long-term segments to Capital Light Bank.

The activities of the new Insurance Division focus on development of the product mix in the Life and Non-Life segments. The latter, in particular, saw the launch of innovative motor and home insurance products. These include, for example, "ACasaConMe" (At Home with Me), a home and family policy that can combine the features of a classic protection product with the benefits achieved from installing hi-tech yet easy to use security devices. In organisational terms, Intesa Sanpaolo Previdenza has been integrated into Intesa Sanpaolo Vita.

Another important New Growth Bank project is "Transaction Banking", for which the strategic guidelines and priority initiatives to monitor the domestic and international markets have been defined. The target service model guidelines have been identified and the setup of a factory dedicated to product development and the distribution network service is currently being studied. In addition, ad hoc reporting tools have been prepared to guarantee adequate focus on the project and more effective monitoring of the business performance and the impact of initiatives eventually implemented.

On the international front, a further boost has been given to the Foreign Network expansion project in economically emerging areas, with the opening of the Istanbul Branch, while the opening of the new subsidiary in Brazil is now in its final stages.

b) Core Growth Bank

With regard to the "Core Growth Bank" initiatives, Banca dei Territori launched three projects aimed at optimising the service model for Retail customers ("Full Potential"), Personal customers ("Investment House") and Business customers ("Business-Entrepreneur"). More precisely, as regards the "Full Potential" project, activities have focused on the launch of the new model to oversee Household customers, the activation of pilot projects for local simplification and roll-out of the new Banca Estesa model and the "counter services development" project, which envisages the introduction of branches whose counters close at 1pm and consulting-only branches with complete closure of the counters. The "Investment House" project focuses on innovation of the product range, development of IT tools to support managers, training and expansion of the Out-of-Branch Offering. Activities have also been undertaken to develop the multi-channel offering of asset management products and the project to introduce for-pay advisory services has been launched. The initial activities under the "Business-Entrepreneur" project regarded customer segmentation, reorganisation of the territorial network and training of human resources. The "Commercial Excellence" project was also launched, aimed at increasing the level of service provided to high added-value customers, also through different organisation of the work and leveraging of leads generated by the multi-channel platform and the use of technologies capable of increasing the effectiveness and efficiency of commercial processes.

The service model improvement projects for the various customer segments are supported by the new organisational model of Banca dei Territori: in fact, in each of the seven existing regional governance centres, three specialised "commercial areas" have been identified – Retail, Personal and Business – to maximise the specific skills of personnel.

The Division Corporate and Investment Banking continued at full pace to carry out the activities linked to development of an Asset Light model, aiming to make loans marketable, in addition to other planned initiatives designed to increase synergies among the Division's Relationship areas and Banca IMI's product specialisations. The Front-line excellence programme has been launched with the involvement of over 400 employees. Migration to the "sector-oriented" organisational model, which will allow the Corporate and Investment Banking Division to evolve from a financial partner to an industry advisor, is now complete.

The International Subsidiary Banks Division launched a major project to revise the operational model which, by redefining the functional relationships between Governance structures and local banks and unifying the commercial and marketing organisation, will enable better coordination and greater efficiency of the commercial initiatives. Specifically, at Governance level, the activities envisaged in the Basel II-III project have been completed and the applications of the International Subsidiaries have been upgraded in compliance with the provisions of the FATCA (Foreign Account Tax Compliance Act). As regards the commercial strategy, adoption of the new segmentation model for customers is near finalisation and the introduction to the main banks of the new service model for Affluent customers is now in progress. A blueprint is also being prepared for the definition of the multi-channel products offered by the international subsidiary banks.

In terms of strategic and active management of loans and risks, two important projects have been launched: the first aims to speed up the loan granting process; the second is dedicated to proactive loan management and has helped to mitigate the deterioration in credit quality.
The Business Plan envisages an important simplification in the corporate breakdown of Banca dei Territori. The objective is to achieve a gradual and significant reduction in the number of legal entities, from 17 banks at the end of 2013 to 6 banks by 2015.
The first corporate transaction involved the merger of Banca di Credito Sardo and CR Venezia, 100%-owned, into Intesa Sanpaolo (effective for legal purposes from 10 November 2014).
Also included among 2014 activities, the merger of Banca Trento e Bolzano by incorporation into Intesa Sanpaolo is now at an advanced stage with conclusion expected during 2015. Lastly, the rationalisation of local presence last year resulted in the closure of approximately 270 branches.

c) Capital Light Bank
In addition to growth in revenues, reduction in operating costs and optimisation of credit and risk management, the Business Plan is also based on a clear strategy for optimisation of capital and liquidity, as well as deleveraging of the Group's non-core assets. This through the creation of a Business Unit ("Capital Light Bank") that focuses on management of a closed portfolio that includes: (i) doubtful loans, (ii) repossessed assets, (iii) equity stakes and (iv) other non-strategic assets.
The unit will have dedicated reporting and incentive systems, with the objective of optimising portfolio management.
Preliminary activities to roll out the initiative were carried out during the year: i) definition of the scope of Capital Light Bank assets; ii) definition of the proposed deleveraging plan with asset owner involvement; iii) identification of organisational options; and iv) creation of the Capital Light Bank book.
NPL collection activities continued, with approximately 800 million euro in collections recorded throughout 2014. In addition, the Provis project was finalised, a corporate vehicle dedicated to managing doubtful accounts originating from leasing segment activities.
The activities of Intesa Sanpaolo REOCO are now operative. This new company aims to enhance the assets that are repossessed and protect the bank's assets. Intesa Sanpaolo REOCO is the focal point of numerous company areas, ranging from lending to property management, and aims to become a specialised centre serving the entire Group. In this respect, REOCO is collaborating with Mediocredito Italiano to define the best strategy to enhance the value of the “repossessed” assets portfolio.
During the year, REOCO was involved in a number of auctions (Investment Activity), whilst in other cases it arranged third-party participation in the auctions (Auction Support). REOCO has also provided support to other business units in finalising property management action (Advisory). The different types of action taken in 2014 resulted in significant economic benefits for the Group.
REOCO is concentrating on the analysis of over 700 disputed accounts for an overall credit value of approximately 1.8 billion euro. There is a particular focus on several dozen dossiers, of varying nature and size, for which auctions are planned during the first half of 2015.

d) People and investments as key enablers
Following development of technology and customer trends, the bank has an excess capacity of about 4,500 people, equal to about 5% of the total employees of the Group. However, there has been a strong desire to involve all colleagues in the new Business Plan right from the beginning, fostering the sense of belonging to the Bank.
In line with these values, as opposed to the measures of its main competitors, the Bank decided to maintain the current employment levels, preserving know-how and the professional expertise within the company. To this end, a major project for professional re-allocation has been initiated in order to support development of the new business initiatives under the Plan. As at the end of 2014, approximately 2,600 employees had been reassigned to priority initiatives. This set-up has permitted the implementation of key initiatives like Banca 5® which, as stated above, already counts some 2,300 managers dedicated to developing the relationship with Retail customers.
The Plan also addresses the delicate issue of management turnover. The new executives' agreement signed with the Trade Unions on 19 March 2014 will permit the Intesa Sanpaolo Group to develop a new generation of managers, simultaneously enhancing the experience gained throughout years of work by the managers who are among the best ones on the market.
The Bank has also proposed two important initiatives to all Employees in support of the 2014-2017 Business Plan: i) the Employee Share Ownership Plan, defined through trade union agreements signed in May 2014 for the various Group companies and consisting in the assignment of free shares; ii) the LECOIPs (Leveraged Employee Co-Investment Plans), which offer investment opportunities for the shares received under the share ownership plan in LECOIP Certificates, an innovative instrument in terms of remuneration and involvement that allows everyone to participate in the growth of corporate value at the end of the four-year Business Plan. Through these initiatives, the Bank aims to emphasise, through concrete actions, that involvement and development – at every level of the organisation – constitute key and enabling factors in the achievement of corporate results. Intense efforts in this respect led to a considerable improvement in Group employee satisfaction during the year.
Lastly, the Chief Innovation Officer Governance Area was established with the task of identifying, analysing and developing innovation activities, guaranteeing monitoring, coordination and coherence at Group level.

The Comprehensive Assessment of the European Central Bank

As it is known, in 2014 the European Central Bank and the European Banking Authority performed an Asset Quality Review on the 2013 financial statements of the EU’s leading banks, representing approximately 80% of Eurozone bank assets, and carried out a Stress Test on banks’ capital of possible adverse macroeconomic scenarios. The results were published last 26 October.
As disclosed to the market that very day, for the Intesa Sanpaolo Group the Common Equity Tier 1 ratio (CET1) that emerged was well above the minimum threshold set by the Comprehensive Assessment.
Compared to the starting-point figure of 11.95%, taking into account the capital gain deriving from the stake in the Bank of Italy (approximately 1.8 billion euro) and the other capital measures carried out in 2014 (around 0.4 billion euro), the CET1 ratio was:
- 12.47% in the AQR, with excess capital of around 12.7 billion euro compared to the minimum requirement of 8%;
- 11.97% in the baseline Stress Test scenario, with excess capital of around 11.6 billion euro compared to the minimum requirement of 8%;

– 9.02% in the adverse Stress Test scenario, with excess capital of around 10.9 billion euro compared to the minimum requirement of 5.5%.

Without considering the capital gain from the stake in the Bank of Italy and the other capital measures carried out in 2014, the CET1 ratio was:

– 11.70% in the AQR, with excess capital of around 10.5 billion euro compared to the minimum requirement of 8%;
– 11.23% in the baseline Stress Test scenario, with excess capital of around 9.4 billion euro compared to the minimum requirement of 8%;
– 8.31% in the adverse Stress Test scenario, with excess capital of around 8.7 billion euro compared to the minimum requirement of 5.5%.

As requested by Consob, detailed information on the accounting effects and qualitative aspects emerging from the Asset Quality Review are provided. With regard to the accounting effects:

- for the credit sample analysed by the AQR as at 31 December 2013 (the Credit File Review), additional adjustments to non-performing exposures emerged for 466 million euro. These were included in the Group results as at 31 December 2014 for 383 million euro while, the remainder (83 million euro) did not require any adjustments as it referred to loans that returned to performing status or were repaid or sold in 2014, or in any event registered a proven improvement;
- for the projection on the entire credit portfolio selected for the AQR (Projection of Findings) additional adjustments emerged for 8 million euro on non-performing exposures that had no accounting effects as they did not refer to specific positions and were in any event covered by existing collective provisioning;
- for the Collective Provision Analysis, additional adjustments emerged for 498 million euro deriving from adjustment shortfalls – compared to the results of the Challenger Model applied by the ECB – on four out of the thirteen portfolios selected. These additional adjustments were not included in the Group's results as at 31 December 2014 as they derived from specific AQR prudential criteria that do not allow excesses and shortfalls in coverage to be offset among the portfolio categories within the total performing credit exposure. In fact, Intesa Sanpaolo's Incurred Losses model, on the one hand, reflects current economic conditions to a lesser extent than the ECB's Challenger Model, generating the aforementioned shortfalls, and , on the other hand, factors in the concentration risk, proving more conservative on stronger exposures and resulting in excess coverage on certain portfolios that can offset shortfalls on others. Intesa Sanpaolo, therefore, has deemed the adjustments already in place adequate to cover the incurred losses for the entire portfolio. This is consistent with accounting standards and prudential regulations which allow the shortfalls in coverage of performing portfolios to be offset by the excess coverage of other performing portfolios. During the first half of 2015, Intesa Sanpaolo will arrange fine-tuning of the approach currently used, on the one hand assessing removal of the concentration factor, which is not envisaged in prudential rules, and on the other hand introducing a differently structured process to include economic conditions in the estimate of incurred losses. It is therefore considered that the combined effect of these changes will not lead to a significant increase in the level of collective provisioning.
- for the Credit Value Adjustment of financial derivatives, no additional adjustments emerged;
- for the fair value of financial assets recognised as Level 3 (the Level 3 Fair Value Exposures Review), additional adjustments emerged for 650 thousand euro, relating to review of the pricing models for derivatives that were included in the Group results as at 31 December 2014 for an amount updated to 930 thousand euro in view of the new market conditions.

As a result of the Asset Quality Review, the European Central Bank also highlighted certain areas for improvement.

In relation to the limited number of qualitative issues, the Group has planned remedial actions for the end of the first half of 2015, and in certain cases already implemented such action, aimed at fine-tuning the accounting policies, procedures and practices or the parameters of the models used to measure balance sheet assets.

As part of the valuation processes (accounting policies, procedures and practices):

- implementations are in progress on systems that allow recovery of the effective historic rate of loans and use this to calculate the discounting effect on doubtful exposures other than mortgages;
- a review and more precise formulation of valuation level classification procedures is currently being implemented, with particular regard to the materiality thresholds of unobservable parameters and the treatment of prices obtained from consensus platforms. In this respect, the Market Risk Charter documenting the valuation process guidelines has already been amended and approved, and updating of the Fair Value Policy in relation to the definition of active markets is also in progress;
- from 31 December 2014, the valuation model for the calculation of adjustments for counterparty risk (Credit Value adjustment) was extended to all counterparties with standard two-way CSAs;
- a policy is currently being defined for the international subsidiaries in connection with adjustment criteria, including criteria on the use of impairment triggers for all customer segments, the rules for recourse to final settlements and the treatment methods for renegotiated positions;
- policies are being drafted for the valuation of collateral on shipping and aviation transactions and the implementation of systems to recognise shipping guarantees;
- the Property Valuation Code is at review stage and will be extended to Banca IMI;
- the rules for managing doubtful positions will be reviewed by providing for specific haircuts to be applied when measuring collateral.

In relation to the lending processes:

- in compliance with EBA ITS guidelines, the IT processes and procedures have been amended in order to identify exposures qualifying as "forborne" (for this purpose a specific internal regulation has been produced) and to centralise data on summary systems for internal and regulatory reporting (Finrep). Automatic probation period monitoring systems will also be implemented;
- in order to introduce an enhanced use of the debt service coverage ratio as an impairment trigger, updates are now in progress of the rules for managing problem loans and the ratio will be introduced in granting and monitoring procedures;
- the triggers will be introduced to granting and monitoring procedures, increasing the level of automation for classification purposes, in effect rendering mandatory those which - for the purpose of the review in progress - will be considered useful.

In relation to the models and parameters used to measure assets, a series of marginal actions has been implemented or planned on the following aspects:

- as part of the valuation of non-derivative instruments, the Net Asset Value estimation policies have been updated so as to systematically give priority to valuation methods based on elements observable on the market – therefore expressing a Fair Value Level 2 – and to systematically apply discounts with reference to liquidity and minorities and premiums with reference to control stakes. The new policy led to upgrading of the level of Fair Value in a limited number of cases;
- the Independent Price Verification Procedure is currently under review in order to:
  - determine significance thresholds for the independent verification processes of accounting measurements based on Fair Value hierarchy;
  - update these thresholds quarterly;
  - define escalation and reporting to senior management;
- as part of the control and verification processes for Profit and Loss, enhancement of the P&L attribution procedure is in progress through expansion of the sensitivity factors monitored;
- also a strengthening of the authorisation process for new products is planned, by including new valuation elements relating to the impact on capital absorption and liquidity;
- last, limited fine-tuning has been performed on the treatment of certain illiquid parameters used as input for the valuation models. In particular, new calibration methods and additional stress tests have been introduced to estimate correlation benchmarks, used to measure interest rate options (with Fair Value adjustments for a total of 0.9 million euro) or structured credit products with no material valuation impact.

Highlights in the year

Herein are reported a number of significant events experienced by the Group in 2014.

On 23 January 2014 Intesa Sanpaolo signed the agreement for the sale of 100% of the capital of its Ukrainian subsidiary Pravex-Bank to CentraGas Holding GmbH for a consideration of 74 million euro. Based on the contractual agreements, the assets and liabilities in Pravex-Bank were classified under discontinued operations in accordance with IFRS 5.
The finalisation of this transaction, expected in August 2014 subject to the obtainment the necessary authorisations, is experiencing delays due to the difficult context resulting from political events in the country. Negotiations with the counterparty to reach a solution are still in progress.
The 2014 consolidated income statement recognises a loss for the year for the subsidiary, the carrying amount of which was cancelled out, with the exception of the negative effect linked to the exchange rate reserve, which will be released to the income statement only at the actual time of disposal, as envisaged in IAS 21 (approximately 100 million euro at the end of 2014).

Furthermore, in January the Intesa Sanpaolo Group also signed a binding memorandum of understanding concerning the sale of the stake held by subsidiary Intesa Sanpaolo Vita in the Chinese insurance company Union Life (representing 19.9% of the latter’s capital) for a consideration of 146 million euro, with an expected positive contribution of approximately 28 million euro after tax to the 2015 consolidated income statement. The transaction will be finalised once the necessary authorisations have been obtained.

From the end of January, work is in progress on the new SME Finance Hub of the Intesa Sanpaolo Group. The company chosen to act as hub is Mediocredito Italiano, a Group company specialising in medium- and long-term lending to SMEs. The Hub is focused on supporting the investments and growth strategies of SMEs and is the reference for advisory services on business financing, specialised loans, leasing and factoring. The aim is to provide more effective answers to the emerging needs of SMEs: growing in size to achieve critical mass, leveraging on the strength of value chains, investing in innovation and internationalisation, and optimising their financial structure. To help businesses achieve their objectives, the SME Finance Hub is based on three pillars: comprehensive and integrated commercial offer covering strategic and growth investments, sector specialisation in the approach to customers and integration with the Group’s local network. Following the integration of Mediofactoring and Agriventure as at 1 July, the activities of Mediocredito Italiano, which is part of the Banca dei Territori Division of Intesa Sanpaolo, cover four main areas of business offering targeted commercial solutions:
- consulting/advisory services: consulting for entrepreneurs on corporate finance, extraordinary finance transactions; optimisation of liabilities; internationalisation; aggregation in Business Networks; sector approach;
- specialised loans and subsidised credit: sector loans and loans for research and innovation, with specific financial funding, subsidised loans, co-lending with Local Public Entities and subsidised European instruments;
- leasing: real estate, instrumental, automotive, naval-aviation, energy production plants, trademarks and works of art;
- factoring: complete product range serving domestic and international customers.

Therefore, for the whole Intesa Sanpaolo Group, Mediocredito Italiano is in charge of managing subsidised finance and financing schemes for research and innovation, also through agreements with industrial and business associations and other partners offering consulting services to Group customers and companies.

On 6 March, Intesa Sanpaolo completed the sale of approximately 7 million ordinary shares held in Pirelli & C., corresponding to approximately 1.5% of the Company's voting share capital and representing the entire stake held. The sale was made at a price of 12.48 euro per share in an accelerated bookbuilt offering.
The total value was 89 million euro, representing a positive contribution to consolidated net income of approximately 59 million euro in the income statement for the first half of 2014.

In the first half of March, after having obtained the necessary authorisations, Intesa Sanpaolo annulled in full its bonds guaranteed by the Republic of Italy pursuant to Article 8 of Law Decree 201 of 6 December 2011 converted with amendments by Law 214 of 22 December 2011. These bonds, whose total nominal value was 12 billion euro, had been subscribed on issue by Intesa Sanpaolo and used as guarantee on the LTRO transactions with the ECB (repaid in full in 2013) and had never been placed on the market.

On 19 March 2014 Intesa Sanpaolo and the Trade Unions Dircredito and Sinfub signed an agreement regarding Intesa Sanpaolo Group executives, collectively governing individual contract terminations pursuant to Art. 2118: approximately 170 executives will leave the Group by 30 June 2015. This agreement allows Intesa Sanpaolo to foster the professional development paths of all employees, adjust the organisation to the new needs of the Group and to promote merit and professional skills.
The extent of employees affected was defined at the end of the year, and the costs borne by ISP and other Group companies at consolidated level totalled 85 million euro.

In relation to the new stake issued by the Bank of Italy following amendments to the Statute approved by the general meeting of 23 December 2013 and recognised in the 2013 financial statements, Law Decree 66 of 24 April 2014, converted into Law 89 of 23 June 2014, replaced Article 1, paragraph 148 of Law 147 of 27 December 2013 (Stability Law 2014) regarding taxation of the new stake in the Bank of Italy, changing the substitute tax rate to be applied to the difference between the nominal value of the new stake and the fiscal value of the old stake, bringing it to 26% rather than 12% as established by Law 147/13. The tax payment methods were also changed, envisaging payment in one lump sum in June 2014, instead of in 3 instalments as per Law 147/13.
The tax rate increase resulted in an additional tax of 443 million euro for the Intesa Sanpaolo Group, recorded in the second quarter income statement. This amount and the 379 million euro already recognised as at 31 December 2013 were paid on 16 June.

In April 2014, Intesa Sanpaolo and NH Hotel Group S.A., a Spanish company whose shares are traded on the Stock Exchange, reached an agreement regarding the contribution of ISP's entire shareholding owned in NH Italia S.p.A., representing 44.5% of the latter's share capital, to NH Hotel Group. Specifically, the Contribution Agreement provides for the NH Hotel Group to resolve upon a share capital increase reserved for ISP, which should be paid by means of the contribution of the shareholding and ISP should receive no. 42,000,000 new NH ordinary shares at a price of 4.70 euro per share.
The transaction was finalised following the approval obtained at the shareholders' meeting of NH Hotel Group S.A. on 26 June 2014 regarding the capital increase reserved for ISP. As a result of the execution of the capital increase, ISP held, directly and indirectly, a shareholding equal to approximately 16% of NH Hotel Group's share capital (compared to the previous 4.52% shareholding), classified among investments subject to significant influence.
The new NH shares assigned to ISP were recognised at their fair value, equal to the price as at 26 June 2014, namely 4.375 euro, for a total value of 184 million euro which, compared to the carrying amount of the NH Italia shares contributed (128 million), resulted in a net capital gain in the consolidated financial statements, limited to the minority investment in the NH Hotel Group, equal to 47 million euro. In November 2014, 29,162,596 NH Hotel Group shares were then sold for approximately 133 million euro. Given the extent of the residual portion, equal to 7.64%, the interest was reclassified among AFS investments.

The Intesa Sanpaolo Shareholders' Meeting of 8 May 2014 among other things approved an investment plan based on financial instruments (LECOIP – Leveraged Employee Co-Investment Plan) for employees, executives and "risk takers" of the Intesa Sanpaolo Group. This is an instrument of broad-based shareholding which the Intesa Sanpaolo Group, upon launch of the 2014-2017 Business Plan, has offered to all its employees, as key enablers in the achievement of the Business Plan's objectives. Employees, who have been assigned without charge Intesa Sanpaolo ordinary shares purchased on the market, were offered a multi-year investment opportunity having the same time horizon as the Business Plan. Alternatively, employees were free to dispose of the assigned free shares. The Investment Plan provides for the assignment to employees of new ordinary shares of Intesa Sanpaolo (matching shares) deriving from a free share capital increase, as well as employees' subscription to new ordinary shares of Intesa Sanpaolo deriving from a share capital increase reserved for employees, at a discounted issue price.
In this respect, the shareholders' meeting then authorised the purchase of own shares on the market for free allocation to Intesa Sanpaolo Group employees by up to a maximum of 54,097,875 ordinary shares, corresponding to approximately 0.3% of the ordinary share capital and the total share capital (comprising ordinary and savings shares) of Intesa Sanpaolo.
The Shareholders' Meeting consequently conferred mandate upon the Management Board to increase the share capital for a maximum 53,101,088.56 euro, through the issue of a maximum 102,117,478 Intesa Sanpaolo ordinary shares and to increase the share capital – in divisible form, in one or more tranches, by 28 February 2018 – for a maximum total of 213,073,650.40 euro, without pre-emption rights, in favour of Intesa Sanpaolo Group employees, through the issue of a maximum of 409,757,020 Intesa Sanpaolo ordinary shares at a discounted price compared to the market value of Intesa Sanpaolo ordinary shares, calculated as the average of prices recorded in the 30 days prior to the issue date.
The ordinary share buy-back programme to serve the free assignment plan reserved for employees was concluded on 14 October. In the two-day execution period of the programme, the Intesa Sanpaolo Group totally purchased - through Banca IMI, in charge of the programme execution - 49,476,201 Intesa Sanpaolo ordinary shares representing approximately 0.3% of the total Intesa Sanpaolo share capital (ordinary plus savings shares) at an average purchase price of 2.233 euro per share, for a total value of 110,469,112 euro. The Parent Company alone purchased 21,921,796 shares at an average purchase price of 2.234 euro per share for a total of 48,974,197 euro.
As at 31 October 2014, the end date of the investment plan subscription period, 50,298 Group employees (79% of those entitled) had adhered to the investment plan corresponding to Free Shares and Matching Shares equal to 150,112,726 euro. The number of Free Shares, Matching Shares and Discounted Shares was determined according to the arithmetic average of the VWAP (Volume Weighted Average Price) of the Intesa Sanpaolo ordinary shares recorded on each business day in the 30 calendar days prior to 1 December 2014 and, for the aforementioned discounted shares, the discount applied on that average.
As a result of the mandate conferred by the Shareholders' Meeting, the following were performed on 1 December 2014:
– in relation to the assignment of Matching Shares, a free share capital increase – pursuant to Art. 2349, paragraph 1 of the Italian Civil Code – for 35,883,846.96 euro, with the issue of 69,007,398 ordinary Intesa Sanpaolo shares with a nominal value of 0.52 euro;
– in relation to the subscription of Discounted Shares, a share capital increase against payment – with the exclusion of option rights, in favour of Intesa Sanpaolo Group employees pursuant to Art. 2441, paragraph 8 of the Italian Civil Code – for a total of 135,156,615.36 euro, with the issue of 259,916,568 ordinary Intesa Sanpaolo shares at a price of 1.9223 euro, of which 0.52 euro as the nominal value and 1.4023 euro as share premium.

Intesa Sanpaolo shareholders' equity therefore increased by approximately 500 million euro, of which 135 million euro as share capital and 365 million euro as share premium reserve.

On 28 May 2014, the ISP Group completed the sale of 28.9% of SIA's share capital, classified among investments in associates, retaining a 4% stake, reclassified under AFS securities. The Intesa Sanpaolo Group's consolidated net income has recorded a positive contribution of approximately 170 million euro from the transaction (including the fair value measurement of the stake retained, in accordance with IAS 28). In this respect, it should be noted that on 29 November 2013, the ISP Group, Unicredit, BNL and MPS had entered into a sale-and-purchase agreement with several investment funds concerning the sale of 59.3% of the share capital of SIA; the price was determined on the basis of a valuation of 100% of the SIA capital equal to 765 million euro, of which approximately 100 million to be paid as dividends prior to completion of the transaction. The completion of the transaction was subject to regulatory approval, which in the meantime was obtained.

On 16 June 2014, Assicurazioni Generali, Intesa Sanpaolo and Mediobanca exercised the right to request the demerger of Telco, under the terms of its shareholders' agreement. On 26 June 2014, the Board of Directors of Telco and, subsequently, on 9 July, the shareholders' meeting of Telco approved the proposed partial non-pro rata demerger of the company as a result of which four newly-incorporated beneficiary companies – 100%-owned by each shareholder – will be allocated the respective shareholder's stake in Telecom Italia (overall equal to approximately 22.39% of Telecom Italia's ordinary share capital) and, specifically: 14.77% to the Newco owned by Telefonica, 4.32% to the Newco owned by Generali Group, and 1.64% to each of the newcos owned respectively by Intesa Sanpaolo and Mediobanca. Completion of the demerger is subject to the requisite clearances from the Brazilian antitrust authority (CADE), the Brazilian regulatory authority (ANATEL) and the Argentinian antitrust authority (CNDC, Defensa de la Competencia) and, for those matters which fall within its scope of responsibility, by the Italian insurance regulatory authority (IVASS).
As part of the demerger, last February Telco repaid its bank debt outstanding and the bond issue subscribed to by its shareholders, using funds deriving from a shareholders' loan, which has been disbursed pro rata to the stake held in the company. With the demerger, then, each newco will be allocated the respective share of the shareholders' loan as well as the relevant Telecom Italia stake.
Telco will continue to exist with a minimal share capital and with no Telecom Italia shares held, in order to deal with the remaining assets and liabilities on the balance sheet. Telco will then be placed in liquidation once this phase is complete. In this context, also at the time of preparation of the Financial Statements as at 31 December 2014, as in the 2014 Half-yearly Report, the investment was valued by considering the Telecom shares at their market price (being, at 31 December 2014, equal to 0.882 euro). This valuation resulted in a value adjustment to the investment in the income statement for the fourth quarter of 7 million euro, which combined with the value recovery of 25 million euro recorded in the Half-yearly report, the value adjustment of 6 million euro performed in the quarterly report as at September 2014 and the pro rata amount of losses recorded by the company, equal to -2 million euro, brings the new carrying amount of the investment to 9 million euro.

In line with arrangements established in the agreement signed by Intesa Sanpaolo and Rosneft Oil Company, 10 July 2014 saw the finalisation of the disposal transaction of part (1,056,846 shares) of the Intesa Sanpaolo investment in Lauro 61 (the corporate vehicle that holds 100% of Camfin Spa) to Long Term Investments SA, a company based in Luxembourg and indicated by Rosneft Oil Company. As a result of the transaction, Intesa Sanpaolo's residual investment in Lauro 61 is 5.46% (18.43% prior to the transaction). The amount collected by ISP was approximately 140 million euro, with a net capital gain of around 49 million euro.

On 14 October, Intesa Sanpaolo signed an agreement to transfer a portfolio of non-core real estate assets, comprising 113 properties for a total surface area of around 115 thousand square metres, to a newly-established Italian real estate fund managed by IDeA FIMIT SGR. At the end of November, Intesa Sanpaolo, Carisbo, CR Friuli Venezia Giulia, CR Firenze, CR Forlì e Romagna and CR Veneto transferred part of their real estate portfolio to IDeA FIMIT. In December all quotas of the real estate fund held were transferred to two vehicle companies controlled by Colony Capital, a real estate investment trust listed on the NYSE. 55% of the transfer price, 175 million euro, was paid on the closing date, while the remainder will be paid in three annual instalments starting in December 2016. The transaction has generated a consolidated capital gain of 44.5 million euro, net of tax effects, in the income statement for the fourth quarter of 2014, taking into account the discounting of the deferred price component.

2014 saw a continuing negative performance by the Hungarian subsidiary CIB – Central International Bank. The Bank closed the year with a loss of 337 million euro, versus the loss of around 460 million euro of 2013. The extensive losses recorded in recent years are due to the profound crisis in that country and in the Hungarian banking system, together with a series of legislative measures that strongly penalise credit companies.
In particular, in 2014 the Parliament approved a number of laws to aid households exposed to the banks, which led to enormous costs for the banks themselves. The first concerned the bid-ask margin on retail loans in foreign currency. The law, affecting all retail loan agreements signed from 1 May 2004 onwards (real estate mortgages, personal loans, car purchase loans or car leasing agreements, etc.) not denominated in Hungarian forint, states that the spread applied by banks when exchanging the local currency into foreign currency both at the time of disbursement and repayment of the loan, has to be considered unlawful. Amounts charged in this manner must be recalculated and deducted from the loan if still outstanding, or reimbursed to the customer if the loan has already been repaid. The second measure refers to the unilateral change to interest rates: the law has established the "iniquity" of retail loan agreements in foreign currency or Hungarian forint signed on or after 1 May 2004, which left the banks with the option of a unilateral change in the agreement, establishing the invalidity of changes to the interest rates applied. In this case, too, the amounts charged have to be recalculated and deducted from the outstanding loan or reimbursed to the customer.
The estimated effects of these two laws led to allocation in the 2014 financial statements of provisions for risks and charges of 228 million euro (of which 65 million euro already set aside in the 2014 half-yearly report).
A third legal measure implemented the contents of an agreement reached on 7 November 2014 between the Ministry of the Economy, the Central Bank and the Hungarian Banking Association relating to the conversion into Hungarian forint of mortgages

and real estate leasing agreements signed with households in euro, Swiss francs and yen. The agreement calls for the automatic conversion of these debts at the market exchange rate of 7 November 2014, without prejudice to the borrower's right to request that the position be kept in foreign currency, albeit subject to stringent requirements. For CIB, the cost of conversion to local currency of these loans should not be significant. Furthermore, on the exposures in forint resulting from the conversion a maximum spread can be applied with respect to the predefined local interbank rate of reference.
These measures, along with others of lesser impact, for example the wealth tax established in 2010, have had a significant effect on the losses recorded by CIB in 2014.
It should also be considered that, towards the end of the year, the Hungarian government made official the establishment of a company that will have the task of purchasing non-performing loans relating to corporate real estate projects and/or the corresponding assets seized. The transfer of such loans will be optional and must be agreed by banks with the bad bank. Available indications forecast transactions at discounted prices compared to the carrying amount, in this case generating a further loss for the bank. Again with regard to non-performing loans, the Central Bank has announced the possible introduction of a capital buffer, which is expected to significantly raise the minimum capital requirements of banks which, in case of failure in the adoption of this "purchase offer" would hold a high percentage of non-performing commercial real estate loans.
The 2014 loss has had a negative impact on the subsidiary's shareholders' equity and capital requirements, making recapitalisation necessary.
The plan finalised by the Parent Company in December involves two separate interventions: (i) a share capital increase of 123 million euro and (ii) the purchase at the nominal value of a non-performing loans portfolio.
The loan purchase transaction was implemented through the transfer of non-performing assets from CIB to Intesa Sanpaolo, which in turn transferred them to an Italian vehicle company: Intesa Sanpaolo Securitisation Vehicle Srl (SPV), established under the Italian Securitisation Law (Law 130/1999) and 100% owned by Intesa Sanpaolo.
The nominal value of the loans portfolio is 343 million euro, the carrying amount for CIB was 187 million euro and the purchase price 343 million euro. In turn, ISP transferred the loans to SPV, which financed the loan purchase through the issue of ABS subscribed by the parent company ISP.
Since the Parent Company retained the underlying risks, as a result of such subscription, the loans transferred to the vehicle were not derecognised.
The terms of agreements signed between the parent company ISP, the subsidiary bank CIB and SPV, also 100% owned, are those commonly used among financial operators for transactions of this nature.
The transaction described above has had essentially no effect on the consolidated financial statements of the Intesa Sanpaolo Group. In the Parent Company's financial statements, however, the securitisation transaction has been recognised in accordance with the principle of prevalence of substance over form. Consequently, the loans purchased were recognised under Loans to customers for 187 million euro, while the difference between the price paid (343 million euro) and the aforementioned amount of 156 million euro, was recorded as an increase in the carrying amount of the investment, the value of which was simultaneously adjusted by an equal amount.
Overall, the transaction led to an increase of 276 million euro in CIB equity, allowing the subsidiary bank to comply with regulatory capital requirements.
As this was a transaction between the parent company and a 100% subsidiary, the transfer of loans from CIB to ISP performed at values other than the fair value did not result in the transfer of any wealth to third parties.

At the end of October the Private Banking, Asset Management and Insurance Divisions were created within the Group, thereby enhancing the Group's growth drivers as envisaged in the Business Plan. A significant investment was also made in the "Innovation Center", enhanced through the creation of the Chief Innovation Officer governance area and therefore able to offer a stronger contribution to all the Group's innovation activities.
In deeper detail, the new *Private Banking Division* was assigned the mission of serving the top customers segment (Private and High Net Worth Individuals), strengthening the creation of value for the Group by increasing the profitability of assets managed through the development of the products range and offer terms - with a particular focus on high service-content products. The Head of the Private Banking Division supervises operations of the subsidiaries Banca Fideuram, Fideuram Investimenti, Intesa Sanpaolo Private Banking, Sirefid, Fideuram Fiduciaria and Intesa Sanpaolo Private Bank (Suisse), ensuring overall coordination with a view to optimising the organisation of the Group's activities in achieving results.
The mission assigned to the *Asset Management Division* is that of developing the best asset management solutions for Group customers through the subsidiary Eurizon Capital.
The *Insurance Division* oversees management of the subsidiaries Intesa Sanpaolo Vita, Fideuram Vita, Intesa Sanpaolo Previdenza and Intesa Sanpaolo Assicura, with the mission of further developing the insurance product mix targeting Group customers.
The Innovation Center has been renamed the Chief Innovation Officer Governance Area and has the objective of identifying, analysing and developing innovation activities at national and international level, guaranteeing coordination and coherence at Group level. A new structure has been defined to strengthen the entire range of activities performed by this area: Innovation Planning; Innovation Research and Acceleration; Innovation Culture and Development; Innovation and Business Growth.

In accordance with the actions stated in the Business Plan, in the first few days of November a business unit, Capital Light Bank (CLB) was set up with the aim of extracting value from non-core assets and freeing up resources to foster growth. This unit will manage the reduction of a significant stock of the Bank's non- core assets, specifically: non-performing loans, repossessed properties, discontinued business units, investments managed with a view to disposal and asset portfolio types that do not respond to the lines of development specified in the Business Plan. The specialist skills concentrated in the new business unit will also allow Capital Light Bank to service the other Group structures, particularly specific business areas such as loan workout and collateral management.

The negotiations for a cooperation agreement and the integration of Alitalia with Etihad Airways, the national airline of the United Arab Emirates, have been concluded with the signing on 22 December 2014 of the agreement for transfer of the air transport business unit from Alitalia CAI to Alitalia SAI, a specifically–established new company, and a share capital increase of the latter subscribed by Etihad. As a result of this agreement, Alitalia CAI holds 51% of Alitalia SAI with the remaining 49% held by Etihad. The former Alitalia shareholders and the lending banks were involved in the transaction by means of an undertaking to subscribe

an Alitalia CAI share capital increase of 225 million euro, the restructuring of a total of 531 million euro in loans (of which 354 million euro capitalised) and the subscription by Poste S.p.A. of a 75 million euro bond loan. Intesa Sanpaolo's commitment in this transaction essentially referred to the conversion into Alitalia CAI capital of approximately 110 million euro in loans, and an undertaking of 86 million euro for the share capital increase, of which around 47 million euro had been paid as at 31 December 2014. Furthermore, in January 2015 Alitalia completed conversion of the bond loan issued in February 2013, for the part subscribed by Intesa Sanpaolo totalling approximately 16 million euro. Intesa Sanpaolo's stake in Alitalia CAI capital after conversion of the bond loan was 31.22%.
At the time of the half-yearly report of June 2014, based on a prudent assessment of its commitments, Intesa Sanpaolo arranged: (i) full write-down of the residual carrying amount of the investment (38 million euro); (ii) establishment of provisions for risks and charges of 30 million euro for losses that the company was suffering; (iii) adjustment of the cash loans, later converted, for an amount of 119 million euro. The impact on the half-yearly income statement therefore amounted to 188 million euro, before tax. The new balance sheet figures of Alitalia CAI, after the aforementioned extraordinary transactions, meant that for the 2014 financial statements the value adjustments applied in the half-yearly report of June 2014 could be considered adequate.

In the last ten days of December an agreement was signed for the sale of a number of merchant banking investments. These referred in particular to 23 closed-end private equity funds held by Intesa Sanpaolo, IMI Investimenti and Private Equity International. The effective date of the contractual arrangements was 23 December, while the closing date of the transaction is expected to be in the first few months of 2015, in view of the timing of formalities necessary for the actual legal transfer of the positions. Given that, as a result of the signed agreement, the Group has already essentially transferred all the risks and benefits, the requirements are satisfied for derecognition of these assets in the 2014 Financial Statements.
In addition, a transaction has been structured for the transfer of a number of investments in the merchant banking portfolio to two vehicle companies, on which the majority of the economic rights will be transferred to a newly-established fund 50% owned by ISP. As ISP will retain a direct interest, over and above the indirect investment held through the transferee fund, the requirements for derecognition of the assets are not met. This transaction will be finalised during the first quarter of 2015.

Main risks and uncertainties

The persisting headwinds in the macroeconomic environment and the financial markets' volatility require constant control of the factors enabling the Group to pursue sustainable profitability: high liquidity, funding capability, low leverage, adequate capital base, prudent asset valuations.

Group liquidity remains high: as at 31 December 2014 both regulatory indicators envisaged by Basel 3 (LCR and NSFR), adopted from this year also as the internal liquidity risk measurement metrics, reached a level well above fully phased-in requirements. As at 31 December 2014, the Central Banks eligible liquidity reserves came to 97 billion euro (124 billion euro at the end of December 2013), of which 63 billion euro, net of haircut, was unencumbered (88 billion euro at the end of December 2013).
The refinancing through the European Central Bank, resulting from participation in the two 3-year LTRO (Long-Term Refinancing Operation) auctions held by the monetary authority in December 2011 and February 2012, was repaid in full in 2013 and replaced during 2014 by the temporary recourse to the weekly and 3-month auctions capable of ensuring greater flexibility in management of the liquidity position. In September 2014 and again in December, recourse was made to the ECB's TLTRO programme for a total of 4 billion euro and 8.5 billion euro, respectively.
In terms of funding, the widespread branch network remains a stable, reliable source: 75% of direct deposits from banking business come from retail operations (268 billion euro). Furthermore, approximately 20 billion euro in bonds were placed during the year, of which approximately 12 billion euro on the wholesale market.

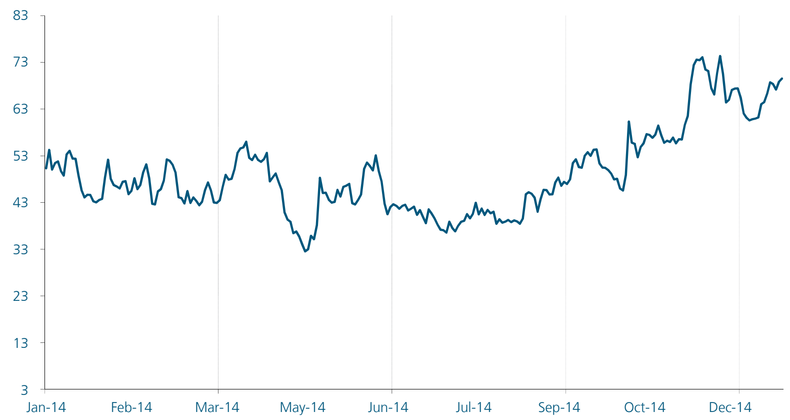
Intesa Sanpaolo Group leverage continues to be at the best levels recorded in the sector.

Similarly, the capital base remained high: Own funds, risk-weighted assets and the capital ratios at 31 December 2014 were calculated according to the new harmonised rules and regulations for banks and investment companies contained in Directive 2013/36/EU (CRD IV) and in (EU) Regulation no. 575/2013 (CRR) of 26 June 2013, which transpose the banking supervision standards defined by the Basel Committee (the Basel 3 Framework) to European Union laws, and on the basis of Bank of Italy Circulars 285 and 286 (issued in 2013) and Circular 154 (updated during 2013).
As at 31 December 2014, total own funds came to 46,290 million euro, against risk-weighted assets of 269,790 million euro, resulting primarily from credit and counterparty risk and, to a lesser extent, operational and market risk.
The total capital ratio stood at 17.2%, while the ratio of the Group's tier 1 capital to its total risk-weighted assets (tier 1 ratio) was 14.2%. The Common Equity Tier 1 ratio stood at 13.5%.
Art. 26, paragraph 2 of CRR envisages the option of including interim and annual profit for the period in the regulatory capital prior to formal approval by the relevant corporate body (net of the corresponding dividends) only if:
a) the profit has been verified by the independent auditors;
b) the bank has proved to the supervisory authority that it has deducted all foreseeable charges and dividends from such profits.
In view of the timing of approval of the Intesa Sanpaolo Group financial statements after expiry of the deadline for sending reporting flows to the European bank supervisory authorities as at 31 December 2014, the first of the conditions indicated was not satisfied in that the independent auditors can only issue the report certifying the financial statements after their approval by the relevant corporate body.
For this reason, the Common Equity Tier 1 capital (and likewise the capital ratios) does not take into account either the 2014 profit achieved nor the related dividends to be submitted for approval by the Shareholders' Meeting of 27 April 2015.
If it were possible to take into consideration the profit of 1,251 million euro and the corresponding dividends totalling 1,185 million euro, the solvency ratios would remain essentially unchanged except for the Common Equity Tier 1 (CET1) ratio, which would increase from 13.5% to 13.6%.

With regard to the insurance segment, as at 31 December 2014 the available individual solvency margin of Intesa Sanpaolo Vita, the Group's main insurance company, was 4,033 million euro, up on the 3,560 million euro of 31 December 2013 due to the net income for the period and the policies for the reallocation of the Company's available capital. The capital absorption level was 2,736 million euro, up compared to 2,290 million euro as at 31 December 2013. The margin exceeded the level required by supervisory rules by 1,297 million euro. The solvency ratio as at 31 December 2014 was 147.4%, slightly lower than the figure as at 31 December 2013 due to the strong growth in premiums issued for new business.

The Group's risk profile remained at relatively low levels, consistent with the Group's intention to continue to privilege commercial banking operations. The trend in the Group's VaR over a twelve-month period, shown in the following chart, was mainly determined by Banca IMI. The increase reported in the final quarter was mainly attributable to the start of new volatility scenarios on credit spreads. Anyway, the Group's average risk profile in 2014 (48.5 million euro) has decreased compared to the 2013 average (57.9 million euro).

Market risks trend:
VaR (millions of euro)



The still difficult macroeconomic environment and the related financial market volatility heighten the complexity of assessing credit risk and measuring financial assets.

Intesa Sanpaolo has developed a set of instruments which ensure analytical control over quality loans to customers and financial institutions, and of exposures subject to country risk.
Risk measurement is performed by means of different rating models according to the borrower's segment (Corporate, Retail SME, Retail Mortgage, Other Retail, Sovereigns, Italian Public sector entities and Financial institutions). These models make it possible to summarise the counterparty's credit quality in a value, the rating, which reflects the probability of default over a period of one year, adjusted on the basis of the average level of the economic cycle. These ratings are then made comparable with those awarded by rating agencies, by means of a uniform scale of reference.
Ratings and credit-risk mitigating factors (guarantees, loan types and covenants) play a key role in the loan granting and managing process.
The methods used to classify non-performing loans and to measure both non-performing and performing loans ensure that the impacts of the deteriorating economic environment on a debtor's position are promptly recognised. The economic crisis has called for constant review of the values of loans that had already shown problematic symptoms and of loans with no obvious signs of impairment. All categories of non-performing loans were assessed using the usual criteria of prudence, as highlighted by the substantial average coverage percentages for doubtful loans (62.7%) and substandard loans (23.6%). With regard to performing loans to customers, the "collective" adjustments provide a portfolio coverage ratio of 0.8%, which is stable if compared to the coverage in the 2013 financial statements. The lump-sum provisions on performing loans, amounting to 2,362 million euro, fully cover the expected loss calculated by means of Basel 3 rules.

Constant attention has been paid to the valuation of financial items. The majority of financial assets (about 90%) are measured at fair value, since classified as held for trading using the fair value option, under assets available for sale, or represented by hedging derivatives.
The fair value measurement of financial assets was carried out as follows: approximately 74% using level 1 inputs, around 23% using level 2 inputs and only about 3% using level 3 inputs. Among the financial liabilities designated at fair value through profit and loss, most of the financial instruments (over 90%) were measured using the level 2 approach.

As far as the Intesa Sanpaolo Group's sovereign debt exposures as at 31 December 2014 are concerned, there has been a significant reduction in the exposure to the Italian government (down approximately 10 billion euro to 94 billion euro), attributable to the banking book, only partly offset by growth in the insurance portfolio (up around 11 billion euro to 53 billion euro). The exposure to Italian government securities is still concentrated in the short-term segment (20 billion euro up to 3 years; approximately 52%), with a duration of 4 years. On the other hand, the duration of the insurance portfolio is longer (6 years), consistently with the one of liabilities.

Investment levels in structured credit products and hedge funds remained low. For the first of these products, the fair value changes over the twelve months generated a positive impact of 21 million euro (plus 17 million euro in profits from disposals). For hedge funds, the impact of fair value changes was immaterial.

In the current volatile market environments, measuring the recoverable amount of intangible assets is also particularly important.
Intangible assets with finite useful lives (the asset management and insurance portfolios), the amounts of which (a total of 539 million euro) are being gradually amortised (with 282 million euro of amortisation recognised in the income statement for 2014) were analysed with respect to their volume, profitability and discount rates in order to detect any impairment indicators. These analyses did not identify any critical positions. The need for full write-down of the intangible assets relating to core deposits emerged at the time of preparation of the 2013 Financial Statements.
As regards intangible assets with an indefinite useful life, represented by goodwill (3,899 million euro) and brand name (1,882 million euro), for the 2014 Financial Statements the method for determining the value was the same used in previous years, based on the calculation of the value in use, i.e. the current value of future cash flows that the Group can expect to generate. As was the case last year, four years was adopted as the forecasting period for this purpose, i.e. the four-year period 2015-2018. In particular, for the years 2015-2017 the Business Plan currently being prepared was considered, for which incorporation of the update on the macroeconomic and sector scenarios confirmed the previously announced profitability and financial targets, whilst for 2018 an inert forecast of flows for the final year of the plan was made, based on expected macroeconomic indicators and therefore without incorporating new managerial action.
The cash flows so determined have been discounted, net of the "g" long term growth rate, by applying a discount rate expressing the cost of capital and calculated as the sum of the returns on a risk-free investment and a risk premium, in turn dependent on the specific risks implicit in the business activities and in country risk. In defining the discount rates, given the extremely low market rates at present, associated with contingent expansionary monetary policies adopted by the ECB, for the purpose of the Terminal Value those rates were prudentially considered risk free and with country risk spreads globally higher by almost 100 bps compared to the current year-end values used for the discounting of flows for the "explicit" horizon. .
The values in use of the various CGUs emerged from this assessment, defined on the basis of the new divisional organisation envisaged in the 2014-2017 Business Plan which became operational at the end of 2014, are higher than the corresponding book values. Consequently, no value adjustments were made to intangible assets with an indefinite useful life.
In terms of market values, Intesa Sanpaolo's ordinary stock performance grew during 2014 (up 35%), considerably higher than the increase recorded by the FTSE MIB index for the same period and also higher than the Italian bank stock index. Likewise, the target prices published by the main investment firms rose considerably compared to the end of 2013.
Since the value in use is determined by using estimates and assumptions that may contain some level of uncertainty, sensitivity analyses were carried out to verify the sensitivity of the results obtained to changes in the parameters and in the underlying hypotheses. In particular, the impact on the value in use of an increase in discounting rates of up to 100 bps and a decrease in the growth rate for Terminal value purposes of 50 bps was verified. In addition, analyses were conducted of changes in the value in use resulting from a 10% decrease in Terminal Value flows. These analyses show that such changes would not result in a value in use lower than the book value for any of the CGUs.
Lastly, note that even using just the residual period of the 2014-2017 Business Plan (i.e. an analytical flow forecasting period of 3 years) no evidence of impairment would be detected.

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In general, the information on risks and uncertainties to which the Intesa Sanpaolo Group is exposed, briefly illustrated above, is provided in this Report on operations and in the Notes to the consolidated financial statements.

The risks associated with the trends in the global economy and financial markets are discussed in the introduction to the Report on operations, in the chapter on the macroeconomic scenario and in the following chapter on the forecast for 2014. The assumptions on which our valuations and forecasts are based with regards to the verification of the values of intangible assets and goodwill are described – as previously mentioned – in Part B of the Notes to the consolidated financial statements, in the section on impairment tests.

Capital solidity is dealt with briefly in this introductory chapter to the Report on operations, whereas a more detailed discussion can be found in Part F of the Notes to the consolidated financial statements.

Information on risks at a general level, and in particular on financial risks (credit risks and market risks), operational risks and the risks of insurance companies are detailed in Part E of the Notes to the consolidated financial statements.

With regard to the going concern assumption, the Directors of Intesa Sanpaolo re-affirm that they have a reasonable certainty that the company will continue in operational existence in the foreseeable future and consequently have prepared the financial statements for 2014 on a going concern basis. The Directors have not detected any uncertainties in the asset and financial structure or in the performance of operations that question the going concern assumption.

The macroeconomic context and the banking system

The macroeconomic context and the banking system

The macroeconomic context

The economy and the markets

Economic activities and international trades grew moderately in 2014. In the United States, the recovery strengthened over the year, job creations accelerated and the unemployment rate fell to 5.6%. In Japan, economic activities fluctuated dramatically as a result of fiscal tightening in the second quarter.

Inflation trends, which differed considerably early in the year depending on the various phases of the economic cycle among geographical areas, slowed rapidly everywhere due to falling oil prices since the fourth quarter. The prices of oil and natural gas declined sharply, despite the potential of geopolitical crisis It was due to the accumulation of excess supply, which was a result of both a slower-than-expected increase in demand and a more rapid increase in extraction capacity.

The Eurozone recovered from the 2012/2013 recession, also supported by final domestic demands. However, the recovery that was spreading across the various member states began to weaken between the second and third quarters. This reversal was driven by the outbreak of the Russian-Ukrainian crisis, which led to a dramatic decline in exports from the European Union to Russia and a considerable worsening of the business confidence level. The deterioration in the figures extended throughout the third quarter andaffected the sounder economies, such as Germany. In the fourth quarter, growth then stabilised at modest levels. This triggered significant downgrading of growth forecasts and the postponement of budget corrections originally planned for 2014 and 2015.

The inflation trend was far below forecasts throughout the Eurozone, approaching to zero. Apart from the weak consumption, the modest inflation rate also reflects the previous high exchange rate, the trend of energy and food prices and the falling prices in the communications segment.

Italy is the European country that the economic recovery struggled the most to regain its momentum. Industrial production recorded a gradual deterioration in 2014. From the end of the second quarter, many signs of recovery seen in previous months have vanished: the confidence level of businesses and households began to decline once again, whilst exports slowed down and the investment trend remained negative. In a scenario, which still characterised by weak investments. Supports from foreign demand was undermined by the slowdown in Germany and certain emerging countries. The only positive surprise was related to consumption, which benefited from an increase in real household disposable income. On the annual average level, GDP dropped by 0.4% in 2014. The decline in economic activity resulted in a further increase in unemployment rate to 12.9% in December, which further worsened the youth employment situation.

Despite the disappointing macroeconomic scenario, the public deficits remained below the 3% limit; however, the progress that should have led to stabilisation of the debt came to a halt. In addition, implementation of the ambitious programme of reforms announced at the beginning of the year proved to be more complex than expected: the job market reform proposed in the spring was only approved at the end of 2014.

Monetary policies started to move in opposite directions. The Federal Reserve completed its planned reduction of securities acquisitions and initiated the internal discussion on the programme that will lead to an increasing official rates in 2015. Yields on government bonds dropped significantly compared to the beginning of the year, due to both the disappointing macroeconomic data in the first quarter and the caution shown by the Federal Reserve in managing the shift in its monetary policy cycle.

Going in the opposite direction, the European Central Bank cut official interest rates, bringing the rate on main refinancing operations to 0.05% and the rate on the deposit facility to -0.20%. In addition, the targeted long-term refinancing operation (TLTRO) programme and a new purchase programme of covered bonds and securitisations were launched.

The accommodating approach adopted by the ECB facilitated the drop in expectations for money market rates and, consequently, for all interest rates of the curve. The Eonia dropped to marginally negative levels after the announcement of the measures. The Euribor quarterly rate dropped further from 0.284% in January to 0.08%. The medium-term IRS rates also underwent a significant decline: the five-year maturity fell from 1.26% in January to 0.36% at year-end. The downwards pressure on rates was intensified by increasing signs that the ECB was preparing to introduce government bond purchasing programmes.The expectation became a reality after year-end.

In the second half of the year, the clearer divergent approach of monetary policies and economic cycles increased the volatility of the currency markets, allowing room for a considerable appreciation of the US dollar. The USD-EUR exchange rate, which at the end of June was still close to 1.37, dropped to 1.21 by year-end.

The outlook by investors in countries affected by the 2010 and 2011 debt crisis improved gradually but substantially during the year. The ten-year yield spreads between Italy and Germany bonds has started the year at 214 bps and reached a low of 119 bps in early December, benefiting from growing expectations of additional extraordinary measures by the European Central Bank. Returns also fell in absolute terms as a result of the concurrent decrease in German rates. The ten-year BTP yield, which was still above 4% at the end of 2013, was 1.89% at the end of 2014. Absorption of supply on the primary market continued smoothly.

In 2014 international stock markets recorded positive trends and performances, albeit to different extents, as economies and markets gradually returned to normal levels after the most acute phases of the financial crisis.

In particular, the first half of 2014 was driven by expectations of an economic recovery in the Eurozone and expansive monetary policies by central banks. Following the results of the European elections and, most importantly, the measures announced by the

ECB in early June (extending a highly accommodating monetary policy, most likely until 2016), stock markets closed the first half of the year on a positive note overall.
Geopolitical risk returned to the centre stage in the second half of the year: renewed tensions between Russia and Ukraine. The resulting economic sanctions against Russia, had an adverse impact on trade flows with the areas concerned. In addition, disappointing industrial production and economic growth data for the Eurozone, combined with growing concerns of a deflationary spiral, triggered renewed risk aversionof investors, undermining the positive performances of previous months.
Increasing expectations of quantitative easing by the ECB in early 2015, along with a third quarter earnings season that slightly exceeded expectations, offered partial support to stock markets in the fourth quarter, although in a period of further economic weakness.
The sharp decline in oil prices in the final weeks of the year, together with the sharp adjustments in the foreign exchange market (appreciation of the US dollar against the euro and depreciation of the rouble) intensified market volatility in the final part of 2014.
The S&P 500 index increased by 11.4% at the end of December. The major Asian stock markets showed positive performances at the end of the year. The Chinese SSE A-Share benchmark ended the year in strong increase (+53.1%), marking a clear recovery compared to the first half of the year (-3.2%), whilst the Nikkei 225 index closed up at 7.1% increase (also an improvement on -6.7% at the end of June), after reflecting the tax squeeze on consumption.
In the Eurozone, the major benchmark indices showed consistent, slightly positive performances overall, whilst in the first nine months of the year peripheral markets had generally outperformed core markets. The Euro Stoxx index closed the year with a slightly positive return (+1.7%), the DAX 30 posted minor gains (+2.7%), and the Spanish stock market closed the year with a 3.7% increase. The French CAC 40 benchmark index was essentially unchanged (-0.5%).
Outside the Eurozone, the Swiss market index SMI increased 9.5% at the end of 2014, while the FTSE 100 index closed the year with a slightly decrease (-2.7%).
The Italian stock market closed the period of 2014 essentially unchanged, after having reached a high record of +18.6% on 10 June and outperformed the major European and international markets until September 2014.
Whilst the rise in the first half of the year was driven by the first weak signs of the country's economic recovery, greater stability on the political front and the lower returns with the narrowing of the BTP Bund spread, the macroeconomic data later showed a new slowdown in the economic cycle, which triggered a downwards review of the growth estimates both for 2014 and 2015. Renewed geopolitical risk and risk aversion by investors further undermined the gains posted in the first six months of the year.
The FTSE MIB index closed the year with a fractionally increase (+0.23%). The FTSE Italia All Share (-0.3%) slightly underperformed its benchmark. Mid-cap stocks performed very well, with the FTSE Italia STAR index increased 9.6% at the end of December.

European credit markets closed 2014 with differing performances: investment-grade securities were in positive territory, whereas securities that are more speculative showed widening spreads.
The accommodating monetary policies of central banks, and in particular the expansionary approach of the ECB – with the expectation that its purchasing programme might be extended to corporate bonds, and possibly government securities – remained the main market drivers.
After a positive start of the year, despite the launch of the "tapering" by the Federal Reserve and a brief slowdown in conjunction with the elections for the new European Parliament, in the remaining six months of 2014, therenewed fears relating to the soundness of the recovery in the Eurozone, the flare-up of geopolitical tensions surrounding the Ukrainian crisis and, starting in October, the recurring concerns about Greece, all together contributed to increasing spread volatility. The strongest repercussions appeared in the non-investment grade segment, which is more speculative and thus was penalised by the return of greater investors caution and fears that the Federal Reserve's launch of the monetary policy normalisation process could lead to a rise in market rates, penalising the companies more indebted.
In detail, the investment grade segment ended the year positively, with financial bonds slightly outperforming industrial bonds. In the more speculative segment, despite some recovery from late October to mid-November, spreads widened. Differing performances were also recorded in the derivatives segment of the iTraxx indices (credit default swap indices), where the stronger performance of the synthetic index Sovereign Western Europe, which measures the credit spread on sovereign countries, compared to the Main index (investment grade issuers), seemed to indicate that the normalisation process was essentially complete. The more speculative segment of the derivatives market also performed negatively, with the Crossover and Subordinated Financial indices, which showed rising insolvency risk hedging costs.
New issue volumes were robust in 2014, an increase compared to 2013, for both investment grade and high yield securities. The willingness of issuers to profit from the still at historically very low market rates and investors' search for returns once again proved to be among the main supporting elements for the primary market.

The emerging economies and markets

Based on preliminary estimates of the IMF, in 2014 the GDP growth of emerging economies slowed to 4.4% from 4.7% in 2013. This slowdown is primarily due to Latin America and the CIS countries, which were affected by the geopolitical tensions surrounding Russia and Ukraine. Growth substantially confirmed the sustained level of previous years, in Asia, thanks to the strong performance estimated in India (with GDP expected to come to 5.8%, up from 5% in 2013), which offset the slowdown in China (from 7.8% to 7.4%).
MENA area countries performed well, thanks to the recovery in Egypt (GDP growth estimated at +3.6%, compared to 1.6% in 2013), which benefited from the stabilisation of its political situation and the strong performances of oil-producing countries, which, according to the 2014 figures, were only marginally affected by the negative scenario on the hydrocarbon market.
In Central and South-Eastern Europe, CEE countries recovered considerably (from 0.7% in 2013 to 2.9%). The performance was driven by the recovery in Slovenia, which emerged from the acute phase of its banking crisis, as well as by the impetus provided by the manufacturing sector in Hungary and Slovakia.
GDP trend slowed from 2.5% in 2013 to an estimated 1.1% in 2014 in SEE countries with ISP subsidiaries. Serbia entered into recession due to the climatic factors that affected the agricultural sector and car productions, and Croatia was still in recession.

Climatic factors also had an adverse impact on the growth in Bosnia, whereas Romania continued to register a robust GDP performance (2.7% estimated by EBRD in 2014), although less than in 2013 (+3.5%).
In 2014 emerging economies continued to report a greater increase in average per capita income in current dollars (measured at PPP) than developed economies (4.7% versus 3.1%, with a spread of 1.6 pp). Over the past ten years, the series in question has increased by 6.6% for the former and by 2.9% for the latter, and the ratio of average per capita income between emerging economies and mature economies has risen from 16% to 23%.
In 2014 inflation slowed considerably in emerging countries, due to a more modest trend in food prices, which have a significant weight in many countries' baskets, and to falling hydrocarbon prices. For samples including 70% of countries, in December 2014 the year-on-year inflation rate in emerging countries fell to 4.3% from 4.9% (December 2013), bringing the annual average rate to 4.5% from 5% of the previous year. In countries with ISP subsidiaries, inflation slowed considerably in the CEE/SEE area (falling into negative territory also in annual average terms in several cases, such as those of Hungary, Slovakia, and Croatia). Inflation also slowed down in Egypt (to 9.8% from 11.7% in 2013), despite the revision of subsidies implemented by its government in mid-2014. Inflation increased considerably in Russia (where the year-on-year rate rose from 6.5% at the end of 2013 to 11.4% at the end of 2014) and Ukraine (where the year-on-year rate leapt from 0.5% to 24.9% over the same period), as a result of the marked depreciation of the currencies concerned and the inefficiencies caused by geopolitical tensions.

In the first half of 2014, in most emerging areas prevailed monetary policy measures were still restrictive, aiming at combating the depreciation of exchange rates (and rising inflation) in various countries with financial vulnerability, following the Federal Reserve's announcement of a gradual end to its government bond purchasing policy.
They have raised interest rates among others, Brazil, India, South Africa, Indonesia, Egypt, Ukraine and Russia; in the second half of the year, the economic growth slowdown, falling inflation rates and decrease in pressure on currencies once more supported easing measures with lower benchmark rates in various countries, including China and Turkey.
Rates raised further in Russia (from 5.5% to 17% over the year) and Ukraine (from 6.5% to 14%) in order to combat the fall in exchange rates tied to the gradual intensification of geopolitical tensions, as well as in Brazil, due to persistent price pressures. The easing phase continued throughout 2014 in Central and South Eastern Europe, encouraged by confirmation of the accommodating approach of the European Central Bank, with rate cuts in Albania, Romania, Serbia and Hungary.
On emerging stock markets, uncertainties regarding to growth prospects and geopolitical tensions in the CIS and Middle Eastern areas had an adverse impact compared to mature countries. The MSCI composite index of emerging countries increased by 2.6% in 2014, compared to 0.9% in 2013. The MSCIoutperformed the Euro Stoxx index (+1.7%), but underperformed the S&P index in the USA (+11.4%) and the Nikkei index in Japan (+7.1%). Among the BRIC countries, the losses in Moscow (-45.2%) were more than offset by the gains in Shanghai (+52.9%), driven by rate cuts.
The average EMBI+ index for emerging markets ended 2014 at 387 bps, increased by 57 bps compared to the end of 2013. After the contraction witnessed in the first part of the year, the most significant in Latin America and Central Eastern Europe, but also in Ukraine (on the eve of the presidential elections), rate spreads widened once more due to concerns relating to economic prospects in various countries with foreign positions more vulnerable to the resurgence of the dollar and the commodities cycle.
However, spread decreased significantly in some countries, such as in Egypt (from 650 bps at the end of 2013 to 310 bps at the end of 2014), due to progress in the political stabilisation process.
In currency markets, the US dollar appreciated in 2014 against emerging currencies (OITP index +7.3%), though to a lesser extent than dollar appreciated against the currencies of mature economies (Major index +11.4%). The US dollar posted significant gains, against not only the Russian rouble and Ukrainian hryvnia, but also the currencies of Latin America (Brazil and Mexico) and CEE and SEE countries, which followed the downward of euro. Among the currencies of countries with ISP subsidiaries, the Hungarian forint and Serbian dinar depreciated against the euro (by approximately 8% in both cases), thus climbing to 312 and 120, respectively. After moderate depreciation to the dollar (slightly over 2%) in mid-year, the Egyptian pound then remained stable.
Turning to the views of ratings agencies, among countries with ISP subsidiaries S&P cut its ratings for Ukraine (to CCC- from B- at the beginning of 2014), Russia (to BBB- from BBB) and Croatia (to BB from BB+). At the end of December, Fitch increased its rating for Egypt to B, because of the tax consolidation measures adopted by its government.

The Italian banking system

Rates and spreads

The cost of bank funding continued to decline throughout 2014, driven by a combination of falling rates on the individual components and a shift towards less costly types of funding. The overall deposit rate reached a low record since the beginning of 2011, a decline that primarily affected rates on time deposits and those paid on deposits held by non-financial companies. During the year, the average rate on the stock of bonds continued the gradual decline that began at the start of the year, while the marginal cost of fixed-rate bond issues fell significantly to near 1% in the fourth quarter, a new low according to available historical data going back to March 2004.
The impact of decline in market and monetary policy benchmark rates was gradually reflected in rates on loans, which until the first half of the year had been largely unyielding due to repricing measures. In the second half of the year, the average rate on new loans to non-financial companies decreased significantly, fell to a four-year low. There was a considerable decline in the rate on new loans of amounts up to 1 million euro to non-financial companies, indicating the easing of credit terms for smaller companies. The easing of Italian rates is also significant when compared to the rest of Europe. In 2014 spreads between Italian rates on new loans to businesses and the average for the Eurozone gradually narrowed, particularly in the final part of the year. The narrowing of the gap affected both rates on new loans up to 1 million euro and rates on transactions over 1 million euro. Both spreads reached a low since October 2011, when, following the sovereign debt crisis, the increase in spreads began to impact significantly in bank rates. The decline in the average rate on new mortgage loans to households for house purchases also continued.
Rates on outstanding loans began a reduction process, after the stickiness seen throughout the first half of the year. The fall of rates on loans to businesses was driven by the rate on the short-term component.

As a result of the decrease in the cost of funding, the spread between average lending and funding rates improved significantly at the annual average level compared to 2013 (an average of 2.26% in 2014, +29 bps compared to 2013). In particular,after a recovery in the first half of the year up to 2.3%, in the second half of the year the spread remained essentially stable, despite of the decline in lending rates become more evident. The contribution from deposits, measured on short-term rates, remained negative, but the situation improved at the annual average level compared to 2013. However, performance during the year was mixed, recovering at the end of May during a period of temporary rise in money market rates, and then reversing in mid-year (mark-down[1] on the 1-month Euribor of -0.20% at the annual average level and of -0.26% in the fourth quarter, from -0.34% in 2013). The mark-up[2] on the 1-month Euribor continued the gradual decline recorded in the first half of the year, though remaining at high levels (4.74% at the annual average level for 2014, from 5.00% in 2013).

Loans

Bank loans to the private sector declined for the third consecutive year in 2014. However, the decline gradually slowed down during the year, most clearly in the second half of the year. The persistence of the recession had a significant impact on the performance of loans to businesses, especially on medium-/long-term loans, which were affected by the drop in investments. On the other hand, in the second half of the year short-term loans to businesses showed signs of improvement, with the rate of change climbing back towards zero from the highly negative values previously recorded. During the year, the decline in loans remained more pronounced for large businesses than for small ones, but the recovery from the lows in the final few months was stronger for larger businesses. Loans to households remained more resilient, with a very modest and slowing decline. In particular, in 2014 there were signs of a recovery in disbursements of residential mortgage loans, which, however, have yet to translate into an increase in the stock of loans.
Loan performance continued to be affected by weak demand, which, however, confirmed signs of improvement. In particular, according to the Italian banking credit survey, during the year the decline rate in demand from businesses slowed down for the first time, and then remained unchanged in the final months of the year.
Demand appeared to increase from households, which throughout 2014 submitted increasing numbers of applications for mortgage loans and for house purchases, whereas consumer credit demand also recovered near the end of the year. On the supply side, competitive pressure began to encourage moderately the easing of credit access conditions, whereas the restrictive impact of the perceived risk associated with the expectations for the economy in general and for particular sectors and businesses eased. The growth of gross doubtful loans slowed further, while continuing at a rapid pace. As it represented a percentage of total loans, the stock of gross doubtful loans nonetheless increased compared to the end of 2013. Therefore, the bank lending market maintained a prudent attitude, despite a clear improvement in the impressions of businesses with respect to credit access conditions.

Direct deposits

With regard to funding, the trends seen in the previous two years also continued in 2014, in particular, the growth of deposits and the sharp decline in bonds. Customer deposits performance, which improved in the second half of the year, was driven by the solidity of household deposits, characterised by a moderate year-on-year change, and by the lively trend in deposits by non-financial companies. The new spurt in the deposits trend was supported by the growth in current accounts which, after proceeding in the first four months of 2014 at the slow pace already recorded at the end of 2013, accelerated in May. At the same time, as forecast, time deposits entered into a year-on-year decline following the strong growth phase of previous years.
The growth in deposits continued to be offset by the significant drop in the stock of bank bonds, the trend of which continued to be affected by customer portfolio reallocation processes.
Overall, customer deposits thus declined slightly.

Assets under management

With regard to assets under administration, the decline in debt securities held in custody by banks for customers continued in 2014 at an average pace only slightly slower than that of the previous year. The trend reflects the constant decline of bank bonds as well as the phase of considerable interest in mutual funds.
With regard to assets under management, during 2014 the Italian market for open-ended mutual funds recorded strong net inflows, reaching a historical new record. The balance between subscriptions and redemptions was supported mainly by flexible funds and by bond funds. The wide gap seen in 2013 between inflows to foreign funds and inflows to Italian funds narrowed during the year: more than one-third of net inflows in 2014 were to Italian funds, which in the previous year were less than one-fourth. Furthermore, total net inflows were driven by banking operators, owing to features products that benefited from a particularly positive performance, such as flexible funds.
As regards as insurance, new life insurance business in 2014 saw a sharp rise in the growth rate of premiums collected (approximately +48%), further consolidating the positive trend of the previous year. The increase in subscriptions of life policies was driven by traditional products (approximately +44% for class I and class V products), which continue to represent the largest share of total net new business. However, products with greater financial characters, i.e., "linked" products, increased sharply during the year (approximately +60%).

[1] Difference between the 1-month Euribor and interest rates on household and business overnight deposits.
[2] Difference between the interest rate applied to households and businesses on loans with maturity up to one year and the 1-month Euribor.

Forecast for the whole 2015

2015 is expected to be another year of moderate economic expansion for the global economy. The sharp decline in the price of oil, appreciation of the dollar and possible increase in US interest rates will enlarge growth divergence among countries. Currently, in the Eurozone, various factors (energy prices, exchange rates, fiscal policies and financial conditions) stimulate a faster growth. Italy should also get benefits from these factors and it is expected to achieve a moderate recovery. Monetary policy will maintain exceptionally low short- and long-term interest rates in Europe, whereas the improvement in economic outlook and the government bond-purchasing programme announced by the ECB in early 2015 should reduce risk premiums on Italian debts, if European electoral cycles do not prove overly destabilising.
The growth prospects of emerging economies in 2015 appear to be uneven. According to the IMF's latest forecasts, growth is expected to reach 4.3% overall, substantially in line with the growth rate reported in 2014 (4.4%), but decreases considerably compared to the forecast (4.8%) published in October of last year. The stimulus that oil-importing countries will derive from lower crude oil prices (most of the largest emerging economies, and in particular China, India, Brazil and South Africa, amongst the BRICs) is expected to be counterbalanced by the parallel loss of oil-exporting economies and weak investments, a result of more guarded expectations concerning the growth prospects of emerging countries in the medium/long term. Finally, geopolitical tensions could have a depressive effect in CIS countries.
In further detail, GDP growth in the emerging economies of Asia and Latin America is expected to be in line with the 2014 levels. In Asia, the Chinese slowdown is expected to be offset by the faster growth in India and a robust performance of the ASEAN-5 countries. In Latin America, growth prospects, supported by Mexico, will be adversely affected by the persistent weakness of the economic cycle in Brazil and the further contraction of GDP in Argentina and Venezuela. The decline of hydrocarbon prices will have adverse consequences for some of sub-Saharan Africa's major economies, such as Angola, Nigeria and Ghana, as well as for certain Gulf countries. However, the latter will be able to respond the unfavourable oil cycle due to the accumulation of extensive sovereign funds, used for stabilisation, and due to momentums from non-hydrocarbon segments of the economy.

Turning to countries with ISP subsidiaries, in 2015, according to the most recent EBRD forecasts, GDP growth is expected to increase in SEE countries to 1.7% from 1.1% (the estimate for 2014), driven by Romania and the recovery of Bosnia, Albania and Croatia. Conversely, GDP growth is expected to decelerate in the CEE area (to 2.2% from 2.9%), due to the slowdown in Hungary and Slovenia, following an especially strong performance in 2014. Forecasts of the economic performance of the CIS countries in 2015 are negative, due to geopolitical tensions, the prolonged Western sanctions and, in the case of Russia, the adverse impact of falling oil prices. In Egypt, companies' renewed confidence in the Government's economic policies, financial support from friendly countries, and plans for significant infrastructure development (such as the expansion of the Suez Channel) may foster a further increase in the growth rate.
In regard of Italian banking system, also 2015 will be characterised by weak lending operations. At the annual average level, total volumes are expected to continue to decline slightly and only to rise modestly near the end of the year, lagging the economic recovery by several quarters behind. In addition, stricter individual capital requirements related to the results of the Asset Quality Review, along with continuing high levels of non-performing loans, will presumably decelerate the recovery of lending Despite the credit recovery supported by monetary conditions, the ongoing weak demand must be taken into consideration, since it continued to justify the prospect of weakness in the credit market.
In terms of funding, deposits are expected to continuously have a moderate growth rate, while the overall performance will be affected by the households' portfolio reallocation process, which in favour of asset management. On the other hand, the need of banks' funding should remain limited, given the weakness of loans and the extensive refinancing from the ECB. These factors will favour the reduction of customer deposit costs. Within a scenario of unchanged money market rates and closely monitored credit access conditions, loan interest rates are expected to remain substantially in line with the levels reached following the decline witnessed in 2014.

Income statement and balance sheet aggregates

Economic results

General aspects

As usual, a condensed reclassified income statement has been prepared to give a more immediate understanding of results for the period. To enable consistent comparison, the figures for previous periods are restated, where necessary, to account for changes in the scope of consolidation.

The restated financial statements are obtained by making appropriate adjustments to historical data to reflect the significant effects of such changes retroactively. Any differences due to the possibility of choosing between different options provided for by IAS/IFRS or arising from the use of different methods or parameters to measure assets and liabilities are not considered, as they are deemed irrelevant. Last, please note that no intragroup relations are netted where their amount is not significant.

Breakdowns of restatements and reclassifications performed are provided in separate tables included in the attachments to the Consolidated financial statements, as also required by Consob in its Communication 6064293 of 28 July 2006.

Reclassifications and aggregations are as follows:

- dividends on shares classified as assets available for sale and as assets held for trading have been reallocated to Profits (Losses) on trading;
- the portions of Net interest income, Dividend and similar income, Net fee and commission income and Profits (Losses) on trading related to the insurance business have been recorded under a specific caption, and the effect of the adjustment of the technical reserve – with respect to the component attributable to policyholders – associated with the impairment of securities available for sale held in the portfolios of the Group’s insurance companies was also attributed to this caption;
- differentials on derivatives, classified to the trading portfolio and contracted to hedge transactions in foreign currencies, have been allocated among Net interest income owing to the close correlation;
- Fair value adjustments in hedge accounting (caption 90) have been reallocated to Profits (Losses) on trading;
- Profits and losses on disposal or repurchase of financial assets available for sale and of financial liabilities have been reallocated to Profits (Losses) on trading;
- Profits (Losses) on financial assets and liabilities designated at fair value are reallocated to Profits (Losses) on trading;
- the recoveries of expenses, taxes and duties have been subtracted from Administrative expenses, instead of being included among Other operating income;
- Profits and losses on disposal or repurchase of loans are posted in Net adjustments to loans;
- Net impairment losses on other financial activities (caption 130d), related to guarantees, commitments and credit derivatives, have been recognised under Net adjustments to loans;
- the reversal in time value on loans is recorded in Net interest income instead of being allocated to Net adjustments to loans, since the phenomenon derives directly from the application of the amortised cost criterion in the absence of changes in expected future flows. A consistent approach is used for the time value of Employee termination indemnities and Allowances for risks and charges;
- Net impairment losses on property, equipment and intangible assets (with the exception of impairment losses on intangible assets) have been reclassified from Net adjustments to property, equipment and intangible assets – which therefore solely express adjustments – to Net impairment losses on other assets, which also includes Net impairment losses on financial assets available for sale and investments held to maturity; by contrast, impairment losses on intangible assets have been reclassified, net of the tax effects, to Impairment (net of tax) of goodwill and other intangible assets;
- Impairment losses on property and other assets resulting from the enforcement of guarantees or purchase at auction and intended for sale on the market in the near future, which have been reclassified from Other operating income (expenses) to Net impairment losses on other assets. Accordingly, profits and losses on disposal associated with this type of asset have been reclassified from Other operating income (Expenses) to Profits (Losses) on investments held to maturity and on other investments;
- Profits (Losses) on disposal of investments in associates and companies subject to joint control and Profits (Losses) on disposal of investments are recorded in Profits (Losses) on investments held to maturity and on other investments, after the deduction of net income from investments carried at equity which is posted in a specific caption in Operating income;
- Charges (net of tax) for integration and exit incentives, which have been reclassified from Personnel expenses, Administrative expenses and, to a lesser extent, other captions of the income statement to a separate caption;
- Effects of purchase price allocation, net of the tax effect, are indicated in a specific caption. They represent adjustments to and any impairment losses on financial assets and liabilities and property, equipment and intangible assets which were measured at fair value as provided for by IFRS 3;
- Goodwill impairment and impairment losses on other intangible assets, as mentioned above, are shown, net of tax, in a specific caption amongst "non-current" income components.

Reclassified income statement

(millions of euro)

	2014	2013	Changes	
			amount	%
Net interest income	8,374	8,110	264	3.3
Dividends and profits (losses) on investments carried at equity	66	-49	115	
Net fee and commission income	6,775	6,132	643	10.5
Profits (Losses) on trading	777	1,159	-382	-33.0
Income from insurance business	919	790	129	16.3
Other operating income (expenses)	-13	106	-119	
Operating income	**16,898**	**16,248**	**650**	**4.0**
Personnel expenses	-5,092	-4,802	290	6.0
Other administrative expenses	-2,769	-2,807	-38	-1.4
Adjustments to property, equipment and intangible assets	-683	-689	-6	-0.9
Operating costs	**-8,544**	**-8,298**	**246**	**3.0**
Operating margin	**8,354**	**7,950**	**404**	**5.1**
Net provisions for risks and charges	-542	-314	228	72.6
Net adjustments to loans	-4,538	-7,111	-2,573	-36.2
Net impairment losses on other assets	-227	-417	-190	-45.6
Profits (Losses) on investments held to maturity and on other investments	388	2,408	-2,020	-83.9
Income (Loss) before tax from continuing operations	**3,435**	**2,516**	**919**	**36.5**
Taxes on income from continuing operations	-1,781	-871	910	
Charges (net of tax) for integration and exit incentives	-103	-80	23	28.8
Effect of purchase price allocation (net of tax)	-193	-294	-101	-34.4
Impairment (net of tax) of goodwill and other intangible assets	-	-5,797	-5,797	
Income (Loss) after tax from discontinued operations	-48	-31	17	54.8
Minority interests	-59	7	-66	
Net income (loss)	**1,251**	**-4,550**	**5,801**	

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

Quarterly development of the reclassified income statement

(millions of euro)

	2014				2013			
	Fourth quarter	**Third quarter**	**Second quarter**	**First quarter**	**Fourth quarter**	**Third quarter**	**Second quarter**	**First quarter**
Net interest income	2,060	2,110	2,104	2,100	2,032	2,026	2,035	2,017
Dividends and profits (losses) on investments carried at equity	2	53	-19	30	-2	-6	2	-43
Net fee and commission income	1,815	1,649	1,727	1,584	1,620	1,479	1,571	1,462
Profits (Losses) on trading	81	136	409	151	69	400	236	454
Income from insurance business	183	237	248	251	142	203	215	230
Other operating income (expenses)	-14	21	-12	-8	70	33	15	-12
Operating income	**4,127**	**4,206**	**4,457**	**4,108**	**3,931**	**4,135**	**4,074**	**4,108**
Personnel expenses	-1,353	-1,251	-1,215	-1,273	-1,194	-1,199	-1,149	-1,260
Other administrative expenses	-805	-648	-666	-650	-806	-661	-682	-658
Adjustments to property, equipment and intangible assets	-188	-168	-164	-163	-188	-169	-167	-165
Operating costs	**-2,346**	**-2,067**	**-2,045**	**-2,086**	**-2,188**	**-2,029**	**-1,998**	**-2,083**
Operating margin	**1,781**	**2,139**	**2,412**	**2,022**	**1,743**	**2,106**	**2,076**	**2,025**
Net provisions for risks and charges	-294	-12	-181	-55	-249	-1	-38	-26
Net adjustments to loans	-1,034	-1,248	-1,179	-1,077	-3,098	-1,465	-1,390	-1,158
Net impairment losses on other assets	-84	-64	-67	-12	-170	-32	-147	-68
Profits (Losses) on investments held to maturity and on other investments	5	73	235	75	2,441	-35	-3	5
Income (Loss) before tax from continuing operations	**374**	**888**	**1,220**	**953**	**667**	**573**	**498**	**778**
Taxes on income from continuing operations	-183	-322	-912	-364	28	-264	-271	-364
Charges (net of tax) for integration and exit incentives	-74	-9	-13	-7	-42	-5	-21	-12
Effect of purchase price allocation (net of tax)	-45	-49	-53	-46	-75	-72	-73	-74
Impairment (net of tax) of goodwill and other intangible assets	-	-	-	-	-5,797	-	-	-
Income (Loss) after tax from discontinued operations	-15	-11	-9	-13	-4	-3	-14	-10
Minority interests	-9	-14	-16	-20	33	-11	-3	-12
Net income (loss)	**48**	**483**	**217**	**503**	**-5,190**	**218**	**116**	**306**

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

As emphasised in the macroeconomic scenario, in 2014 Italy remained in an unfavourable phase of its economic cycle. Signs of economic recovery gradually weakened over the year in Italy, while in other countries they were more marked. Against this background, the Intesa Sanpaolo Group's results were positive. The good performance of fee and commission income and net interest income, accompanied by a contained cost increase, led to a higher operating margin compared to 2013 (+5.1%). Thanks to the decrease in net adjustments to loans (-36.2%), despite the absence of the extraordinary components recognised in the previous year, income before tax from continuing operations grew by 36.5%. Despite the increase in taxes on the stake in the Bank of Italy, net income amounted to 1,251 million euro. This figure cannot be compared to the loss of 4,550 million euro in 2013, which was affected by the impairment of intangible assets.

Operating income

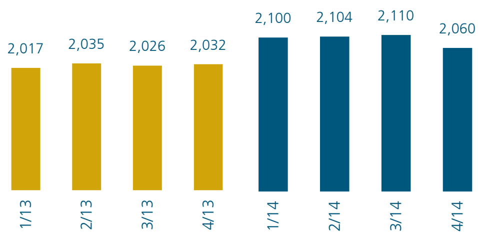
Operating income amounted to 16,898 million euro in 2014, up 4% compared to 16,248 million euro in the previous year. The increases in net fee and commission income (+10.5%), net interest income (+3.3%) and income from insurance business (+16.3%) more than offset the marked decline in profits on trading (-33%). Excluding the effects of financial trading, operating income is up 6.8%. Operating income for the fourth quarter decreased compared to the third (-1.9%) due to the general decline in all captions except for net fee and commission income, which was up 10.1%.

Net interest income

(millions of euro)

	2014	2013	Changes	
			amount	%
Relations with customers	9,322	9,562	-240	-2.5
Securities issued	-4,634	-5,316	-682	-12.8
Differentials on hedging derivatives	1,102	1,397	-295	-21.1
Customer dealing	**5,790**	**5,643**	**147**	**2.6**
Financial assets held for trading	295	362	-67	-18.5
Investments held to maturity	56	79	-23	-29.1
Financial assets available for sale	1,075	1,210	-135	-11.2
Financial assets	**1,426**	**1,651**	**-225**	**-13.6**
Relations with banks	**3**	**-236**	**239**	
Non-performing assets	**1,197**	**1,100**	**97**	**8.8**
Other net interest income	**-42**	**-48**	**-6**	**-12.5**
Net interest income	**8,374**	**8,110**	**264**	**3.3**

Quarterly development Net interest income



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

In 2014 net interest income came to 8,374 million euro, up 3.3% compared to the previous year, as a result of the reduction in interest expense on the interbank market and the higher margin on customer dealing. The margin also benefited from a lower cost of funding.
Customer dealing amounted to 5,790 million euro, up 2.6% on 2013: the decrease in differentials on hedging derivatives was more than offset by the lower interest expense on securities issued. In a context of annual reduction in rates, relations with customers benefited from widening spreads, which offset the negative trend in average volumes, particularly of loans to customers. Interest on financial assets, in line with the market trend, dropped by 13.6% compared to the previous year: there was a decrease in interest on financial assets available for sale (-135 million euro), interest on financial assets held for trading (-67 million euro) and investments held to maturity (-23 million euro). Net interest on the interbank market reported a positive balance of 3 million euro, up sharply from the negative balance of 236 million euro in 2013. This performance is mainly attributable to the reduced exposure to the ECB, which in 2014 averaged approximately 7 billion euro and consisted of standard transactions of one week to three months, as well as funds acquired through participation in the TLTRO auctions in September and December, compared to the approximately 20 billion euro outstanding as at 31 December 2013.

(millions of euro)

	2014				Changes %		
	Fourth quarter (A)	Third quarter (B)	Second quarter (C)	First quarter (D)	(A/B)	(B/C)	(C/D)
Relations with customers	2,262	2,310	2,355	2,395	-2.1	-1.9	-1.7
Securities issued	-1,101	-1,133	-1,183	-1,217	-2.8	-4.2	-2.8
Differentials on hedging derivatives	264	275	269	294	-4.0	2.2	-8.5
Customer dealing	**1,425**	**1,452**	**1,441**	**1,472**	**-1.9**	**0.8**	**-2.1**
Financial assets held for trading	67	75	83	70	-10.7	-9.6	18.6
Investments held to maturity	13	13	14	16	-	-7.1	-12.5
Financial assets available for sale	238	265	286	286	-10.2	-7.3	-
Financial assets	**318**	**353**	**383**	**372**	**-9.9**	**-7.8**	**3.0**
Relations with banks	**12**	**9**	**1**	**-19**	**33.3**		
Non-performing assets	**315**	**310**	**288**	**284**	**1.6**	**7.6**	**1.4**
Other net interest income	**-10**	**-14**	**-9**	**-9**	**-28.6**	**55.6**	**-**
Net interest income	**2,060**	**2,110**	**2,104**	**2,100**	**-2.4**	**0.3**	**0.2**

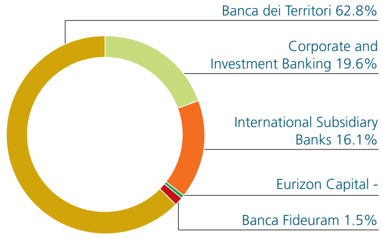
Figures restated, where necessary, considering the changes in the scope of consolidation.

Net interest income for the fourth quarter declined compared to the third (-2.4%), due to the decrease in both interest on customer dealing and financial assets.

(millions of euro)

	2014	2013	Changes amount	Changes %
Banca dei Territori	5,880	6,217	-337	-5.4
Corporate and Investment Banking	1,835	1,863	-28	-1.5
International Subsidiary Banks	1,509	1,533	-24	-1.6
Eurizon Capital	1	1	-	-
Banca Fideuram	136	147	-11	-7.5
Total business areas	**9,361**	**9,761**	**-400**	**-4.1**
Corporate Centre	-987	-1,651	-664	-40.2
Intesa Sanpaolo Group	**8,374**	**8,110**	**264**	**3.3**

Business areas



Figures restated, where necessary, considering the changes in the scope of consolidation and in business unit constituents.

Since the changes to the Group's organisational model became operational in late 2014, information by business area has been prepared in reference to the previous operating structure.

Banca dei Territori, which accounts for 63% of business area results, recorded a 5.4% decrease in net interest income, affected by the lower contribution from hedging of demand deposits and lower volumes of loans to customers, despite higher margins on customer dealing. Corporate and Investment Banking interest declined (-1.5%) due to the smaller contribution from the decrease in average volumes of loans to customers and the structured finance segment, in contrast to the positive performance of margins on deposits. The International Subsidiary Banks recorded a drop in net interest income (-1.6%), impacted by the exchange rate effect and by lower loan volumes, predominantly for the subsidiary banks in Hungary, Russia, Croatia and Serbia. The net interest income reported by Banca Fideuram decreased by 7.5%, chiefly attributable to the minimum levels reached by benchmark interest rates, with a less elastic cost of funding.

Dividends and profits on investments carried at equity

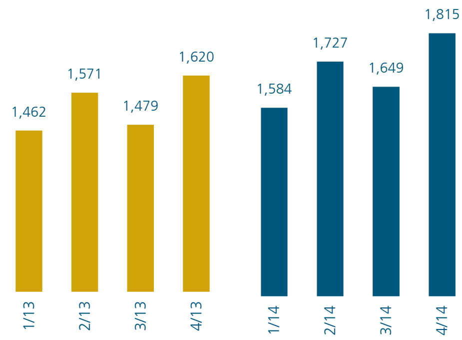
In 2014 the caption recorded a positive balance of 66 million euro, compared to 49 million euro of losses in 2013, essentially due to the improved contribution from the companies consolidated with the equity method, which in the previous year had provided mostly negative contributions. In particular, Bank of Qingdao and All Funds Bank, among others, had a positive effect on 2014, whereas Alitalia and Immobiliare Novoli should be noted among the negative results. Dividends on shares held for trading and securities available for sale were reclassified to Profits (Losses) on trading.

Net fee and commission income

(millions of euro)

	2014	2013	Changes amount	Changes %
Guarantees given / received	331	301	30	10.0
Collection and payment services	375	339	36	10.6
Current accounts	1,105	1,139	-34	-3.0
Credit and debit cards	508	485	23	4.7
Commercial banking activities	**2,319**	**2,264**	**55**	**2.4**
Dealing and placement of securities	503	463	40	8.6
Currency dealing	41	41	-	-
Portfolio management	1,902	1,507	395	26.2
Distribution of insurance products	971	805	166	20.6
Other	172	160	12	7.5
Management, dealing and consultancy activities	**3,589**	**2,976**	**613**	**20.6**
Other net fee and commission income	**867**	**892**	**-25**	**-2.8**
Net fee and commission income	**6,775**	**6,132**	**643**	**10.5**

Quarterly development
Net fee and commission income



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

Net fee and commission income, which makes up over one-third of operating income, came to 6,775 million euro, up 10.5% compared to 2013, benefiting from the positive trend in almost all of its main components. Commissions on commercial banking activities recorded growth of 2.4%, thanks to the increase in those on collection and payment services (+10.6%), on guarantees given (+10%) and on credit and debit cards (+4.7%). Conversely, the contribution from current accounts dropped (-3%).
The greatest growth was recorded in management, dealing and consultancy activities, which benefited from the positive performance of financial markets and renewed interest by customers in asset management: on the whole, these activities generated net fee and commission income of 3,589 million euro, up by 613 million euro (+20.6%) compared to the previous year. Contributing to this trend were commissions on portfolio management (+395 million euro, up more than 26%), particularly collective and individual portfolio management, distribution of insurance products (+166 million euro), dealing and placement of securities (+40 million euro) and other management and dealing commissions (+12 million euro), particularly commissions on consultancy activities. Other net fee and commission income recorded a drop of 25 million euro compared to 2013, standing at 867 million euro due to the reduction in commissions on loans issued.

(millions of euro)

	2014				Changes %		
	Fourth quarter (A)	**Third quarter** (B)	**Second quarter** (C)	**First quarter** (D)	(A/B)	(B/C)	(C/D)
Guarantees given / received	80	93	87	71	-14.0	6.9	22.5
Collection and payment services	106	85	99	85	24.7	-14.1	16.5
Current accounts	271	277	278	279	-2.2	-0.4	-0.4
Credit and debit cards	126	135	130	117	-6.7	3.8	11.1
Commercial banking activities	**583**	**590**	**594**	**552**	**-1.2**	**-0.7**	**7.6**
Dealing and placement of securities	105	87	159	152	20.7	-45.3	4.6
Currency dealing	10	11	10	10	-9.1	10.0	-
Portfolio management	563	481	467	391	17.0	3.0	19.4
Distribution of insurance products	268	234	242	227	14.5	-3.3	6.6
Other	45	43	43	41	4.7	-	4.9
Management, dealing and consultancy activities	**991**	**856**	**921**	**821**	**15.8**	**-7.1**	**12.2**
Other net fee and commission income	**241**	**203**	**212**	**211**	**18.7**	**-4.2**	**0.5**
Net fee and commission income	**1,815**	**1,649**	**1,727**	**1,584**	**10.1**	**-4.5**	**9.0**

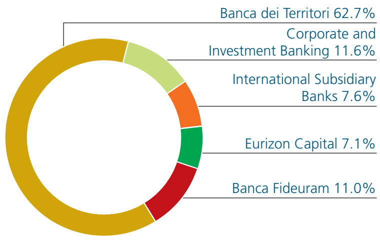
Figures restated, where necessary, considering the changes in the scope of consolidation.

Compared to the third quarter of 2014, net fee and commission income for the fourth quarter recorded an increase (+10.1%, equal to 166 million euro). The greatest contribution to the total change was due to portfolio management, up 82 million euro (+17%), distribution of insurance products (+14.5%, or 34 million euro) and other net fee and commission income (+18.7%, or 38 million euro), markedly fee and commission income on loans issued in connection with structured finance transactions. Within commissions on commercial banking activities, attention should be drawn to the positive performance in the fourth quarter of commissions on collection and payment services (+24.7%).

(millions of euro)

	2014	2013	Changes	
			amount	%
Banca dei Territori	4,415	4,094	321	7.8
Corporate and Investment Banking	816	815	1	0.1
International Subsidiary Banks	535	534	1	0.2
Eurizon Capital	501	370	131	35.4
Banca Fideuram	770	662	108	16.3
Total business areas	**7,037**	**6,475**	**562**	**8.7**
Corporate Centre	-262	-343	-81	-23.6
Intesa Sanpaolo Group	**6,775**	**6,132**	**643**	**10.5**

Business areas



Figures restated, where necessary, considering the changes in the scope of consolidation and in business unit constituents.

Since the changes to the Group's organisational model became operational in late 2014, information by business area has been prepared in reference to the previous operating structure.

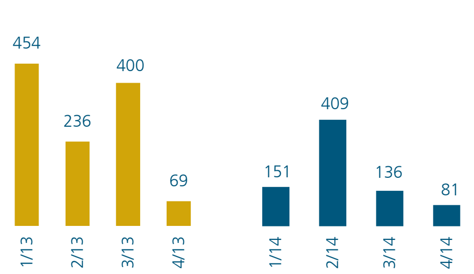
With regard to business areas, all business units recorded increasing or stable net fee and commission income. Banca dei Territori, which accounts for 63% of the fee and commission income of the business units, provided the most significant contribution in absolute terms (+7.8%, or 321 million euro), primarily due to fee and commission income on asset management and bancassurance products. Though more limited in absolute terms, the following also recorded significant increases: Eurizon Capital (+35.4%), due to the development of average assets under management, which considerably exceeded 2013, and Banca Fideuram (+16.3%), as a result of higher recurring fee and commission income from growth in the average assets under management and advisory services. Contributions from the International Subsidiary Banks and Corporate and Investment Banking were essentially in line with the previous year. In the case of the latter, the growth reported in the investment banking segment, and on the primary market in particular, was offset by the lower fee and commission income from commercial and transaction banking activity.

Profits (Losses) on trading

(millions of euro)

	2014	2013	Changes	
			amount	%
Interest rates	-247	67	-314	
Equity instruments	276	243	33	13.6
Currencies	70	145	-75	-51.7
Structured credit products	38	77	-39	-50.6
Credit derivatives	-49	6	-55	
Commodity derivatives	32	30	2	6.7
Trading result	**120**	**568**	**-448**	**-78.9**
Trading on AFS securities and financial liabilities	**657**	**591**	**66**	**11.2**
Profits (Losses) on trading	**777**	**1,159**	**-382**	**-33.0**

Quarterly development
Profits (losses) on trading



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

In 2014 trading activities yielded profits on trading of 777 million euro, down from 1,159 million euro recognised in the previous year. This performance may be attributed to the lower trading result (-448 million euro), only partially offset by a moderate increase in trading on AFS securities and financial liabilities (+66 million euro). Profits on trading were heavily affected by the decline in interest rate transactions (down 314 million euro becoming negative) and credit derivative transactions, which should be considered jointly as they mainly involve transactions undertaken to hedge credit risk on investments in debt securities. Negative changes were also recorded for currencies (-75 million euro) and structured credit products (-39 million euro). Positive results were seen from the higher profits on equity instruments (+33 million euro), although insufficient to offset the above-mentioned imbalances.

It should be noted that the subcaption “Trading on AFS securities and financial liabilities” incorporates, in addition to dividends and proceeds on the trading of securities classified as available for sale, the effects of the measurement at fair value of financial liabilities issued associated with an assessment of creditworthiness in accordance with the fair value option. In 2014 this subcaption included Bank of Italy dividends (161 million euro), previously recognised among the dividends and profits on investments carried at equity (29 million euro in 2013). This shift is the result of the reclassification of the investment to the AFS portfolio due to changes in the Bank of Italy’s Statute concerning the rights of stakeholders in Italy's Central Bank.

(millions of euro)

	2014				Changes %		
	Fourth quarter (A)	**Third quarter** (B)	**Second quarter** (C)	**First quarter** (D)	(A/B)	(B/C)	(C/D)
Interest rates	-94	-77	-92	16	22.1	-16.3	
Equity instruments	10	42	125	99	-76.2	-66.4	26.3
Currencies	-5	18	37	20		-51.4	85.0
Structured credit products	4	9	15	10	-55.6	-40.0	50.0
Credit derivatives	-18	-5	-21	-5		-76.2	
Commodity derivatives	16	3	9	4		-66.7	
Trading result	**-87**	**-10**	**73**	**144**			**-49.3**
Trading on AFS securities and financial liabilities	**168**	**146**	**336**	**7**	**15.1**	**-56.5**	
Profits (Losses) on trading	**81**	**136**	**409**	**151**	**-40.4**	**-66.7**	

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

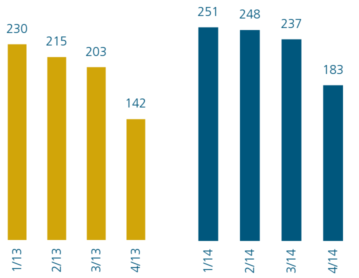
The quarterly analysis shows profits on trading for the fourth quarter of 2014 down compared to the third quarter due to a negative trading result, which was affected by the negative results of interest rates, credit derivatives and currencies, as well as the decline in equity instruments.

Income from insurance business

(millions of euro)

Captions (a)	2014 Life	2014 Non-life	2014 Total	2013 Life	2013 Non-life	2013 Total	Changes amount	Changes %
Technical margin	**-6**	**48**	**42**	**43**	**39**	**82**	**-40**	**-48.8**
Net insurance premiums (b)	16,393	207	16,600	11,715	206	11,921	4,679	39.3
Net charges for insurance claims and surrenders (c)	-7,004	-92	-7,096	-6,745	-98	-6,843	253	3.7
Net charges for changes in technical reserves (d)	-11,062	-	-11,062	-6,384	-	-6,384	4,678	73.3
Gains (losses) on investments pertaining to insured parties on insurance products (e)	1,932	-	1,932	1,727	-	1,727	205	11.9
Net fees on investment contracts (f)	166	-	166	139	-	139	27	19.4
Commission expenses on insurance contracts (g)	-438	-45	-483	-400	-53	-453	30	6.6
Other technical income and expense (h)	7	-22	-15	-9	-16	-25	-10	-40.0
Net investment result	**850**	**27**	**877**	**688**	**20**	**708**	**169**	**23.9**
Operating income from investments	5,343	27	5,370	3,754	20	3,774	1,596	42.3
Net interest income	*2,100*	*13*	*2,113*	*1,973*	*16*	*1,989*	*124*	*6.2*
Dividends	*87*	*2*	*89*	*63*	*2*	*65*	*24*	*36.9*
Gains/losses on disposal	*946*	*12*	*958*	*801*	*2*	*803*	*155*	*19.3*
Valuation gains/losses	*2,275*	*-*	*2,275*	*975*	*-*	*975*	*1,300*	
Portfolio management fees paid (i)	*-65*	*-*	*-65*	*-58*	*-*	*-58*	*7*	*12.1*
Profit/loss pertaining to third party underwriters of mutual funds (j)	-	-	-	-	-	-	-	-
Gains (losses) on investments pertaining to insured parties	-4,493	-	-4,493	-3,066	-	-3,066	1,427	46.5
Insurance products (k)	*-1,780*	*-*	*-1,780*	*-1,642*	*-*	*-1,642*	*138*	*8.4*
Investment's unrealized capital gains/losses pertaining to insured parties on insurance products (l)	*-152*	*-*	*-152*	*-85*	*-*	*-85*	*67*	*78.8*
Investment products (m)	*-2,561*	*-*	*-2,561*	*-1,339*	*-*	*-1,339*	*1,222*	*91.3*
Income from insurance business	**844**	**75**	**919**	**731**	**59**	**790**	**129**	**16.3**

Quarterly development Income from insurance business



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

(a) The table illustrates the economic components of the insurance business broken down into those regarding:
- insurance products according to IAS/IFRS, which include contracts where the risk insured is considered significant or in which the decision of the return on the contracts is not market-based but depends on the insurance company's choices;
- investment products, which include financial products without a significant insurance risk. The latter are accounted for in the consolidated financial statements as financial movements.

(b) The caption includes premiums issued only for products considered to be insurance products according to IAS/IFRS, net of the portions ceded to reinsurers. For the non-life insurance business, the change in the premiums reserve is also included.

(c) The caption includes the amounts paid (claims, surrenders and maturities) and the change in claims reserves and reserves for amounts to be paid, net of portions ceded to reinsurers.

(d) The caption includes the change in technical reserves, net of the portions ceded to reinsurers.

(e) The caption includes the portion of the profit/loss from investments (for insurance products) pertaining to insured parties, including the impact of shadow accounting.

(f) The caption includes net fees on investment products; specifically, charges paid by customers, management fees received by the financial units and fee expenses reversed by the insurance companies to the sales network and management companies.

(g) The caption includes commission expenses on insurance products (including unit and index-linked insurance products and pension funds) paid to the sales network.

(h) Residual caption comprising fee income on insurance product management fee income (unit and index-linked insurance products and pension funds), rebates, net interest income on current accounts of the insurance company and on subordinated loans and other income and technical charges.

(i) The caption includes fees paid to management companies for the management of traditional insurance products (separate management) portfolios and pension funds. This also includes fees from consolidated funds underlying insurance units.

(j) The caption includes profit/loss pertaining to third party underwriters of consolidated mutual funds which are not wholly-owned by the Group.

(k) The caption includes the portion of the profit/loss from investments (for insurance products) pertaining to insured parties, without the impact of shadow accounting.

(l) The caption includes the portion of unrealized capital gains/losses pertaining to insured parties on insurance products (shadow accounting).

(m) The caption refers to the valuation of financial liabilities designated at fair value which represent the amount payable to insured parties for investment products.

Income from insurance business, which includes the cost and revenue captions of the insurance business of the Intesa Sanpaolo Group's life and non-life companies, amounted to 919 million euro in 2014, up 16.3% on the previous year. Both the life and non-life businesses reported positive performances. However, the non-life business remains a marginal part of the Group's insurance hub operations.
Net investment result in life business recorded an improvement compared to 2013: increased retrocession to policyholders, almost all attributable to investment products measured at fair value, was more than offset by the increase in the valuation component of the portfolios, by net interest income and by trading activity by the insurance companies, which resulted in higher realised gains of 145 million euro. The technical margin, on the other hand, decreased by 49 million euro: the increase in net premiums was not enough to offset the increase in charges relating to the change in technical reserves and those relating to insurance claims and surrenders and the increase in income from investments pertaining to insured parties.
Income from non-life business grew 16 million euro, attributable to both the technical margin and net investment result. The improved technical margin was due to lower charges for insurance claims and surrenders and reduced commission expenses charged to the sales network, as a result of the higher impact, on total premium inflows, of the motor class products which have lower commission rates. The net investment result increased by 7 million euro due to greater realised gains.

(millions of euro)

Captions (a)	**2014**				**Changes %**		
	Fourth quarter (A)	**Third quarter** (B)	**Second quarter** (C)	**First quarter** (D)	(A/B)	(B/C)	(C/D)
Technical margin	**-15**	**28**	**19**	**10**		**47.4**	**90.0**
Net insurance premiums (b)	3,909	4,204	3,778	4,709	-7.0	11.3	-19.8
Net charges for insurance claims and surrenders (c)	-1,716	-1,580	-1,912	-1,888	8.6	-17.4	1.3
Net charges for changes in technical reserves (d)	-2,585	-3,086	-2,254	-3,137	-16.2	36.9	-28.1
Gains (losses) on investments pertaining to insured parties on insurance products (e)	463	552	494	423	-16.1	11.7	16.8
Net fees on investment contracts (f)	57	38	36	35	50.0	5.6	2.9
Commission expenses on insurance contracts (g)	-133	-103	-123	-124	29.1	-16.3	-0.8
Other technical income and expense (h)	-10	3	-	-8		-	
Net investment result	**198**	**209**	**229**	**241**	**-5.3**	**-8.7**	**-5.0**
Operating income from investments	1,238	1,346	1,609	1,177	-8.0	-16.3	36.7
Net interest income	*531*	*528*	*540*	*514*	*0.6*	*-2.2*	*5.1*
Dividends	*26*	*22*	*31*	*10*	*18.2*	*-29.0*	
Gains/losses on disposal	*202*	*277*	*268*	*211*	*-27.1*	*3.4*	*27.0*
Valuation gains/losses	*493*	*537*	*788*	*457*	*-8.2*	*-31.9*	*72.4*
Portfolio management fees paid (i)	*-14*	*-18*	*-18*	*-15*	*-22.2*	*-*	*20.0*
Profit/loss pertaining to third party underwriters of mutual funds (j)	-	-	-	-	-	-	-
Gains (losses) on investments pertaining to insured parties	-1,040	-1,137	-1,380	-936	-8.5	-17.6	47.4
Insurance products (k)	*-429*	*-443*	*-481*	*-427*	*-3.2*	*-7.9*	*12.6*
Investment's unrealized capital gains/losses pertaining to insured parties on insurance products (l)	*-34*	*-109*	*-13*	*4*	*-68.8*		
Investment products (m)	*-577*	*-585*	*-886*	*-513*	*-1.4*	*-34.0*	*72.7*
Income from insurance business	**183**	**237**	**248**	**251**	**-22.8**	**-4.4**	**-1.2**

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

For notes, see the previous table.

Income from insurance business in the fourth quarter of 2014, including the life and non-life businesses, showed a decline (-54 million euro) compared to the third quarter, primarily due to the decrease in the technical margin: lower premiums, higher charges for insurance claims and surrenders, increased gains on investments pertaining to insured parties and higher commission expenses on insurance contracts were only partly offset by reduced charges for changes in technical reserves.

(millions of euro)

	2014				**2013**
	Periodic premiums	**Single premiums**	**Total**	*of which new business*	
Life insurance business	**245**	**16,149**	**16,394**	***16,149***	**11,715**
Premiums issued on traditional products	206	15,911	16,117	*15,911*	11,474
Premiums issued on unit-linked products	19	30	49	*30*	54
Premiums issued on capitalisation products	-	1	1	*1*	2
Premiums issued on pension funds	20	207	227	*207*	185
Non-life insurance business	**42**	**173**	**215**	***50***	**213**
Premiums issued	41	170	211	*112*	232
Change in premium reserves	1	3	4	*-62*	-19
Premiums ceded to reinsurers	**-3**	**-6**	**-9**	***-2***	**-7**
Net premiums from insurance products	**284**	**16,316**	**16,600**	***16,197***	**11,921**
Business on index-linked contracts	-	-	-	*-*	-
Business on unit-linked contracts	135	10,152	10,287	*10,161*	7,866
Total business from investment contracts	**135**	**10,152**	**10,287**	***10,161***	**7,866**
Total business	**419**	**26,468**	**26,887**	***26,358***	**19,787**

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

Business in the insurance segment reached 26,887 million euro in premiums, compared to total inflows of 19,787 million euro in 2013. The significant increase is due to premiums issued against traditional life policies and, to a lesser extent, to unit-linked contract business. New business represents almost all of the total premium inflows.

Other operating income (expenses)

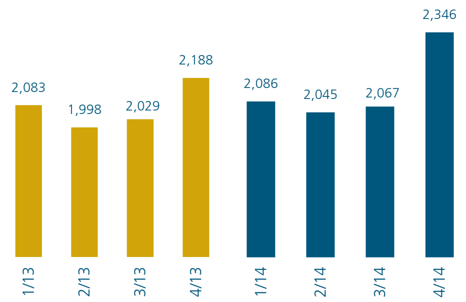
Other operating income (expenses) is a residual caption comprising various types of income and expenses that cannot be recognised in other operating income captions, except expense, tax and duty recoveries that have been directly deducted from the corresponding sub-captions of administrative expenses. In 2014 this caption recorded a negative balance of 13 million euro, compared to 106 million euro recognised in the previous year, which included non-recurring income.

Operating costs

(millions of euro)

	2014	2013	Changes	
			amount	%
Wages and salaries	3,599	3,413	186	5.4
Social security charges	911	862	49	5.7
Other	582	527	55	10.4
Personnel expenses	**5,092**	**4,802**	**290**	**6.0**
Information technology expenses	635	656	-21	-3.2
Management of real estate assets expenses	623	679	-56	-8.2
General structure costs	407	411	-4	-1.0
Professional and legal expenses	397	348	49	14.1
Advertising and promotional expenses	160	154	6	3.9
Indirect personnel costs	97	92	5	5.4
Other costs	349	336	13	3.9
Indirect taxes and duties	952	874	78	8.9
Recovery of expenses and charges	-851	-743	108	14.5
Administrative expenses	**2,769**	**2,807**	**-38**	**-1.4**
Property and equipment	342	364	-22	-6.0
Intangible assets	341	325	16	4.9
Adjustments	**683**	**689**	**-6**	**-0.9**
Operating costs	**8,544**	**8,298**	**246**	**3.0**

Quarterly development Operating costs



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

Operating costs came to 8,544 million euro in 2014, up slightly (+3%) on the previous year. Personnel expenses, equal to 5,092 million euro, showed an increase (+6%, equal to 290 million euro) due mainly to the variable component. In addition, whereas in 2013 this latter component was present to a much lesser extent, the positive management performance in 2014 and the introduction of a new incentive system connected to the Business Plan (LECOIP) entailed adequate provisions for this purpose. The increase in average cost was also influenced by national contract trends, partially contained through the application of specific company agreements, and the savings resulting from the trend in average workforce, which decreased by 1.3%.

Administrative expenses came to 2,769 million euro, down 1.4% on 2013; the containment of expenses is mainly attributable to real estate management (-56 million euro), as a result of lower rent expenses, and to information technology expenses (-21 million euro). Professional and legal expenses (+49 million euro) and advertising and promotional expenses (+6 million euro) moved in the opposite direction.

Adjustments totalled 683 million euro, essentially in line with the previous year. Lower depreciation of property and equipment was offset by higher amortisation of intangible assets, relating to investments in technology and innovation.

The cost/income ratio for the year was 50.6%, an improvement compared to 51.1% in 2013.

(millions of euro)

	2014				Changes %		
	Fourth quarter (A)	**Third quarter** (B)	**Second quarter** (C)	**First quarter** (D)	(A/B)	(B/C)	(C/D)
Wages and salaries	948	891	860	900	6.4	3.6	-4.4
Social security charges	227	224	227	233	1.3	-1.3	-2.6
Other	178	136	128	140	30.9	6.3	-8.6
Personnel expenses	**1,353**	**1,251**	**1,215**	**1,273**	**8.2**	**3.0**	**-4.6**
Information technology expenses	174	155	152	154	12.3	2.0	-1.3
Management of real estate assets expenses	151	157	156	159	-3.8	0.6	-1.9
General structure costs	99	100	102	106	-1.0	-2.0	-3.8
Professional and legal expenses	147	82	86	82	79.3	-4.7	4.9
Advertising and promotional expenses	66	32	35	27		-8.6	29.6
Indirect personnel costs	32	19	25	21	68.4	-24.0	19.0
Other costs	109	79	81	80	38.0	-2.5	1.3
Indirect taxes and duties	284	217	228	223	30.9	-4.8	2.2
Recovery of expenses and charges	-257	-193	-199	-202	33.2	-3.0	-1.5
Administrative expenses	**805**	**648**	**666**	**650**	**24.2**	**-2.7**	**2.5**
Property and equipment	87	84	85	86	3.6	-1.2	-1.2
Intangible assets	101	84	79	77	20.2	6.3	2.6
Adjustments	**188**	**168**	**164**	**163**	**11.9**	**2.4**	**0.6**
Operating costs	**2,346**	**2,067**	**2,045**	**2,086**	**13.5**	**1.1**	**-2.0**

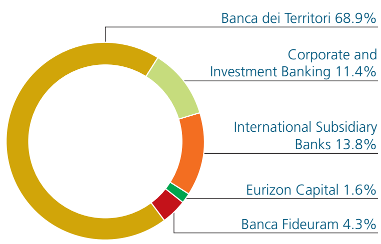
Figures restated, where necessary, considering the changes in the scope of consolidation.

At the quarterly level, operating costs increased by 13.5% in the fourth quarter compared to the third quarter, reaching 2,346 million euro. This performance may be ascribed to the increase in administrative expenses (+24.2%) and, to a lesser extent, personnel expenses (+8.2%). Administrative expenses, which are traditionally subject to seasonal variation at the end of the year, were affected by larger flows of professional and legal expenses and advertising and promotional expenses.

(millions of euro)

	2014	2013	Changes	
			amount	%
Banca dei Territori	5,421	5,293	128	2.4
Corporate and Investment Banking	898	807	91	11.3
International Subsidiary Banks	1,083	1,108	-25	-2.3
Eurizon Capital	130	111	19	17.1
Banca Fideuram	337	322	15	4.7
Total business areas	**7,869**	**7,641**	**228**	**3.0**
Corporate Centre	675	657	18	2.7
Intesa Sanpaolo Group	**8,544**	**8,298**	**246**	**3.0**

Business areas



Figures restated, where necessary, considering the changes in the scope of consolidation and in business unit constituents.

Since the changes to the Group's organisational model became operational in late 2014, information by business area has been prepared in reference to the previous operating structure.

The increase in the Group's operating costs may be attributed to all business units, except for the International Subsidiary Banks (-2.3%), which achieved savings on administrative expenses and adjustments, some of which were due to the exchange rate effect. Banca dei Territori, which accounts for almost 70% of business area costs, was up by 2.4%: the increase in personnel expenses was only partially offset by the containment of administrative expenses. The operating costs of Corporate and Investment Banking (+11.3%) and Eurizon Capital (+17.1%) were affected by higher personnel and administrative expenses. The costs of Banca Fideuram also rose (+4.7%) as a result of the variable portion of personnel expenses.

Operating margin

The operating margin was 8,354 million euro, up compared to 7,950 million euro recorded in 2013 (+5.1%), due to the increase in revenues (+4%), which more than offset the moderate increase in operating costs (+3%). Comparing the fourth quarter and third quarter figures, the operating margin declined by 16.7%, primarily due to the trends in administrative and personnel expenses.

Adjustments to/write-backs on assets

Net provisions for risks and charges

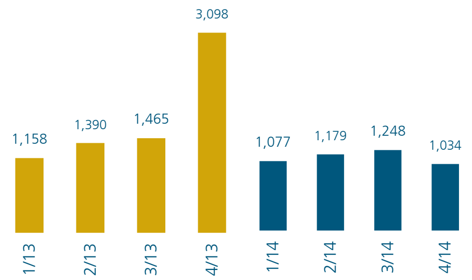
In 2014, net provisions for risks and charges stood at 542 million euro: of this amount, 228 million euro was attributable to provisions of the Hungarian subsidiary CIB Bank, representing a reasonable estimate of the charges resulting from the enactment of legislation, as previously summarised. The total for this caption compares with 314 million euro recorded in the previous year.

Net adjustments to loans

(millions of euro)

	2014	2013	Changes	
			amount	%
Doubtful loans	-2,191	-3,726	-1,535	-41.2
Substandard loans	-1,851	-2,760	-909	-32.9
Restructured loans	-109	-105	4	3.8
Past due loans	-312	-444	-132	-29.7
Performing loans	-49	36	-85	
Net impairment losses on loans	**-4,512**	**-6,999**	**-2,487**	**-35.5**
Net adjustments to guarantees and commitments	**-26**	**-112**	**-86**	**-76.8**
Net adjustments to loans	**-4,538**	**-7,111**	**-2,573**	**-36.2**

Quarterly development
Net adjustments to loans



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

The decrease in net adjustments to loans in 2014, which also account for the captions identified in the Asset Quality Review, benefits from the decrease in the new NPL inflow compared to the previous year.
More specifically, net adjustments to loans amounted to 4,538 million euro, down 36.2% compared to 2013, due to lower provisions, particularly for positions classified as doubtful and substandard. The significant decrease in such adjustments was due both to the slowing of the deterioration of the loan portfolio quality that has been ongoing for years and the significant adjustments recognised in the 2013 financial statements. The effects of the conclusion of the ECB intervention, detailed information concerning the results of which is provided in a specific paragraph of the Executive Summary, were essentially contained.
Action taken on the value of loans has allowed adequate coverage both of non-performing and performing loans to be maintained. Doubtful positions required total net adjustments of 2,191 million euro, down 41.2% compared to 2013, with an average coverage ratio of 62.7%. Net adjustments to substandard loans, totalling 1,851 million euro, were down (-32.9%) compared to the previous year, with a coverage ratio of 23.6%. Net adjustments to past due loans were down as well (-132 million euro or -29.7%). Conversely, net adjustments to restructured loans, of a limited overall value, recorded an increase of 4 million euro. Last, the common reserve is always equal to 0.8% of performing loans to cover the normal inherent risk in this portfolio.

(millions of euro)

	2014				Changes %		
	Fourth quarter (A)	Third quarter (A)	Second quarter (B)	First quarter (C)	(A/B)	(B/C)	(C/D)
Doubtful loans	-594	-478	-561	-558	24.3	-14.8	0.5
Substandard loans	-391	-618	-498	-344	-36.7	24.1	44.8
Restructured loans	-43	-32	-15	-19	34.4		-21.1
Past due loans	-28	-87	-63	-134	-67.8	38.1	-53.0
Performing loans	28	-21	-14	-42		50.0	-66.7
Net losses/recoveries on impairment of loans	**-1,028**	**-1,236**	**-1,151**	**-1,097**	**-16.8**	**7.4**	**4.9**
Net adjustments to/recoveries on guarantees and commitments	**-6**	**-12**	**-28**	**20**	**-50.0**	**-57.1**	
Net adjustments to loans	**-1,034**	**-1,248**	**-1,179**	**-1,077**	**-17.1**	**5.9**	**9.5**

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

In the quarterly analysis, net adjustments to loans amounted to 1,034 million euro in the fourth quarter, lower than 1,248 million euro in the third (-17.1%). The greater provisions for doubtful positions were more than offset by lower adjustments to substandard loans.

Net impairment losses on other assets

In 2014, net impairment losses on other assets amounted to 227 million euro, largely attributable to impairment on Parent Company investments (Istituto di Credito Sportivo, Cassa di Risparmio della Provincia di Chieti, RCS MediaGroup and Giochi Preziosi), as well as property acquired through the conversion of loans by the subsidiary CIB. This result is compared to 417 million euro recognised in 2013.

Profits (Losses) on investments held to maturity and on other investments

Profits on investments held to maturity and on other investments totalled 388 million euro, mainly due to the valuation of non-core investments held by Intesa Sanpaolo in non-financial companies, consistent with the guidelines of the Business Plan. The capital gains may be attributed in particular to the disposals of SIA (173 million euro) and Pirelli & C. (59 million euro), as well as to the transaction involving Lauro 61 (59 million euro). In 2013 the caption had a balance of 2,408 million euro as a result of the fair value measurement of the new stake in the Bank of Italy for a total of 2,558 million euro.

Income before tax from continuing operations

Income before tax from continuing operations came to 3,435 million euro, up 36.5% compared to 2013. Compared to the third quarter, income before tax from continuing operations decreased by 57.9%.

Other income and expense captions

Taxes on income from continuing operations

Current and deferred taxes totalled 1,781 million euro, more than double the figure recorded in 2013 and with a tax rate that increased from 34.6% to 51.8%. This trend was driven by the retroactive increase in substitute tax applied to the higher value of the stake in the Bank of Italy recorded in 2013 financial statements. Such rate increased from 12% to 26%, with a tax effect of 443 million euro in the second quarter.

Charges (net of tax) for integration and exit incentives

The caption amounted to 103 million euro, up from 80 million euro in the previous year, due to the greater charges for personnel exit incentives recorded in 2014, in connection with the planned exit of approximately 170 executives under the union agreement reached in March 2014 (85 million euro).

Effect of purchase price allocation (net of tax)

The caption includes amortisation charges for the intangible assets recognised in compliance with IFRS 3 upon recognition of acquisition transactions. In 2014 these charges stood at 193 million euro, down from the 294 million euro recorded in 2013, as a result of the absence of the "core deposit" intangible, which was entirely written down in the 2013 financial statements.

Impairment (net of tax) of goodwill and other intangible assets

No impairment of goodwill or other intangible assets was recognised in 2014.

Income (Loss) from discontinued operations (net of tax)

In 2014 losses from discontinued operations amounted to 48 million euro, entirely attributable to Pravex-Bank, for which sale negotiations are underway. This figure is compared to the negative balance of 31 million euro recorded in 2013 and referring to the same company.

Net income (loss)

The Group closed 2014 with a net income of 1,251 million euro, a figure which cannot be compared with the net loss of 4,550 million euro in 2013, which was affected by the impairment of intangible assets. This result benefited from the positive performance of the main captions, which represent the bank's core business (on the one hand, an increase in net fee and commission income and net interest income, and, on the other, a decrease in adjustments), despite the presence of significant negative, non-recurring tax items.
The net income for the fourth quarter, 48 million euro, was down from 483 million euro in the third quarter.

Balance sheet aggregates

General aspects

A condensed balance sheet is prepared to permit a more immediate understanding of the Group's assets and liabilities. Where necessary, comparative figures are restated to account for discontinued operations and changes in the scope of consolidation. As usual, certain captions have been aggregated with respect to the model provided in Circular 262/05 of the Bank of Italy.

The restated financial statements are obtained by making appropriate adjustments to historical data to reflect the significant effects of such changes retroactively. Any differences due to the possibility of choosing between different options provided for by IAS/IFRS or arising from the use of different methods or parameters to measure assets and liabilities are not considered, as they are deemed irrelevant. Last, please note that no intragroup relations are netted where their amount is not significant.

Breakdowns of restatements and aggregations of captions are provided in separate tables included in the attachments to the consolidated financial statements, as also required by Consob in its Communication 6064293 of 28 July 2006.

Aggregations of captions refer to:

- the inclusion of Cash and cash equivalents in the residual caption Other assets;
- the inclusion of Hedging derivatives and Fair value change of financial assets/liabilities in hedged portfolios in Other assets/liabilities;
- the inclusion of technical insurance reserves reassured with third parties in Other assets;
- the aggregation in one single caption of Property and equipment and Intangible assets;
- the aggregation of Due to customers and Securities issued in just one caption;
- the aggregation into one caption of allowances for specific purposes (Employee termination indemnities and Allowances for risks and charges);
- the presentation of Reserves as an aggregate and net of any treasury shares.

Again, to provide a more effective presentation of the composition of aggregates, derivatives recorded in Financial assets/liabilities held for trading and Due from/Due to banks are presented on a net basis in the tables and in the relative comments.

Reclassified balance sheet

(millions of euro)

Assets	31.12.2014	31.12.2013	Changes amount	%
Financial assets held for trading	53,741	49,000	4,741	9.7
of which: Insurance Companies	*785*	*851*	*-66*	*-7.8*
Financial assets designated at fair value through profit and loss	43,863	35,761	8,102	22.7
of which: Insurance Companies	*42,657*	*34,776*	*7,881*	*22.7*
Financial assets available for sale	124,150	115,293	8,857	7.7
of which: Insurance Companies	*71,604*	*54,278*	*17,326*	*31.9*
Investments held to maturity	1,471	2,051	-580	-28.3
Due from banks	31,372	26,448	4,924	18.6
Loans to customers	339,105	343,789	-4,684	-1.4
Investments in associates and companies subject to joint control	1,944	1,909	35	1.8
Property, equipment and intangible assets	12,127	12,478	-351	-2.8
Tax assets	14,431	14,921	-490	-3.3
Non-current assets held for sale and discontinued operations	229	583	-354	-60.7
Other assets	23,994	21,946	2,048	9.3
Total Assets	**646,427**	**624,179**	**22,248**	**3.6**

Liabilities and Shareholders' Equity	31.12.2014	31.12.2013	Changes amount	%
Due to banks	51,495	52,244	-749	-1.4
Due to customers and securities issued	354,506	366,974	-12,468	-3.4
of which: Insurance Companies	*1,289*	*534*	*755*	
Financial liabilities held for trading	46,376	39,219	7,157	18.2
of which: Insurance Companies	*333*	*299*	*34*	*11.4*
Financial liabilities designated at fair value through profit and loss	37,622	30,733	6,889	22.4
of which: Insurance Companies	*37,622*	*30,723*	*6,899*	*22.5*
Tax liabilities	2,323	2,236	87	3.9
Liabilities associated with non-current assets held for sale and discontinued operations	201	292	-91	-31.2
Other liabilities	23,868	20,943	2,925	14.0
Technical reserves	79,701	62,236	17,465	28.1
Allowances for specific purpose	5,273	4,239	1,034	24.4
Share capital	8,725	8,546	179	2.1
Reserves	36,329	41,598	-5,269	-12.7
Valuation reserves	-1,622	-1,074	548	51.0
Minority interests	379	543	-164	-30.2
Net income (loss)	1,251	-4,550	5,801	
Total Liabilities and Shareholders' Equity	**646,427**	**624,179**	**22,248**	**3.6**

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

In 2014 Intesa Sanpaolo’s consolidated assets increased compared to the end of 2013 (+3.6%). With regard to assets, there were increases in financial assets available for sale (+8.9 billion euro), financial assets designated at fair value through profit and loss (+8.1 billion euro), financial assets held for trading (+4.7 billion euro), amounts due from banks (+4.9 billion euro), and other assets (+2 billion euro). Conversely, there were decreases in loans to customers (-4.7 billion euro) due to the persistent difficulties of the economic cycle, which weakened lending activity, especially to non-financial companies. Among liabilities, the decline in amounts due to customers and securities issued (-12.5 billion euro) was offset by increases in technical reserves (+17.5 billion euro) and financial liabilities designated at fair value through profit or loss (+6.9 billion euro), both of which are attributable to the Group's insurance companies, as well as financial liabilities held for trading (+7.2 billion euro) and other liabilities (+2.9 billion euro).

Quarterly development of the reclassified balance sheet

(millions of euro)

Assets	2014				2013			
	31/12	30/9	30/6	31/3	31/12	30/9	30/6	31/3
Financial assets held for trading	53,741	55,445	52,071	52,352	49,000	53,314	55,892	61,543
of which: Insurance Companies	*785*	*745*	*763*	*834*	*851*	*731*	*993*	*940*
Financial assets designated at fair value through profit and loss	43,863	40,197	38,459	36,665	35,761	35,876	35,370	34,906
of which: Insurance Companies	*42,657*	*39,024*	*37,303*	*35,539*	*34,776*	*34,781*	*34,275*	*33,881*
Financial assets available for sale	124,150	115,391	118,350	113,424	115,293	102,921	103,921	97,027
of which: Insurance Companies	*71,604*	*63,628*	*61,395*	*57,098*	*54,278*	*46,526*	*45,097*	*42,454*
Investments held to maturity	1,471	1,465	1,455	1,526	2,051	2,120	2,130	2,150
Due from banks	31,372	29,437	30,882	28,052	26,448	32,534	31,264	38,277
Loans to customers	339,105	337,265	332,211	339,020	343,789	349,440	358,143	371,270
Investments in associates and companies subject to joint control	1,944	2,170	2,128	1,951	1,909	2,586	2,614	2,629
Property, equipment and intangible assets	12,127	12,104	12,200	12,304	12,478	19,317	19,446	19,573
Tax assets	14,431	15,109	14,973	14,938	14,921	13,691	13,508	12,657
Non-current assets held for sale and discontinued operations	229	277	369	468	583	533	619	585
Other assets	23,994	24,844	25,207	24,433	21,946	25,278	22,907	24,349
Total Assets	**646,427**	**633,704**	**628,305**	**625,133**	**624,179**	**637,610**	**645,814**	**664,966**

Liabilities and Shareholders' Equity	2014				2013			
	31/12	30/9	30/6	31/3	31/12	30/9	30/6	31/3
Due to banks	51,495	34,495	34,557	41,819	52,244	64,993	67,522	72,775
Due to customers and securities issued	354,506	367,118	370,175	366,795	366,974	359,878	368,833	376,353
of which: Insurance Companies	*1,289*	*544*	*568*	*569*	*534*	*558*	*81*	*132*
Financial liabilities held for trading	46,376	44,573	41,183	41,482	39,219	40,506	44,318	49,742
of which: Insurance Companies	*333*	*416*	*411*	*369*	*299*	*62*	*50*	*99*
Financial liabilities designated at fair value through profit and loss	37,622	35,461	33,441	31,433	30,733	30,027	29,257	28,130
of which: Insurance Companies	*37,622*	*35,453*	*33,433*	*31,424*	*30,723*	*30,016*	*29,246*	*28,120*
Tax liabilities	2,323	3,091	2,593	2,825	2,236	3,594	2,983	3,979
Liabilities associated with non-current assets held for sale and discontinued operations	201	211	203	212	292	322	353	364
Other liabilities	23,868	24,194	25,992	23,394	20,943	24,812	21,858	23,297
Technical reserves	79,701	74,759	70,694	67,210	62,236	59,088	56,633	55,552
Allowances for specific purpose	5,273	4,675	4,694	4,360	4,239	4,319	4,404	4,825
Share capital	8,725	8,554	8,549	8,549	8,546	8,546	8,546	8,546
Reserves	36,329	36,166	36,230	37,031	41,598	41,604	41,566	42,421
Valuation reserves	-1,622	-1,308	-1,241	-1,076	-1,074	-1,305	-1,443	-1,894
Minority interests	379	512	515	596	543	586	562	570
Net income (loss)	1,251	1,203	720	503	-4,550	640	422	306
Total Liabilities and Shareholders' Equity	**646,427**	**633,704**	**628,305**	**625,133**	**624,179**	**637,610**	**645,814**	**664,966**

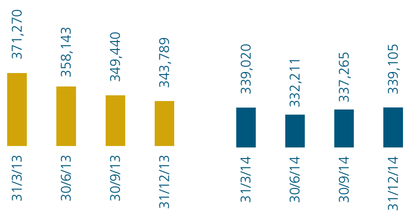
Figures restated, where necessary, considering the changes in the scope of consolidation and discontinued operations.

Loans to customers

(millions of euro)

	31.12.2014	% breakdown	31.12.2013	% breakdown	Changes amount	Changes %
Current accounts	27,025	8.0	29,464	8.6	-2,439	-8.3
Mortgages	135,834	40.0	143,628	41.8	-7,794	-5.4
Advances and other loans	112,021	33.0	109,788	31.9	2,233	2.0
Commercial banking loans	**274,880**	**81.0**	**282,880**	**82.3**	**-8,000**	**-2.8**
Repurchase agreements	**16,927**	**5.0**	**15,059**	**4.4**	**1,868**	**12.4**
Loans represented by securities	**13,837**	**4.1**	**14,863**	**4.3**	**-1,026**	**-6.9**
Non-performing loans	**33,461**	**9.9**	**30,987**	**9.0**	**2,474**	**8.0**
Loans to customers	**339,105**	**100.0**	**343,789**	**100.0**	**-4,684**	**-1.4**

Quarterly development Loans to customers



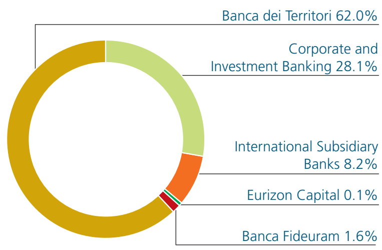
Figures restated, where necessary, considering the changes in the scope of consolidation and discontinued operations.

As at 31 December 2014, the Intesa Sanpaolo Group's loans to customers amounted to approximately 339 billion euro, down 1.4% compared to the end of the previous year.
The decrease in loans over the year was essentially due to the 8 billion euro reduction in commercial banking loans (-2.8%). This decrease, affected by the economic cycle, translated into a decrease in mortgages of 7.8 billion euro (-5.4%) and in current accounts of 2.4 billion euro (-8.3%). This performance reflects, on the one hand, the weak demand for business medium-/long-term loans, to be attributed to the decline in new investments, and, on the other, the strict criteria adopted for the assessment of creditworthiness. Conversely, advances and other loans showed signs of recovery (+2%, or 2.2 billion euro), reversing the downtrend seen in 2013 and the first half of 2014. Also contributing to the overall change in loans was the decline in loans represented by securities, the balance of which decreased by 1 billion euro (-6.9%) and, on the positive side, the increase in reverse repurchase agreements (+12.4%).
In the domestic medium-/long-term loan market, disbursements to households (including the small business and non-profit segments) totalled 9.4 billion euro in 2014, while disbursements to businesses under Banca dei Territori scope (including companies with turnover of up to 350 million euro) amounted to approximately 6.9 billion euro. During the same period, medium-/long-term disbursements to segments included in the new scope of the Corporate Division in Italy amounted to approximately 9 billion euro.
As at 31 December 2014, the Group's share of the domestic market (calculated on the harmonised time-series established for countries in the Eurozone) came to 15% of total loans.

(millions of euro)

	31.12.2014	31.12.2013	Changes amount	Changes %
Banca dei Territori	200,566	209,556	-8,990	-4.3
Corporate and Investment Banking	91,017	90,907	110	0.1
International Subsidiary Banks	26,398	27,015	-617	-2.3
Eurizon Capital	473	281	192	68.3
Banca Fideuram	5,291	4,730	561	11.9
Total business areas	**323,745**	**332,489**	**-8,744**	**-2.6**
Corporate Centre	15,360	11,300	4,060	35.9
Intesa Sanpaolo Group	**339,105**	**343,789**	**-4,684**	**-1.4**

Business areas



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

Since the changes to the Group's organisational model became operational in late 2014, information by business area has been prepared in reference to the previous operating structure.

In the analysis of loans by business area, Banca dei Territori, which accounts for over 60% of the aggregate of the Group's business areas, recorded a decrease of 4.3% compared to the end of the previous year, attributable in particular to medium-/long-term loans to small and medium businesses as a result of the reduction of investments. There was also a decline in the International Subsidiary Banks loans (-2.3%), particularly those of the subsidiaries operating in Hungary, Russia and Croatia. Corporate and Investment Banking loans remained stable (+0.1%): the lesser use of loans by Italian and international corporate customers as well as by those of the Irish subsidiary was offset by the development of reverse repurchase agreement transactions with institutional operators and financial intermediaries by Banca IMI, and by greater business with Trade Finance and Correspondent Banking customers. Conversely, Banca Fideuram, which presented a stock of loans of modest overall amount, showed an increase (+11.9%), largely attributable to the increase in current account facilities and debt securities. The positive trend in Corporate Centre loans (+35.9%) is largely attributable to increased reverse repurchase agreement transactions with Cassa di Compensazione e Garanzia.

Loans to customers: loan portfolio quality

(millions of euro)

	31.12.2014		31.12.2013		Changes
	Net exposure	% breakdown	Net exposure	% breakdown	Net exposure
Doubtful loans	14,178	4.2	12,899	3.8	1,279
Substandard loans	15,485	4.6	13,815	4.0	1,670
Restructured loans	2,546	0.8	2,315	0.7	231
Past due loans	1,252	0.3	1,958	0.5	-706
Non-performing loans	**33,461**	**9.9**	**30,987**	**9.0**	**2,474**
Performing loans	291,807	86.0	297,939	86.7	-6,132
Performing loans represented by securities	13,837	4.1	14,863	4.3	-1,026
Loans to customers	**339,105**	**100.0**	**343,789**	**100.0**	**-4,684**

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

(millions of euro)

	31.12.2014			31.12.2013			Changes
	Gross exposure	Total adjustments	Net exposure	Gross exposure	Total adjustments	Net exposure	Net exposure
Doubtful loans	38,043	-23,865	14,178	34,403	-21,504	12,899	1,279
Substandard loans	20,265	-4,780	15,485	17,979	-4,164	13,815	1,670
Restructured loans	3,091	-545	2,546	2,728	-413	2,315	231
Past due loans	1,468	-216	1,252	2,232	-274	1,958	-706
Non-performing loans	**62,867**	**-29,406**	**33,461**	**57,342**	**-26,355**	**30,987**	**2,474**
Performing loans	294,169	-2,362	291,807	300,341	-2,402	297,939	-6,132
Performing loans represented by securities	14,111	-274	13,837	15,207	-344	14,863	-1,026
Loans to customers	**371,147**	**-32,042**	**339,105**	**372,890**	**-29,101**	**343,789**	**-4,684**

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

As at 31 December 2014, the Group's non-performing loans, net of adjustments, increased compared to the end of the previous year (+8%), accounting for a larger share of total loans to customers (9.9%). During the year, the Group continued to maintain a rigorous provisioning policy suited to covering expected losses, while taking account of collateral and guarantees. Specific coverage of non-performing loans came to 46.8%, slightly higher than at the end of 2013 (46%).
In further detail, doubtful loans came to 14.2 billion euro, net of adjustments, at the end of 2014, up 9.9% on an annual basis and represented 4.2% of total loans, with an increased coverage ratio of 62.7%. Substandard loans increased (+12.1%) compared to 31 December 2013 to reach 15.5 billion euro with a 4.6% impact on total loans to customers: the coverage ratio rose to 23.6%. Restructured loans stood at 2.5 billion euro, recording an increase of 10%, with an impact on total loans of 0.8% and a coverage ratio of 17.6%. Past due loans totalled 1.3 billion euro, down 36.1% compared to the end of 2013, with a coverage ratio of 14.7%.
The coverage ratio for performing loans was 0.8%, stable compared to the end of 2013.

Detailed information concerning the results of the Asset Quality Review (AQR), the exercise conducted by the ECB in 2014, as specifically disclosed to the market, is provided in the specific section of the Executive Summary.

Customer financial assets

(millions of euro)

	31.12.2014	% breakdown	31.12.2013	% breakdown	Changes amount	Changes %
Direct deposits from banking business	359,629	43.5	372,066	46.3	-12,437	-3.3
Direct deposits from insurance business and technical reserves	118,612	14.4	93,493	11.6	25,119	26.9
Indirect customer deposits	465,777	56.3	430,287	53.6	35,490	8.2
Netting [(a)]	-117,323	-14.2	-92,484	-11.5	24,839	26.9
Customer financial assets	**826,695**	**100.0**	**803,362**	**100.0**	**23,333**	**2.9**

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

[(a)] Netting refers to components of indirect deposits which are also included in direct customer deposits (financial liabilities of the insurance business designated at fair value and technical reserves).

As at 31 December 2014, customer financial assets stood at 827 billion euro, up 2.9% on an annual basis, attributable to direct deposits from insurance business and indirect customer deposits. The insurance segment recorded a 25.1 billion euro increase (+26.9%) as a result both of the increase in life insurance business technical reserves representing traditional policies and, to a lesser extent, the rise in financial liabilities designated at fair value associated with unit-linked products. Indirect customer deposits grew (+8.2%), driven by the assets under management component. Direct deposits from banking business recorded a decrease (-3.3%), chiefly attributable to declines in bonds and, to a lesser extent, current accounts and deposits.

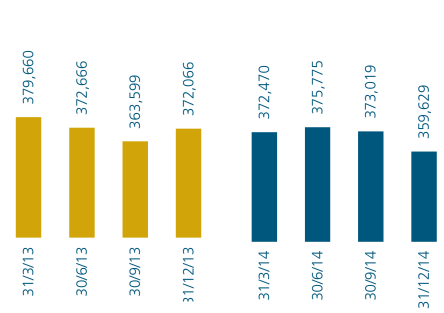
Direct deposits from banking business

The table below sets out amounts due to customers, securities issued, including those designated at fair value, and capital-protected certificates.

(millions of euro)

	31.12.2014	% breakdown	31.12.2013	% breakdown	Changes amount	Changes %
Current accounts and deposits	199,622	55.5	203,319	54.7	-3,697	-1.8
Repurchase agreements and securities lending	20,572	5.7	15,633	4.2	4,939	31.6
Bonds	98,864	27.5	118,383	31.8	-19,519	-16.5
of which designated at fair value [(*)]	-	-	*10*	-	*-10*	
Certificates of deposit	6,834	1.9	4,453	1.2	2,381	53.5
Subordinated liabilities	14,504	4.0	13,080	3.5	1,424	10.9
Other deposits	19,233	5.4	17,198	4.6	2,035	11.8
of which designated at fair value [(**)]	*6,412*	*1.8*	*5,616*	*1.5*	*796*	*14.2*
Direct deposits from banking business	**359,629**	**100.0**	**372,066**	**100.0**	**-12,437**	**-3.3**

Quarterly development
Direct deposits from banking business



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

[(*)] Figures included in the Balance sheet under Financial liabilities designated at fair value through profit and loss.

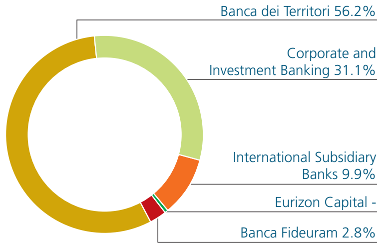
[(**)] Figures included in the Balance sheet under Financial liabilities held for trading.

Direct deposits from banking business of 360 billion euro decreased compared to the end of December 2013 (-3.3%), with performances diverging according to the main deposit types.
There were declines in bonds (-16.5%, or -19.5 billion euro), which recorded a decrease in the renewal of maturing securities, and current accounts and deposits (-1.8%, or -3.7 billion euro), owing in part to less interest by customers in savings deposits. Certificates of deposit increased sharply (+53.5%), essentially due to the increase of issues by international branches. Repurchase agreements and securities lending, which are primarily financial in nature, recorded an increase of 4.9 billion euro (+31.6%). Increases were also reported by other deposits (+11.8%), mainly due to commercial papers and capital-protected certificates issued by Banca IMI and designated at fair value, and subordinated liabilities (+10.9%).
At the end of December 2014, the share of the Group's direct deposits on the harmonised domestic market, consisting of deposits and bonds, according to the ECB definition, was 15.2%.

(millions of euro)

	31.12.2014	31.12.2013	Changes	
			amount	%
Banca dei Territori	176,078	193,799	-17,721	-9.1
Corporate and Investment Banking	97,400	113,956	-16,556	-14.5
International Subsidiary Banks	31,078	30,182	896	3.0
Eurizon Capital	9	3	6	
Banca Fideuram	8,660	7,256	1,404	19.3
Total business areas	**313,225**	**345,196**	**-31,971**	**-9.3**
Corporate Centre	46,404	26,870	19,534	72.7
Intesa Sanpaolo Group	**359,629**	**372,066**	**-12,437**	**-3.3**

Business areas



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

Since the changes to the Group's organisational model became operational in late 2014, information by business area has been prepared in reference to the previous operating structure.

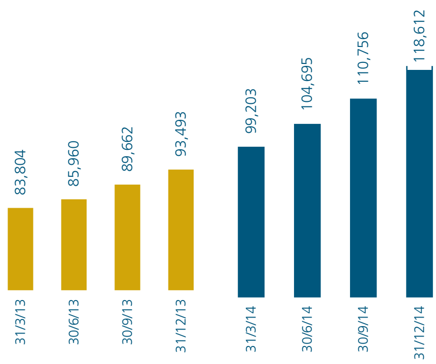
The breakdown by Group business areas shows that Banca dei Territori, which accounts for over half of the aggregate attributable to the Group's total business areas, declined by 9.1% on an annual basis, due to the downtrend in securities issued, associated with the maturity of retail bonds. Corporate and Investment Banking also recorded a decrease (-14.5%), mainly attributable to the decline in securities transactions by Banca IMI and, to a lesser extent, the decrease in Global Banking & Transaction Department deposits. Conversely, Banca Fideuram's funding increased (+19.3%), primarily as a result of the current account deposits and time deposits of ordinary customers, as did the funding of the International Subsidiary Banks (+3%), essentially in the amounts due to customers segment. The increase in the Corporate Centre's funding (+72.7%) is to be viewed in the light of the expansion of repurchase agreements with institutional counterparties and the issue of wholesale securities, certificates and commercial papers.

Direct deposits from insurance business and technical reserves

(millions of euro)

	31.12.2014		31.12.2013		Changes	
		% breakdown		% breakdown	amount	%
Financial liabilities of the insurance business designated at fair value (*)	**37,622**	**31.7**	**30,723**	**32.9**	**6,899**	**22.5**
Index-linked products	*449*	*0.4*	*1,099*	1.2	*-650*	*-59.1*
Unit-linked products	*37,173*	*31.3*	*29,624*	31.7	*7,549*	*25.5*
Technical reserves	**79,701**	**67.2**	**62,236**	**66.5**	**17,465**	**28.1**
Life business	79,217	66.8	61,761	66.0	17,456	28.3
Mathematical reserves	*67,466*	*56.9*	*55,304*	*59.1*	*12,162*	*22.0*
Technical reserves where the investment risk is borne by the policyholders (**) and reserves related to pension funds	*5,314*	*4.5*	*4,766*	*5.1*	*548*	*11.5*
Other reserves	*6,437*	*5.4*	*1,691*	*1.8*	*4,746*	
Non-life business	*484*	0.4	*475*	0.5	9	1.9
Other insurance deposits (***)	**1,289**	**1.1**	**534**	**0.6**	**755**	
Direct deposits from insurance business and technical reserves	**118,612**	**100.0**	**93,493**	**100.0**	**25,119**	**26.9**

Quarterly development Direct insurance deposits and technical reserves



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

(*) Figures included in the Balance sheet under Financial liabilities designated at fair value through profit and loss.

(**) This caption includes unit- and index-linked policies with significant insurance risk.

(***) Figures included in the Balance sheet under Due to customers and securities issued.

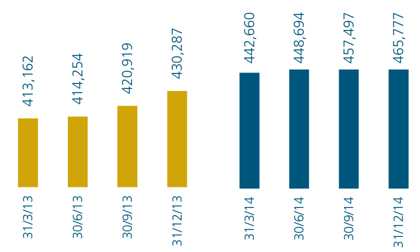
Direct deposits from insurance business came to nearly 119 billion euro at the end of December 2014, up 26.9% on an annual basis. Technical reserves, which represent the amounts owed to customers subscribing to traditional policies, recorded a net increase of 17.5 billion euro (+28.1%), attributable to life business. This performance was largely due to the improvement in mathematical reserves and, to a lesser extent, deferred liabilities to policyholders (included among other reserves), as a result of positive financial market performance. There was also an increase in technical reserves associated with unit- and index-linked policies with significant insurance risk and with pension funds. Insurance segment financial liabilities designated at fair value increased by 6.9 billion euro (+22.5%), thanks to the contribution from unit-linked products.

Indirect customer deposits

(millions of euro)

	31.12.2014	% breakdow	31.12.2013	% breakdow	Changes amount	Changes %
Mutual funds (*)	76,335	16.4	66,899	15.5	9,436	14.1
Open-ended pension funds and individual pension plans	5,193	1.1	5,122	1.2	71	1.4
Portfolio management	101,790	21.9	85,108	19.8	16,682	19.6
the insurance business	109,264	23.4	91,152	21.2	18,112	19.9
Relations with institutional customers	9,133	2.0	10,289	2.4	-1,156	-11.2
Assets under management	**301,715**	**64.8**	**258,570**	**60.1**	**43,145**	**16.7**
Assets under administration and in custody	**164,062**	**35.2**	**171,717**	**39.9**	**-7,655**	**-4.5**
Indirect customer deposits	**465,777**	**100.0**	**430,287**	**100.0**	**35,490**	**8.2**

Quarterly development Indirect customer deposits



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

(*) The caption includes mutual funds established and managed by Eurizon Capital, Banca Fideuram and several international companies. The caption does not include funds held by Group insurance companies and managed by Eurizon Capital, whose values are included in technical reserves, or the contribution of funds established by third parties and managed by Banca Fideuram, whose value is included in assets under administration and in custody.

As at 31 December 2014, indirect customer deposits totalled around 466 billion euro, up 8.2% compared to the end of the previous year. During the year, customers continued to reposition into forms of professional asset management, which were the priority destination for new funding inflows. Assets under management, which account for nearly two thirds of the total aggregate, increased by 43.1 billion euro on an annual basis (+16.7%), owing to their revaluation and to net inflows. All main technical forms making up assets under management performed well, continuing the positive trend that had started in the first quarter of 2013: portfolio management increased by 16.7 billion euro (+19.6%), life insurance policies by 18.1 billion euro (+19.9%) and mutual funds by 9.4 billion euro (+14.1%). Contributions by collective and individual pension forms showed a slight growth (+1.4%), whereas relations with institutional customers decreased (-11.2%).
Assets under administration decreased by 7.7 billion euro (-4.5%), partially due to the aforementioned repositioning into assets under management.

Financial assets and liabilities

(millions of euro)

	31.12.2014	*of which Insurance Companies*	31.12.2013	*of which Insurance Companies*	Changes amount	Changes %
Financial assets held for trading	53,741	*785*	49,000	*851*	4,741	9.7
of which derivatives at fair value	*36,729*	*8*	*29,909*	*10*	*6,820*	*22.8*
Financial assets designated at fair value through profit and loss	43,863	*42,657*	35,761	*34,776*	8,102	22.7
Financial assets available for sale	124,150	*71,604*	115,293	*54,278*	8,857	7.7
Investments held to maturity	1,471		2,051		-580	-28.3
Total financial assets	**223,225**	***115,046***	**202,105**	***89,905***	**21,120**	**10.5**
Financial liabilities held for trading (*)	**-39,964**	***-333***	**-33,603**	***-299***	**6,361**	**18.9**
of which derivatives at fair value	*-37,774*	*-333*	*-30,568*	*-299*	*7,206*	*23.6*

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

(*) The amount of the item does not include capital protected certificates which are included in the direct customer deposits table.

The table above illustrates the breakdown of financial assets and the financial liabilities held for trading. Financial liabilities designated at fair value, referring to insurance business, certain bond issues designated at fair value and capital-protected certificates are not represented as these are included in the direct deposits aggregates.
Total financial assets rose by 10.5% as a result of upturns in all components except investments held to maturity. In particular, financial assets held for trading recorded an increase of 4.7 billion euro (+9.7%), essentially attributable to trading derivatives; financial assets designated at fair value through profit and loss increased by 8.1 billion euro (+22.7%), primarily attributable to equities and quotas of UCI, and financial assets available for sale increased by 8.9 billion euro (+7.7%), particularly bonds and other debt securities.

Net financial assets held for trading and financial assets designated at fair value through profit and loss

(millions of euro)

	31.12.2014		31.12.2013		Changes	
		of which Insurance Companies		*of which Insurance Companies*	amount	%
Bonds and other debt securities held for trading and designated at fair value through profit and loss	19,094	*3,792*	20,892	*3,713*	-1,798	-8.6
of which designated at fair value (fair value option)	*4,517*	*3,425*	*4,140*	*3,270*	*377*	*9.1*
Equities and quotas of UCI held for trading and designated at fair value through profit and loss	41,620	*39,481*	33,771	*31,715*	7,849	23.2
of which designated at fair value (fair value option)	*39,185*	*39,071*	*31,432*	*31,317*	*7,753*	*24.7*
Other assets designated at fair value through profit and loss	161	*161*	189	*189*	-28	-14.8
Securities, assets held for trading and financial assets designated at fair value through profit and loss	**60,875**	***43,434***	**54,852**	***35,617***	**6,023**	**11.0**
Financial liabilities held for trading (*)	**-2,190**	-	**-3,035**	-	**-845**	**-27.8**
Net value of financial derivatives	-806	*-289*	-354	*-238*	452	
Net value of credit derivatives	-239	*-36*	-305	*-51*	-66	-21.6
Net value of trading derivatives	**-1,045**	*-325*	**-659**	*-289*	**386**	**58.6**
Financial assets / liabilities, net	**57,640**	***43,109***	**51,158**	***35,328***	**6,482**	**12.7**

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

(*) The amount of the item does not include capital protected certificates which are included in the direct customer deposits table.

Financial assets held for trading, net of the associated liabilities, and financial assets designated at fair value through profit and loss amounted to 58 billion euro, up 12.7% compared to the end of 2013. In detail, this performance was due to an increase in the stock of equities and quotas of UCI held for trading and designated at fair value, which more than offset the decrease in bonds and other debt securities. Financial liabilities held for trading declined, whilst the net value of trading derivatives recorded greater negative balances at the end of December 2014 attributable to the financial component.

Financial assets available for sale

(millions of euro)

	31.12.2014		31.12.2013		Changes	
		of which Insurance Companies		*of which Insurance Companies*	amount	%
Bonds and other debt securities	112,905	*66,122*	106,781	*51,447*	6,124	5.7
Equities and quotas of UCI	11,233	*5,482*	8,474	*2,831*	2,759	32.6
Securities available for sale	**124,138**	***71,604***	**115,255**	***54,278***	**8,883**	**7.7**
Loans available for sale	**12**	-	**38**	-	**-26**	**-68.4**
Financial assets available for sale	**124,150**	***71,604***	**115,293**	***54,278***	**8,857**	**7.7**

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

Financial assets available for sale amounted to over 124 billion euro, up 7.7% compared to the figure as at 31 December 2013. The caption consists primarily of bonds and other debt securities not held for trading and, to a marginal extent, of equities. Financial assets available for sale are measured at fair value with a balancing entry in the specific shareholders' equity reserve.

Net interbank position

The net interbank position as at 31 December 2014 came to a negative 20.1 billion euro, an improvement on the figure recorded at the end of 2013 (-25.8 billion euro). The reduction of net interbank debt was driven by partial repayment of the financing obtained from the European Central Bank, largely consisting, at the end of 2014, of funds obtained through participation in the September and December TLTRO auctions.

Non-current assets held for sale and discontinued operations and related liabilities

(millions of euro)

	31.12.2014	31.12.2013	Changes	
			amount	%
Investments in associates and companies subject to joint control	-	161	-161	
Property and equipment	24	29	-5	-17.2
Other	-	-	-	-
Individual assets	**24**	**190**	**-166**	**-87.4**
Discontinued operations	**205**	**393**	**-188**	**-47.8**
of which: loans to customers	*122*	*234*	*-112*	*-47.9*
Liabilities associated with non-current assets held for sale and discontinued operations	**-201**	**-292**	**-91**	**-31.2**
Non-current assets held for sale and discontinued operations and related liabilities	**28**	**291**	**-263**	**-90.4**

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

This caption contains assets and related liabilities that no longer refer to continuing operations as they are being disposed of. At the end of December 2014, assets held for sale amounted to 28 million euro, down from the 291 million euro recognised at the end of 2013, following the disposal of equity investments and the decrease in the assets and liabilities attributable to Pravex Bank.

Shareholders' equity

As at 31 December 2014, the Group's shareholders' equity, including net income for the period, came to 44,683 million euro compared to the 44,520 million euro at the end of the previous year. The change in shareholders' equity was primarily due to the performance of reserves, the increase in the negative balance of valuation reserves, as illustrated below, and to the net income for 2014. During 2014, share capital increased from 8,546 million euro at the end of December 2013 to 8,725 million euro at the end of December 2014 as a consequence of the finalisation of the merger of Centro Leasing and Mediofactoring into the Parent Company, and in the context of the employee investment plan known as the Leveraged Employee Co-Investment Plan (LECOIP).

Valuation reserves

(millions of euro)

	Valuation reserves as at 31.12.2013	Change in the period	Valuation reserves as at 31.12.2014	
				% breakdown
Financial assets available for sale	363	477	840	-51.8
of which: Insurance Companies	*319*	*298*	*617*	*-38.0*
Property and equipment	-	-	-	-
Cash flow hedges	-878	-484	-1,362	84.0
Legally-required revaluations	359	-9	350	-21.6
Other	-918	-532	-1,450	89.4
Valuation reserves	**-1,074**	**-548**	**-1,622**	**100.0**

As at 31 December 2014, the negative balance of the Group's valuation reserves came to -1,622 million euro, increasing compared to end of 2013, when they were also negative at -1,074 million euro. Valuation reserve's performance varied during the year: it was positive for reserves for financial assets available for sale (+477 million euro), particularly debt securities included in the insurance companies' portfolios, and negative for cash flow hedges (-484 million euro). Other reserves decreased by 532 million euro, chiefly attributable to the actuarial valuation of defined-benefit pension funds and employee termination indemnities, which were influenced by the decrease in rates (-397 million euro), with the remainder (-135 million euro) due to changes in exchange rates. Legally required revaluations decreased by 9 million euro.

Own funds and capital ratios

(millions of euro)

Own funds and capital ratios	31.12.2014
Own funds	
Common Equity Tier 1 capital (CET1) net of regulatory adjustments	36,547
Additional Tier 1 capital (AT1) net of regulatory adjustments	1,700
TIER 1 CAPITAL	**38,247**
Tier 2 capital net of regulatory adjustments	8,043
TOTAL OWN FUNDS	**46,290**
Risk-weighted assets	
Credit and counterparty risks	231,394
Market and settlement risk	16,476
Operational risks	21,157
Other specific risks (a)	763
RISK-WEIGHTED ASSETS	**269,790**
% Capital ratios	
Common Equity Tier 1 capital ratio	13.5%
Tier 1 capital ratio	14.2%
Total capital ratio	17.2%

[a] Including, inter alia, further specific capital requirements, in terms of risk-weighted assets, demanded by the Supervisory Authority to specific Group entities.

Own funds, risk weighted assets (RWAs) and the capital ratios at 31 December 2014 were calculated according to the new harmonised rules and regulations for banks and investment companies contained in Directive 2013/36/EU (CRD IV) and in (EU) Regulation no. 575/2013 (CRR) of 26 June 2013, which transpose the banking supervision standards defined by the Basel Committee (the "Basel 3 Framework") to European Union laws, and on the basis of Bank of Italy Circulars 285, 286 and 154.
Regulatory provisions governing own funds envisage the gradual introduction of the new regulatory framework, through a transitional period generally lasting until 2017, during which several elements that will be eligible for full inclusion in or deduction from Common Equity when the framework is fully effective, will only have a partial percentage effect on Common Equity Tier 1 capital (CET1). Generally, the residual percentage, after the applicable portion, is included in/deducted from Additional Tier 1 capital (AT1) or Tier 2 capital (T2), or is considered among risk-weighted assets.
Specific transitional provisions have also been established for subordinated instruments that do not meet the requirements envisaged in the new regulatory provisions, aimed at the gradual exclusion of instruments no longer regarded as eligible from own funds (over a period of eight years). Accordingly, the prudential ratios as at 31 December 2014 take account of the adjustments envisaged by the transitional provisions for 2014.
The prudential treatment of the stake in the Bank of Italy involves weighting it among RWAs as an "equity exposure".
On that basis, as at 31 December 2014, total own funds came to 46,290 million euro, against risk-weighted assets of 269,790 million euro, resulting primarily from credit and counterparty risk and, to a lesser extent, operational and market risk.
The total capital ratio stood at 17.2%, while the ratio of the Group's tier 1 capital to its total risk-weighted assets (its tier 1 ratio) was 14.2%. The ratio of Common Equity Tier 1 capital (CET1) to risk-weighted assets (the common equity ratio) was 13.5%.
Article 26 (2) of Regulation 575/2013 provides that institutions may include interim or year-end profits in Common Equity Tier 1 capital before formal approval by the competent corporate body (net of the corresponding dividends) if and only if:
a) the profits have been verified by the independent auditors;
b) the institution has demonstrated to the competent supervisory authority that any foreseeable charge or dividend has been deducted from the amount of the profits.

Since Intesa Sanpaolo and most of the Group's companies approved their 2014 draft financial statements after the deadline for submitting reporting streams as at 31 December 2014 to the European banking supervisory authorities, the first of the above conditions was not met, given that the independent auditors may only issue their report certifying the financial statements after the financial statements have been approved by the competent corporate body.
Accordingly, Common Equity Tier 1 capital (and the corresponding capital ratios) does not take account of either the 2014 net income or the corresponding dividends, distribution of which will be submitted to the Shareholders' Meeting of 27 April 2015 for approval.
If it had been possible to take account of both the net income of 1,251 million euro and the corresponding dividends totalling 1,185 million euro, capital ratios would have remained essentially unchanged, with the exception of the Common Equity Tier 1 (CET1) ratio, which would have risen from 13.5% to 13.6%.
Finally, on the basis of Article 467 (2) of the CRR, adopted by the Bank of Italy in Circular 285, the Intesa Sanpaolo Group has opted to exclude unrealised gains or losses on exposures to central administrations classified among financial assets available for sale (AFS) from its own funds. The effect on Common Equity Tier 1 capital as at 31 December 2014 was four basis point negative.

Reconciliation of shareholders' equity and Common Equity Tier 1 capital

(millions of euro)

Captions	31.12.2014
Group Shareholders' equity	44,683
Minority interests	379
Shareholders' equity as per the Balance Sheet	**45,062**
Dividend to Intesa Sanpaolo shareholders [(a)]	-
Shareholders' equity following distribution to shareholders	**45,062**
Adjustments for instruments eligible for inclusion in AT1 or T2	
- Capital of savings shares eligible for inclusion in AT1	-485
- Minority interests eligible for inclusion in AT1	-6
- Minority interests eligible for inclusion in T2	-5
- Ineligible minority interests on full phase-in	-322
- Ineligible net income for the period [(b)]	-1,251
- Treasury shares included under regulatory adjustments	63
- Other ineligible components on full phase-in	11
Common Equity Tier 1 capital (CET1) before regulatory adjustments	**43,067**
Regulatory adjustments (including transitional adjustments)	**-6,520**
Common Equity Tier 1 capital (CET1) net of regulatory adjustments	**36,547**

[(a)] Not including the dividend to be distributed in 2015.

[(b)] Net income for 2014 is not included in Common equity tier 1 capital, as conditions envisaged in Art. 26, paragraph 2 of (EU) Regulation 575 of 26 June 2013 (CRR) have not been met for inclusion.

Reconciliation of the Parent Company's shareholders' equity and net income (loss) with consolidated shareholders' equity and net income (loss)

(millions of euro)

	Shareholders' equity	*of which Net income (loss) as at 31.12.2014*
Parent Company's balances as at 31 December 2014	**40,382**	***1,213***
Effect of consolidation of subsidiaries subject to control	-195	*2,156*
Effect of valuation at equity of companies subject to joint control and other significant equity investments	-142	*66*
Elimination of adjustments to equity investments and recognition of impairment of goodwill	4,781	*750*
Dividends collected during the period	-	*-2,930*
Other	-143	*-4*
Consolidated balances as at 31 December 2014	**44,683**	***1,251***

Breakdown of consolidated results by business area and geographical area

Breakdown of consolidated results by business area and geographical area

The Intesa Sanpaolo Group organisational structure was based on five Business Units in 2014. In addition there is the Corporate Centre, which is charged with providing guidance, coordination and control for the entire Group.

(*) Includes the Group's Treasury.

The Intesa Sanpaolo Group's segment reporting is based on the elements that the management uses to make its own operating decisions (the "management approach") and is therefore consistent with the disclosure requirements of IFRS 8.
In addition to reflecting the operating responsibilities assigned according to the Group's organisational structure, the business areas are an aggregation of business lines similar in the type of products and services they sell.

The table below shows the income statement and main balance sheet aggregate data summarising the trend of the business areas of the Intesa Sanpaolo Group in 2014.
The following itemised analysis of the business areas contains a description of the products and services offered, the type of customers served and the initiatives carried out in the year; it also illustrates income statement figures and the main balance sheet aggregates. For each business area, the capital absorbed based on Risk Weighted Assets (RWAs) was also calculated, determined in accordance with the instructions issued by the Bank of Italy in compliance with the regulations in force. For asset management, business risk was also taken into consideration, and for the insurance segment reference was made to the capital absorbed by insurance risk.
Division figures for the comparative periods have been restated to reflect the changes in scope of the Business Units, where necessary.

It should be noted that at the end of October 2014 the organisational structure of the Intesa Sanpaolo Group was redefined and three new Divisions were created as part of the implementation of the 2014-2017 Business Plan, as follows:
- Private Banking Division which coordinates the operations of Banca Fideuram, Fideuram Investimenti, Intesa Sanpaolo Private Banking, Sirefid, Fideuram Fiduciaria, Intesa Sanpaolo Private Bank (Suisse) and Fideuram Asset Management Ireland which are wealth management companies in the Private Clients and High Net Worth Individuals segment;
- Asset Management Division which is tasked with developing optimal asset management solutions for its customer base through the Eurizon Capital subsidiary;
- Insurance Division comprising the Intesa Sanpaolo Vita, Fideuram Vita, Intesa Sanpaolo Previdenza (which was contributed to Intesa Sanpaolo Vita in December 2014) and Intesa Sanpaolo Assicura subsidiaries, which is tasked with developing the insurance product mix targeting Group customers.

Through this reconfiguration of the operational structure, the Group now has six Business Areas: Banca dei Territori, Corporate and Investment Banking, International Subsidiary Banks, Private Banking, Asset Management and Insurance.
In addition, a business unit named *Capital Light Bank* (CLB) was set up with the aim of extracting value from non-core assets and freeing up resources to serve growth. The unit, which is part of the Corporate Centre, is aimed at managing the reduction of a significant stock of the Bank's non-core assets, and specifically: non-performing loans, repossessed properties, discontinued business units, investments held for sale and other portfolios of assets which do not respond to the development priorities of the Business Plan. The specialist skills concentrated in the new business unit will also allow *Capital Light Bank* to service the other Group structures, particularly specific business areas such as credit collection and the management of pledged assets.

In compliance with IFRS 8, the analysis by business areas in these financial statements is presented in the following pages according to the structure adopted by the Group during 2014.
In addition, at the end of this chapter the income statement and main balance sheet aggregate data for 2014 only, have been restated in line with the new organisational structure.

(millions of euro)

	Banca dei Territori	Corporate and Investment Banking	International Subsidiary Banks	Eurizon Capital	Banca Fideuram	Corporate Centre	Total
Operating income							
2014	11,209	3,243	2,129	547	1,033	-1,263	16,898
2013	11,135	3,360	2,123	407	895	-1,672	16,248
% change [(a)]	0.7	-3.5	0.3	34.4	15.4	-24.5	4.0
Operating costs							
2014	-5,421	-898	-1,083	-130	-337	-675	-8,544
2013	-5,293	-807	-1,108	-111	-322	-657	-8,298
% change [(a)]	2.4	11.3	-2.3	17.1	4.7	2.7	3.0
Operating margin							
2014	5,788	2,345	1,046	417	696	-1,938	8,354
2013	5,842	2,553	1,015	296	573	-2,329	7,950
% change [(a)]	-0.9	-8.1	3.1	40.9	21.5	-16.8	5.1
Net income (loss)							
2014	1,187	1,301	89	270	356	-1,952	1,251
2013	-3,950	-69	-812	178	218	-115	-4,550
% change [(a)]				51.7	63.3		
Loans to customers							
31.12.2014	200,566	91,017	26,398	473	5,291	15,360	339,105
31.12.2013	209,556	90,907	27,015	281	4,730	11,300	343,789
% change [(b)]	-4.3	0.1	-2.3	68.3	11.9	35.9	-1.4
Direct deposits from banking business							
31.12.2014	176,078	97,400	31,078	9	8,660	46,404	359,629
31.12.2013	193,799	113,956	30,182	3	7,256	26,870	372,066
% change [(b)]	-9.1	-14.5	3.0		19.3	72.7	-3.3
Risk-weighted assets [(c)]							
31.12.2014	100,201	92,544	27,556	917	5,731	42,841	269,790
31.12.2013	108,113	96,987	27,634	737	4,961	45,068	283,500
% change [(b)]	-7.3	-4.6	-0.3	24.4	15.5	-4.9	-4.8
Absorbed capital [(c)]							
31.12.2014	10,638	7,403	2,204	83	894	3,428	24,650
31.12.2013	11,071	7,759	2,211	66	682	3,605	25,394
% change [(b)]	-3.9	-4.6	-0.3	25.8	31.1	-4.9	-2.9

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

[(a)] The change expresses the ratio between 2014 and 2013.

[(b)] The change expresses the ratio between 31.12.2014 and 31.12.2013.

[(c)] Values as at 31 December 2014 are determined using the methodology envisaged by the Basel 3 Capital Accord. Values as at 31 December 2013 are reconstructed also to account for new regulatory metrics.

BUSINESS AREAS

Banca dei Territori

(millions of euro)

Income statement	2014	2013	Changes amount	Changes %
Net interest income	5,880	6,217	-337	-5.4
Dividends and profits (losses) on investments carried at equity	-	13	-13	
Net fee and commission income	4,415	4,094	321	7.8
Profits (Losses) on trading	54	69	-15	-21.7
Income from insurance business	820	707	113	16.0
Other operating income (expenses)	40	35	5	14.3
Operating income	**11,209**	**11,135**	**74**	**0.7**
Personnel expenses	-3,158	-2,982	176	5.9
Other administrative expenses	-2,257	-2,302	-45	-2.0
Adjustments to property, equipment and intangible assets	-6	-9	-3	-33.3
Operating costs	**-5,421**	**-5,293**	**128**	**2.4**
Operating margin	**5,788**	**5,842**	**-54**	**-0.9**
Net provisions for risks and charges	-67	-47	20	42.6
Net adjustments to loans	-3,571	-5,548	-1,977	-35.6
Net impairment losses on other assets	-4	-2	2	
Profits (Losses) on investments held to maturity and on other investments	-	-	-	-
Income (Loss) before tax from continuing operations	**2,146**	**245**	**1,901**	
Taxes on income from continuing operations	-805	-52	753	
Charges (net of tax) for integration and exit incentives	-84	-67	17	25.4
Effect of purchase price allocation (net of tax)	-70	-164	-94	-57.3
Impairment (net of tax) of goodwill and other intangible assets	-	-3,912	-3,912	
Income (Loss) after tax from discontinued operations	-	-	-	-
Minority interests	-	-	-	-
Net income (loss)	**1,187**	**-3,950**	**5,137**	

(millions of euro)

	31.12.2014	31.12.2013	Changes amount	Changes %
Loans to customers	200,566	209,556	-8,990	-4.3
Direct deposits from banking business	176,078	193,799	-17,721	-9.1
Direct deposits from insurance business and technical reserves	95,453	75,062	20,391	27.2
Indirect customer deposits	282,317	253,672	28,645	11.3
Risk-weighted assets [(a)]	100,201	108,113	-7,912	-7.3
Absorbed capital [(a)]	10,638	11,071	-433	-3.9

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

[(a)] Values as at 31 December 2014 are determined using the methodology envisaged by the Basel 3 Capital Accord. Values as at 31 December 2013 are reconstructed also to account for new regulatory metrics.

Banca dei Territori’s operating income was 11,209 million euro in 2014, amounting to 66% of the Group’s consolidated operating income, slightly up +0.7% on the previous year. In further detail, there was decline in net interest income (-5.4%), the main causes of which included the lesser contribution from the hedging of demand deposits and lower volumes of loans to customers, despite higher customer dealing. By contrast, net fee and commission income increased (+7.8%), most markedly on asset management and bancassurance products and fees. Other income components reported a decrease in profits on trading, dropping from 69 million euro to 54 million euro. Income from insurance business of 820 million euro showed an increase of 16% due to the improvement in the net investment result deriving on the one hand from the increase of assets subject to segregated management, in particular those deriving from new business product, and on the other hand from financial trading activities undertaken to maintain the segregated management yields and to optimise the positioning of the investment portfolio. Operating costs, amounting to 5,421 million euro, increased slightly (+2.4%) compared to 2013, as a result of personnel expenses. Operating margin amounted to 5,788 million euro, down slightly (-0.9%) on 2013. Conversely, income before tax from continuing operations recorded a strong positive performance, reaching 2,146 million euro from the 245 million euro of the previous year, mainly due to a reduction in adjustments to loans (-35.6%). The cost of credit of Banca dei Territori, calculated as the ratio of adjustments to loans and stock of loans to customers, amounted to 1.8% during 2014. In greater detail, adjustments during the period by the Network Banks with respect to Banca dei Territori amounted to 2,754 million euro (compared to loans of 141,589 million euro), broken down as follows: Intesa Sanpaolo 1,298 million euro, Banco di Napoli 299 million euro, Banca dell'Adriatico 143 million euro, CR Veneto 290 million euro, CR Friuli Venezia Giulia 78 million euro, Banca di Trento e Bolzano 33 million euro, Carisbo 144 million euro, CR Romagna 73 million euro, the Banca CR Firenze Group 341 million euro, Banca Monte Parma 55 million euro.

Lastly, after allocation to the Division of charges for integration of 84 million euro and the economic effects of purchase price allocation for 70 million euro, net income amounted to 1,187 million euro. This compares with a loss of 3,950 million euro in 2013, which was affected by material impairment of goodwill and other intangibles caused by the difficult macroeconomic context.

On a quarterly basis, the fourth quarter of 2014 reported an operating margin down 6.2% on the third quarter, due to higher operating costs (+6.4%), while revenues were stable. Income before tax from continuing operations showed an improvement (+1%) compared to the previous quarter, benefiting from lower adjustments to loans (-12%). Net income was down 36.4%, penalised by greater charges for exit incentives recorded during the quarter.

The balance sheet figures at the end of December 2014 showed loans to customers of 200,566 million euro, down 4.3% on the previous year-end essentially as a result of the decrease in medium- to long-term loans to small- and medium-sized business customers as a result of a reduction in investment. Direct deposits from banking business of 176,078 million euro were down by 9.1% owing to the downward trend in securities issued and related to the maturity of retail bonds. Direct deposits from insurance business, amounting to 95,453 million euro, recorded an increase (+27.2%), primarily due to growth in technical reserves. Indirect customer deposits reached 282,317 million euro, up by 11.3% from the end of December 2013, driven by the good performance of all classes of assets under management, which more than offset the outflows from assets under administration attributable to the repositioning of customer assets into forms of professional asset management.

The Division absorbed 43% of the Group capital, marginally down compared to 2013. In absolute terms capital fell by 3.9%, to 10,638 million euro, mainly due to the containment of assets at risk correlated with the reduction in business lending.

Business	Traditional lending and deposit collection operations in Italy and associated financial services
Mission	To serve Households, Personal, Small Business, Private and Small and Medium Enterprise customers, creating value through: – widespread local coverage – a focus on the specific qualities of local markets – exploitation of the brands of banks and the centrality of the roles of the officers responsible for the Regional Governance Centres, Area Governance Centres, Banks and Branches as points of reference for the Group at local level – exploitation of the companies specialised in medium-term lending, consumer credit and pensions and insurance, reporting to the Business Unit
Organisational structure	
Marketing Department	Manages the Retail market, composed of the Households (individual customers with financial assets under 100,000 euro) and Personal (individual customers with financial assets between 100,000 euro and 1 million euro) segments, the Small Business market (businesses/companies with a turnover under 2.5 million euro and group loan facilities under 1 million euro) and the SME market (companies with group turnover between 2.5 and 350 million euro)
Intesa Sanpaolo Private Banking	Devoted to private customers whose financial assets exceed 1 million euro
Product companies	Specialised in medium-term credit, leasing, factoring and agribusiness (Mediocredito Italiano), consumer credit (Intesa Sanpaolo Personal Finance), management of electronic payments (Setefi), and trust services (Sirefid)
Banca Prossima	Serves non-profit organisations
Insurance and Pension companies	Specialised in offering pension and personal and asset protection services
Distribution structure	Approximately 4,300 branches, including Retail and Business branches, distributed broadly throughout Italy. At the end of December 2014 the territorial structure was divided into 7 Regional Governance Centres that coordinate 28 Areas/Network Banks, designed to guarantee optimum territorial coverage and standardised sizing in terms of numbers of branches and resources assigned

The operations involving the scope and/or organisational structure of the Division in 2014 are summarised below.

Within the framework of the process of simplifying and integrating the Intesa Sanpaolo Group’s product companies, effective 1 January 2014 Mediocredito Italiano incorporated the Group's leasing companies, Leasint and Centro Leasing, and the leasing segment of Neos Finance, creating a new integrated SME Finance hub. In addition, from 1 July 2014 the factoring and agribusiness operations previously attributable to Mediofactoring and Agriventure were integrated into Mediocredito Italiano, thereby expanding the SME Finance Hub, a key component of the Group’s efforts in support of enterprises.

In order to streamline the structure of the banks included in the Division by gradually but significantly reducing the number of its component legal entities, Banca di Credito Sardo and Cassa di Risparmio di Venezia were merged by incorporation into Intesa Sanpaolo in November.

It should be noted that a new service model of the Banca dei Territori was implemented after year-end. It is one of the pillars of the 2014/2017 Business Plan involving the setting-up of three new specialised "commercial areas" (Retail, Personal and Business) in order to improve commercial focus and guarantee improved service levels. The configuration into commercial areas is mirrored at Regional Governance Centre level: each of these, directly reporting to the Regional Director, has three Commercial Directors, one for each territory, coordinating around 400 commercial areas.

Marketing Department – *Retail Market*

Investment

In 2014, the diversification of customer portfolios continued according to the rationale underlying the need-based approach (spending, reserves, investment and pension) and the Recommended Portfolios.
Major changes in the range of investment products, constructed considering both the market scenario and the rationale behind the Recommended Portfolios, related to the launch of:

- ten Italian registered flexible bond funds in the "Eurizon Cedola Attiva" and "Eurizon Cedola Attiva Più" lines with maturity in May, July, October and December 2019 and April 2020, which aim to optimise return over a time period of five years within the risk level set for each line and distribute a semi-annual coupon;
- eleven Italian registered funds in the "Eurizon Gestione Attiva" ("Classica", "Dinamica" and "Opportunità") line with maturity in May, July, October and December 2019 and April 2020, which aim to maximise the return on investment based on the time period, through flexible management within the risk level set for each fund;
- seven new sub-funds of the Luxembourg fund "Investment Solutions By Epsilon", named "Valore Cedola x 5 02/2014", "Valore Cedola x 5 04/2014", "Valore Cedola x 5 11/2014", "Equity Coupon 02/2014", "Equity Coupon 04/2014", "Soluzione Flessibile Protetta 02/2014" and "Soluzione Flessibile Protetta 04/2014" which over the recommended investment horizon of five years aim, in the case of the first three, to achieve a positive expected return through flexible investment in bonds, shares and currencies and to distribute an annual coupon; in the case of the fourth and fifth, to achieve a positive expected return through an approach focused on the equity component and to distribute an annual coupon; and, in the case of the last two, to offer a positive return with the protection of invested capital at maturity;
- five new Italian registered funds in the "Epsilon Flexible Forex Coupon" line with maturity in April, July, September and November 2019 and February 2020, which, through dynamic investment in bond financial instruments and, to a residual extent, equity financial instruments denominated in currencies other than the euro, aim to optimise returns over a time period of slightly more than five years, while observing a risk interval, and to distribute a semi-annual coupon;
- three Italian registered flexible funds in the new "Epsilon Allocazione Tattica" line with maturity in September and November 2019 and February 2020, which aim to optimise return over a period of five years, within the risk level set, by exploiting the performances of the major equity indices and dynamically varying the weight of the equity component;
- three Italian registered flexible funds in the new "Eurizon Multiasset Reddito" line with maturity in October and December 2019 and April 2020, which aim to optimise return over a time period of slightly more than five years within the risk level set for them, through an active multiasset approach, as well as to distribute an annual coupon;
- five Italian registered funds in the "Eurizon Cedola Attiva Top" line with maturity in May, July, October and December 2021 and April 2022, which aim to optimise returns over a time period of about seven years and distribute an annual coupon, through flexible investments, with equity exposure of at least 30%, in the European and US markets, hedging foreign exchange risk and selecting securities from companies generating significant, sustainable cash flows;
- "GP Unica", a new portfolio management line, which allows active participation in portfolio construction, while delegating major investment decisions to the manager, through a combination of four macro-components (Main, Elite, Markets and Selection) differentiated by financial asset class, market of reference, management style and type of instruments;
- "Risparmio 2.0 – Edizione 2014", a class I policy offered by Intesa Sanpaolo Vita, with guarantee for the capital, dedicated to customers with insurance needs who are used to investing in asset management products, are not holders of Group's asset management products and are interested in accessing professional asset management;
- "Base Sicura Vivapiù" a lifelong class I policy offered by Intesa Sanpaolo Vita with an investment horizon of at least five years, aimed at customers who are seeking growth of their investment over time through the return on a separately managed fund, "Fondo Vivapiù";
- "ISPL Prospettiva 2.0", an Intesa Sanpaolo Life unit-linked policy that offers customers with investment/insurance needs a high degree of personalisation and diversification through the choice of the investment solution best suited to their return objectives, in a manner consistent with their risk profiles, within the framework of a line of 21 different internal funds, distinguished by their quality of management, financial structure, investment styles and control of financial risks and sub-divided into four thematic areas (Delegated Management, Personalised Management, Co-Investment Management and Tactical Management);
- "ISV Tu dopo di noi", a single-premium class I life policy issued by Intesa Sanpaolo Vita, aimed at households who intend to take out insurance for a disabled relative in order to cover care and assistance costs after the family members have passed away;
- Group bonds (in euro, U.S. dollars and pound sterling), equity protection certificates (on equity indices, foreign exchange rates and commodities) and bonus certificates (on individual equity securities), the offering of which is updated monthly in accordance with the context and market developments.

Banca Estesa Project and Out-of-branch Offerings

With the aim of dedicating increasingly close attention to customer service and expectations, in 2014 the Intesa Sanpaolo Group launched the Banca Estesa project, in order to make services and advice available to customers during longer hours, not only via direct channels, but also at branches.
Including the new activations during the year, 551 of the Group's branches were involved in the extension of operations to early evening, Saturday and lunch break time brackets, adjusting business hours to modern lifestyles. The proposed new model will revolutionise the way customers access banking services, permitting merchants, professionals and, more generally, small-business customers and salaried employees to visit the bank according to a schedule more compatible with their entrepreneurial or professional activities.
In parallel to the extension of branch business hours, the Bank continued to develop its Out-of-Branch Offerings. At year end, there were 849 personal managers and 1,283 retail branch managers who, after a training process and qualification to act as financial advisors, are able to serve customers in their homes or workplaces, acting in real time. The pool is currently being expanded and will include additional managers and branch managers, until almost all advisors have been included.

Remote and Internet-banking Offerings

As part of a strategy of gradually enhancing the integration of the physical and digital channels, customers of all Group banks may autonomously purchase debit and prepaid cards through Internet banking services, choosing whether to receive and sign their card purchase agreements through the new out-of-branch or Contact Unit remote offering system. In addition, in relation to post-sales features, customers who have signed multi-channel agreements may use Internet banking services to activate or freeze their cards, obtain a new PIN or print another copy of their current PIN, change permanent and temporary limits for the Bancomat and Nextcard circuits, change temporary limits for their credit cards and, where permitted, request a duplicate.
For all customers who have signed multi-channel contracts associated with a deposit under administration, the remote offering system also extends to investment products. In the first phase, the new offering method refers to: the Bank's bonds and certificates on the primary market, secondary market instruments, government securities subscribed and auctioned, and mutual funds managed by Eurizon Capital SGR, Epsilon and Eurizon Capital SA. In a second phase, the remote offering will be completed with life policies, portfolio management and pension policies.
Lastly, processes are now being released for the purchase, autonomously or via the new remote offering process, of credit cards (excluding Platinum) and for obtaining loans.

Il Mio Gestore

Thanks to the new section of the Internet banking site named "Il Mio Gestore" ("My Manager"), customers with multi-channel agreements may communicate with their branches and managers easily and quickly. In particular, customers can schedule appointments with their managers by choosing a date in the Agenda section and then receiving an e-mail or free text message confirming their appointments, or by contacting their managers directly by writing them messages from the website.

Masterpass

For customers of the Group's banks who hold an "Internet and telephone services" agreement, the "Masterpass" is available. This is a new development in electronic payments via smartphones, tablets and PCs that is safe, fast and easy to use. The new service offers payment on eCommerce websites (including via mobile) through a personalised account that accesses personal payment card details without needing to input them every time.

Senior

As part of "Riconoscimento Senior" (the programme launched in 2013 with the aim of developing relationships with the Bank's senior customers by providing them with benefits regarding healthcare, social and welfare services and purchasing opportunities), the Bank implemented "Riconoscimento Salute Senior", which provides access to dental services at subsidised rates from more than 900 centres in the Blue Assistance network. The initiative will be proposed again in 2015, integrating the service content arising after targeting primary health needs, and continuing to characterise a distinctive offering for senior customers.

Mortgages

A new pricing model differentiated by loan-to-value bracket was created for "Mutuo Domus" with the aim of adapting to the market evolution and the changed interest rate scenario.

Intesa Sanpaolo also launched "Casa Insieme", an initiative aimed at revitalising the real-estate market that enhances the saleability of newly built properties financed by the Bank by bringing together buyers and sellers of new homes through measures focusing on financial services and communication.
Through specific contractual arrangements, the Banks provides the construction companies amongst its customers with access to communication initiatives aimed at increasing the visibility of their projects (publication of participating construction sites on Immobiliare.it, Italy's number-one real-estate advertisement portal, with expenses paid by the Bank for six months, in addition to the supply of specific advertising material at both the construction sites and the Group's branches), commercial support from the Bank's branches, including the periodic presence of a branch manager at the site, and special economic conditions for those who purchase a home located in the participating construction sites.
Thanks to "Casa Insieme", builders can cut the amount of time needed to sell their properties, reduce their entrepreneurial risk and free up lines of credit to be used for new real-estate initiatives, while individual customers can benefit from conditions more favourable than standard list prices, simplified criteria for access to credit and, in some cases, contributions from the builders (lower instalments and exemption from administrative expenses). The number of subsidised construction projects is constantly increasing, thanks to the new agreements periodically reached by the Regional Governance Centres.
To aid households in difficulty, customers who have taken out mortgage loans for which the repayment period has begun at least 12 months before and who are at least 3 months behind with their payments can elect to have their principal payments suspended for a maximum period of one year.
Lastly, a new initiative has been launched which, in addition to offering interesting economic terms (1.85% spread for loans with a loan to value of up to 50%), also envisages no application fees for the purchase of a first or second home.

Loans	As part of their personal loan range, all Group banks offer "PerTe Prestito In Tasca", a simple, flexible innovative financial solution devoted to those who have been customers for more than six months. “PerTe Prestito In Tasca” is an amount of 1,000-to-5,000 euro granted by Intesa Sanpaolo Personal Finance. This financing may be drawn-down as one or more loans of small-to-medium amounts to meet the customer's needs without requiring disinvestment or the use of account cash balances. Once repayment of the loan has been completed, the amount repaid becomes available once more for further draw-downs, where desired. For each loan, the customer is free to decide the amount, choose the term from the available options and select the rate best suited to his or her needs, without having to provide any documentation or specific justification for the expenditure. The requested amount is available when it is needed, without further formalities or a new application process. Customers may apply for the financing in-branch as well as through the major remote channels: ATMs, Internet/mobile banking, smartphones and tablets (apps for Android and Apple).
Protection	2014 saw the launch of the new version of the policy ViaggiaConMe, which offers rate plans allowing for discounts on premiums for motor liability insurance for customers who make limited use of their vehicles. This evolution follows the recent trends in the automotive market, which is showing an increasingly clear need for the optimisation of car expenses and a marked decrease in the annual average distances travelled by drivers. The policy continues to involve the presence of the device ViaggiaConMe Box, which is used to access to assistance services and, with the new distance-based plans, to obtain travel data and then formulate policy renewal offers based on actual vehicle use.

Marketing Department – Small Business Market

Loans	In response to the numerous environmental emergencies that occurred during 2014, the Intesa Sanpaolo Group supported again households and businesses, offering various payment suspension programmes for mortgages and other loans. In support of businesses and households in the Province of Belluno damaged in late January 2014 by an additional snowstorm (following that of December 2013), through Cassa di Risparmio del Veneto, the Intesa Sanpaolo Group renewed the 10 million euro credit line available to entrepreneurs, and those operating in the sectors of tourism, hospitality and commerce in particular, in the form of loans at favourable terms of up to five years, which may benefit from a grace period of up to 18 months. These instruments are in addition to normal operations, which include rapid, simplified procedures for obtaining advances on trade receivables and any insurance reimbursements, as well as loans. Cassa di Risparmio del Veneto made additional credit lines of15 and 10 million euro available to businesses and households of Veneto that were damaged by the exceptional rainfall in early February and May. The bank also complied with the provisions of the law decree that declared a state of natural disaster in response to the aforementioned adverse meteorological events. Under those provisions, customers with their residences or registered offices/places of business in one of the municipalities indicated who had taken out mortgages or unsecured loans relating to damaged or destroyed buildings, or who conducted commercial and economic activity out of such buildings, were allowed to apply for a suspension of their loan payments (principal and interest or principal only) until the end of 2014. Cassa di Risparmio del Friuli Venezia Giulia and Cassa di Risparmio di Venezia also allocated 10 million and 5 million euro, respectively, as well as arranged specific financing instruments of up to five years, at favourable terms, which may involve a grace period of up to 18 months. In January 2014, measures were launched for the benefit of Tuscans who suffered damages in the October 2013 floods, for which a specific government order was issued, introducing the possibility for households and businesses affected by the floods to apply for suspension of their loans for a period of eight months. The Bank implemented the measure and informed customers of the relief programme through a specific notice posted in branches located in the affected area, as well as published on the websites of Group banks. A similar government order was issued in February providing relief to individuals and businesses with their residences or registered offices/places of business in the municipalities of the Province or Matera damaged by the flooding, allowing borrowers to apply for the suspension of their mortgage payments for six months. In response to the flooding that struck the Marche region in early May, Banca dell’Adriatico gave affected individuals and businesses the option of applying for suspension of principal payments on their loans for up to twelve months. A similar measure had been implemented by Intesa Sanpaolo for the flood that had struck Rome in late January. For the businesses and households of Veneto damaged by the exceptional August rainfall, Cassa di Risparmio del Veneto and Cassa di Risparmio del Friuli Venezia Giulia (the former with a particular focus on the Treviso area and the latter on the Province of Pordenone) allocated 20 and 10 million euro, respectively, as well as arranged special financing instruments of up to six years and at subsidised rates. In support of retail customers, customers who hold mortgages and suffered damages were also allowed to apply for a 12-month moratorium on payments. In addition, Cassa di Risparmio del Veneto opened a solidarity current account with the Province of Treviso in support of the Treviso area population affected by the severe rainfall that resulted in flooding of the river Lierza, and directly contributed to this initiative. In July, a specific government order was issued concerning the flood events that affected the Marche Region in May 2014. That order allowed households and businesses damaged by the flood to apply for the suspension of their loans until 31 December 2014, opting to suspend their entire payments or principal payments only. The Bank implemented the measure and informed customers of the relief programme through a specific notice posted in branches located in the affected area, as well as

Loans	published on the websites of Group banks. In October, Intesa Sanpaolo made new loans available to households and companies in Genoa that had been harmed by the bad weather which, after only three years, again badly affected the city. The new loans totalled 20 million euro with favourable terms and no application fees. For existing loans there was the option of suspending principal repayment and, for short-term exposures, a reduction in the economic terms applied. Intesa Sanpaolo offered similar options to households and businesses in the province of Alessandria, particularly the areas of Novi Ligure, Ovada and Tortona, and to those in the province of Verbania and Valsesia which were also hit by floods in October and November, respectively, with 10 million euro allocated in both cases. Furthermore, in December, following the recent waves of bad weather and to allow the recovery of production activities in the area, in agreement with Confcommercio Milano, Lodi, Monza and Brianza, 10 million euro and financing instruments were made available at favourable terms, with short maturities of less than 18 months and medium-term maturities of 24-36 months, to support businesses located in the municipalities of Milan, Monza and related provinces that had suffered damage. Given the exceptional rains in October, Banca CR Firenze allocated 15 million euro and offered special financial instruments, with maturities of up to five years and with favourable terms, for companies and households in the damaged areas of the province of Grosseto. Also offered was the option of benefiting from a payment suspension programme of the principal on existing mortgage loans for households and on loans for businesses. Cassa di Risparmio del Veneto and Cassa di Risparmio del Friuli Venezia Giulia (the former with a particular focus on the Padua and Rodi areas and the latter on those in the Province of Trieste) allocated 15 and 5 million euro, respectively, as well as arranging special financing instruments, at favourable terms of up to six years. It was also possible to apply for loan instalment payments to be suspended and the maturities extended.
Agreements	Intesa Sanpaolo adopted the "Lombardia Concreta" initiative promoted by the Lombardy Regional Government, which aims to support Lombardy's system of micro, small and medium enterprises operating in the tourism, retail and catering, and food sales industries in preparing for Expo 2015, an event for which the Bank is an official sponsor. The initiative is vested interest because of the number of sectors involved locally and given the extent of interest rate subsidies that result in lowering the rates applied by the banking system to loans granted to the businesses. Thanks to a partnership agreement reached by Intesa Sanpaolo and Federazione Italiana Tabaccai and Banca ITB, employers who need to pay for ancillary employment services to which the "Buoni Lavoro" ("Work Voucher") system is applicable may use the Intesa Sanpaolo Internet-Banking system to purchase the required number of vouchers, quickly and simply, for up to a maximum of 500 euro, with the cost debited to their accounts, and then print out the vouchers directly themselves. Through the INPS website, the vouchers, which have a value of 10 euro each, are then remotely associated with the tax code of the worker, who may redeem the vouchers for cash at the over 16,000 tobacconists in the Banca ITB network, spread widely throughout Italy. Further development of the initiative involves the extension by Intesa Sanpaolo of the online sales channel so as to include tablet and smartphone applications, as well as the Internet-banking service dedicated to businesses. Intesa Sanpaolo and the Agency for a Digital Italy – Prime Minister's office signed an agreement aimed at allowing households and businesses to streamline their relationships with the public administration by enjoying access to new electronic payment channels and services offering higher security and consistency standards. By signing the agreement, the Group adhered to the "Payments Hubs – Public Connectivity System", a technological platform for interconnection and interoperability between public administrations and payment service providers. Intesa Sanpaolo and Finpiemonte, the regional budgetary authority, signed Framework Agreements on Revolving Funds and on Guarantees with the aim of simplifying and standardising the service contracting process with the subsidising body in relation to the new regional laws with mixed funding backed by the regional guarantee fund. Cassa di Risparmio in Bologna, Cassa dei Risparmi di Forlì e della Romagna and Banca Monte Parma signed an agreement with the Emilia Romagna regional government which set up "Fondo Starter" - a revolving fund for subsidised financing to SMEs. The action consists in granting co-lending for the investments of SMEs operating in the industry, crafts and personal services sectors and with production based in Emilia Romagna. The Intesa Sanpaolo Group has adopted the Memorandum of Understanding signed by ABI, the Equal Opportunities Department of the Prime Minister's Office, the Ministry of Economic Development and the major industrial and trade associations (Confindustria, Confapi, Rete Imprese Italia, Alleanza delle Cooperative Italiane) which offers a framework of action to facilitate access to credit for businesses operated by women in the various phases of a company's lifecycle or the working life of freelance professionals. Through the "Business Gemma" loan, the Bank has allocated 600 million euro for women business owners and women freelancers intending to make new investments to develop their business activities or professions, set up a new company or begin a freelance profession, or obtain support for recovery in situations of temporary difficulty associated with the economy. This new loan also offers the chance to benefit during the repayment period, from the special segment guarantee of the "SMEs Guarantee Fund" dedicated to businesses operated by women, from up to 12 months' suspension of the principal portion of instalments on the loan for maternity leave, for serious illnesses (also of the spouse and children) or for a disabling illness of a parent, blood relative or relative by marriage up to the third degree provided the person lives with the applicant.

Electronic invoicing	Following the entry into force of the obligation – introduced in accordance with the priorities of the Digital Agenda for Europe for the development of digital technologies – to adopt electronic invoicing of public administration (initially ministries, tax authorities and social-security agencies, with extension to other national entities and local administrations in 2015), Intesa Sanpaolo integrated the "Easy Fattura" electronic invoice management system already available to the Bank's customers, which allows companies to outsource the invoicing process, with the obligatory record of invoices sent to and received by the public administration. For small suppliers who issue annual invoices of limited amounts and need a simple product, a special commercial promotion was devised, allowing customers to send invoices to the public administration and store them in accordance with legal obligations at limited costs.

Marketing Department – *Business Market*

Agreements

Intesa Sanpaolo and FIPER, the Italian Federation of Producers of Renewable Energy (Federazione Italiana dei Produttori di Energia da fonti Rinnovabili) signed an agreement for the support and development of economic activities relating to the wood-energy sector (biomass and biogas district heating systems). The partnership, which for the moment only involves companies operating in the sector based in Lombardy, where a significant number of plants are located, but which is later to be extended to other regions, calls for specific financing instruments for companies that operate in the agriculture and renewable energy sector, customised to meet the needs of the various production activities of the FIPER member companies based in Lombardy, in addition to traditional products and services dedicated to businesses.

Through Banca di Trento e Bolzano, the Intesa Sanpaolo Group and Cooperativa Artigiana di Garanzia of the Province of Trento signed an agreement for the development of member companies in the community that is to involve 8 million euro in new lines of credit to finance the activities and projects of local companies, under especially favourable economic conditions, thanks to the guarantee provided by the Cooperative drawing on its own assets.

The Intesa Sanpaolo Group and Lombardy Energy Cluster, an association representing a network of over 90 companies based in the Lombardy region involved in the generation, transmission and distribution of energy (companies, research centres and universities, trade associations and public administration), signed an agreement aimed at fostering the execution of research, innovation and internationalisation projects in the energy sector.

Through this agreement, which is especially significant in that the Lombardy region is home to 50% of Italy's power plants and 40% of its renewable energy companies, the Intesa Sanpaolo Group and the Lombardy Energy Cluster aim to provide a further boost to the energy sector by offering a combination of technological expertise, scientific skills, customised advisory services and commercial and financial support for operations on foreign markets and investment projects focusing on research and innovation.

As part of the initiative "Investimenti innovativi nelle regioni Convergenza", a programme providing aid (partially repayable grants) aimed at enhancing the competitiveness of economic systems and technological development in areas within the regions covered by the Obiettivo Convergenza project (Campania, Puglia, Calabria and Sicily), Banco di Napoli and Intesa Sanpaolo have acceded to the Italian Banking Association-Ministry for Economic Development agreement governing the term deposits that must be established in order to receive the grants.

In 2014 a new agreement was signed with Confindustria Piccola Industria. This agreement, the fifth since 2009 and known as "Una crescita possibile" (Possible growth), is aimed at investing in the growth potential of Italian entrepreneurs and encouraging the dynamism of small and medium Italian enterprises, which are offered a wide range of solutions in line with the idea of an increasingly strategic approach to finance, in service of the growth and competitiveness of the country's entrepreneurial system.

The partnership envisages the allocation of a further 10 billion euro, in addition to the 35 billion euro allocated under the previous agreements, as well as a programme focusing on measures targeting growth, innovation and start-ups, exports and internationalisation, supported by the services and business opportunities that Intesa Sanpaolo, as Official Global Banking Partner to Expo 2015, can offer participating enterprises for the entire duration of the event.

The agreement was implemented at local level with the regional associations of Confindustria for Veneto, Fruili Venezia Giulia and Trentino Alto Adige, through the allocation of 1.9 billion euro available to small and medium enterprises in the Triveneto area.

The Italian Banking Association Agreement for Credit was extended to 31 December 2014 by ABI following requests put forward by the main entrepreneurs' associations.

This agreement allowed access to certain benefits such as: suspension of principal payments on loans for a maximum of twelve months; extension of the repayment period for medium-/long-term loans and the extension of due dates for short-term loans.

Also extended to the end of 2014 were the measures relating to the "Italy Investment Projects" line, an instrument dedicated to SMEs that, despite the economic crisis, have continued to undertake new investments. To this end, participating banks committed to making specific financial lines available at subsidised rates, as they are indexed on the cost of ECB funding (for maturities of up to 3 years) and the cost of Cassa dei Prestiti funding (for maturities of over 3 years); The "Public Administration Receivables" line, whereby participating banks made specific financial lines available for the provision of advance or discounting transactions at financial conditions indexed on the cost of ECB funding, was likewise extended.

Expo Milano 2015	As part of the initiatives tied to Expo Milano 2015, for which Intesa Sanpaolo is the Official Global Banking Partner, ticket sales were opened through the branch, Internet banking and ATM channels, and the new "Created in Italy" e-commerce portal was launched. Through this portal, the Group will support Italian SMEs who wish to grow in the digital world and international markets.
Loans	Through two distinct, innovative financing projects, Intesa Sanpaolo, in conjunction with the European Investment Bank (EIB), allocated 240 million euro to youth employment in SMEs, innovative start-ups and social projects. The transaction involves two credit lines: one of 120 million euro for the creation of new jobs for young people aged 15 to 29 in SMEs and mid-caps and in support of the creation and development of innovative start-ups (operating for no more than 48 months and engaging in the development, production and marketing of innovative products or services with high technological value); and the second to finance the investments of small and medium enterprises in the social sector (health, education and urban renewal). The Intesa Sanpaolo Group signed the agreement between the Italian Banking Association, Cassa Depositi e Prestiti and Ministry for Economic Development for the implementation of the Capital Goods Plafond (the "New Sabatini Law"). The measure involves subsidised loans funded by Cassa Depositi e Prestiti, with a contribution from the Ministry for Economic Development to cover part of the interest, and the possibility of benefiting from a guarantee from the SME Guarantee Fund under priority access conditions. The programme is operational within the Group through Mediocredito Italiano. Cassa di Risparmio del Friuli Venezia Giulia signed up to the new agreement with the region of Friuli Venezia Giulia for the management of subsidised loans drawing on the Rotating Economic Initiative Fund (FRIE). The programme provides aid (financing through public funds) aimed at supporting investments promoted by companies with operating units in the region. A new agreement was also signed with Sviluppo Lazio for the provision of financing (disbursed drawing on both public funds and the Bank's funds) intended to combat the business credit crunch, allowing companies to regain financial equilibrium and promote investments in their businesses. To support aquaculture in the Po Delta with dedicated products and advisory services, Cassa di Risparmio del Veneto proposed subsidised loans for up to five years at favourable terms for members of the Consorzio delle Cooperative Pescatori del Polesine to meet needs associated with the periodic replacement of boats and boat engines, and periodic Consortium meetings between members and a manager/specialist.
Cards	In partnership with Visa, Intesa Sanpaolo launched an innovative range of payment cards and services for businesses, the distinguishing feature of which are the accessory services. The three cards offered as part of the programme are: "Carta Debit", a next generation debit card that offers personalisation of the spending limits and PIN and also make contactless purchases; "Carta Credit", which allows payment due dates to be postponed as far as the second month thereafter and increase the spending limit, even temporarily, to cover unexpected expenditure, to arrange payment of fees by instalments and to benefit from extensive insurance coverage; "Carta Prepaid", the first named prepaid card for companies with an IBAN that can be operated as a current account. The accessory services include: "Taxback", to recover VAT paid abroad, valid for 41 countries including all European Member States; "IntelliLink Spend Management", the advanced business expense reporting solution which allows viewing of credit card use by employees and data upload to administration and management system with time savings in terms of monitoring and business expense reconciliation; "Multinational Program", a programme which in partnership with leading international banks offers services to cover payment needs worldwide, allowing company cards to be obtained also in countries with restricted bank system coverage and the availability of a single reporting platform for the reconciliation of local and global expenditure.

Intesa Sanpaolo Private Banking

During 2014, **Intesa Sanpaolo Private Banking**'s commercial operations developed according to the following consolidated guidelines. Implementation of the for-pay advisory services continued successfully, for both top-level customers (Private Advisory) as well as mid-level customers (Advisory). Over 2,200 new customers activated the service, bringing the assets under paid advisory contracts up to 5 billion euro at the end of December. Measures aimed at developing asset management also continued, yielding excellent results in terms of net inflows to funds and portfolio management schemes (3.2 billion euro in 2014). The product range was also expanded through enhancement of the partnership with Eurizon and the launch of the marketing of a new line of portfolio management services dedicated to private customers ("GP Obiettivo Private") which enjoyed inflows of around 1 billion euro in the fourth quarter alone. There was also a significant increase in the placement of policies (net inflows of approximately 2.6 billion euro during the year), as well as of certificates and bonds (a total of 1.3 billion euro). Assets managed showed consolidated growth in 2014, rising to 89 billion euro (+9 billion euro since the end of December 2013), as a result of the effective development by the network, the positive market effect and the "synergy" agreements in place with the other banks in the Banca dei Territori Division. The commercial results and increase in assets, especially assets under management and advisory, allowed positive results to be achieved in terms of revenues, net income and ROE, marking the continuation of the growth trend witnessed in recent years. According to GFK Eurisko studies, Intesa Sanpaolo Private Banking is number-one amongst market operators in Italy by appeal. In addition, according to the Doxa surveys, customers assign it a high average satisfaction rating (8.5 on a scale of 0 to 10), representing an improvement on the previous year.
In 2014, Intesa Sanpaolo Private Banking generated income before tax from continuing operations of 315 million euro, down by 1.6% compared to 2013: the increase in revenues (+7.1%) driven by interest and net fee and commission income, was more than offset by the increase in operating costs (+23.1%).

Product companies

2014 saw the conclusion of the project to integrate factoring and agribusiness consulting activities, consisting of the following corporate transactions:
- the merger by incorporation of Mediofactoring into Intesa Sanpaolo;
- the contribution to Mediocredito Italiano by Intesa Sanpaolo of its factoring business unit, with a capital increase by the beneficiary of 250 million euro, in addition to a share premium of 450 million euro;
- the merger by incorporation of Agriventure into Mediocredito Italiano.

At the end of the process, the shareholding structure was simplified, leaving just Mediocredito Italiano fully owned by the Parent Company, Intesa Sanpaolo. The transaction was finalised in June 2014 upon the signature of the contribution deeds, which, for Mediocredito Italiano, entered into effect for income statement and accounting purposes from 1 July 2014.

In 2014 **Mediocredito Italiano** disbursed loans totalling 2,611 million euro, up slightly (+1.4%) compared to the previous year. With 2,140 million euro of loans disbursed, Banca dei Territori accounts for 82% of total volumes, followed by the Corporate and Investment Banking Division, which represents 17% of volumes (449 million euro). Operations of the Specialised Desks, supported by constantly evolving analysis tools, contributed 16.5% (430 million euro) of total loan disbursements during the period, down compared to 2013. Loans relating to the Networks and Research area and Energy area were predominant (21% and 15%, respectively) of the total disbursed by the Specialised Desks.
The bank provides access to the subsidies unlocked by the Group's signature of the agreement between the Italian Banking Association, Cassa Depositi e Prestiti and Ministry for Economic Development for the implementation of the Capital Assets Plafond (the "New Sabatini Law"), which is designed to increase the competitiveness of Italian production and improve access to credit for micro-, small- and medium-sized enterprises (SMEs).
This product line has been available since March 2014 and may be used by SMEs in all productive sectors to back investments in new machinery, plant, capital business assets and production equipment as well as hardware, software and digital technologies.
The activities to access all possible sources of dedicated funding, especially from EIB funds, continued in 2014. In particular, a loan of 30 million euro was entered into in respect of an innovative investment project in the area of healthcare, and the 75 million euro "Energy Efficiency Italy FL" loan was entered into to fund energy efficiency projects.
Turning to the commercial performance of the leasing business, Mediocredito Italiano entered into 5,705 new contracts, for a total of 1,621 million euro (+2%), during 2014. Of these, Banca dei Territori accounts for 80% of total volumes, with 1,301 million euro of loans disbursed and the Corporate and Investment Banking Division with 278 million euro represents 17% of volumes. In 2014, the best-selling leasing product was the real-estate product, the percent weight of which rose from 40% in 2013 to 52%. The weight of the instrumental leasing product was substantially stable (36% compared to 35% in 2013), whereas the car leasing product remained unchanged (8% compared to 9% in 2013). There was a sharp decline in the weight of Energy leases due to the decrease in government incentives for the sector (5% compared to 16% on 31 December 2013).
Turning to the commercial performance of the factoring business, in 2014 Mediocredito reported a turnover of 53 billion euro, a 4.2% decrease on 2013, retaining its position as the number-one domestic factoring provider by turnover, with a market share of 30.1%. Compared to the end of 2013, outstanding receivables, equal to 14.6 billion euro, posted a slight decrease (-1.5%) and period-end loans amounted to over 12 billion euro. Average loan volumes came to 9.4 billion euro, down 0.4 billion euro compared to 2013 (-4.2%).

The following are comments on the management financial performance results of the SME Finance Hub, which include the contribution of 2014 and - for a consistent comparison - of 2013, of the leasing and factoring lines and of Agriventure (consolidated line-by-line).
Operating margin amounted to 750 million euro, up 3.4% compared to 725 million euro in the previous year, calculated net of the dividend of 11 million euro authorised by the shareholders' meeting of Intesa Lease Sec, recognised in 2013. This trend may be attributed to the growth in revenues (+2.5%) driven by net interest income, and the decrease in operating costs (-1.1%). The Hub reported income before tax from continuing operations of 31 million euro, compared with the gross loss of 2013, due to substantial adjustments to loans.

Consumer credit activities are carried out through **Intesa Sanpaolo Personal Finance**. In 2014, the new loans disbursed totalled 3,287 million euro, essentially stable (+0.6%) compared to 2013 (special-purpose loans -3%; car loans +54.4%; personal loans +5.4%; assignment of one-fifth of salary -23.1%). In terms of commercial initiatives, in the extra-captive channel the direct marketing campaign for assignment of one-fifth of salary was carried out with the aim of guiding customers with personal and special-purpose loans towards this product, and the initiative was also extended to individual customers, in addition to the pensioners and public employees who had previously been contacted. The prize competition, in which new subscribers were eligible to win a round-trip flight to a European destination, to be booked through Volagratis, was related to the initiative. The prize was doubled for those who invited a friend to join the promotion.
In 2014, there was an increase in the value of current agreements between Intesa Sanpaolo Personal Finance and employers guaranteeing loans (ATC or Amministrazioni Terze Cedute) to facilitate business generated by the extra-captive network. The average value of these agreements rose from 270 in 2013 to 320 in 2014. The period saw the end of the campaigns for special-purpose car and home improvement loans eligible for current tax relief. In replacement of periodic campaigns, two new consumer credit offerings were prepared in the furnishings and energy savings sectors (products intended for energy savings eligible for "tax relief"). In Web-marketing activities, the Google keywords campaign focused on the assignment of one-fifth of salary, with the aim of contacting interested customers by phone. Special prize drawings were also launched and continued for customers who updated their personal details. At the end of the year, an analysis was launched into the client base for private and public sector assignment of one-fifth of salary products, with the aim of reducing expected cancellations. The extra-captive network was also given an assessment of this product which used geomarketing techniques to verify the coverage which the network is able to offer to the customers of Intesa Sanpaolo Personal Finance. As regards the captive channel, during the year commercial contact initiatives were launched for over one million customers, targeting the populations with the greatest propensity to take out loans and limited risk indices, through both push channels, such as calls from managers, and pull channels, such as messages on ATMs and the Group's website. Finally, in cooperation with the Banca dei Territori Division, initiatives were

conducted for specific groups of target customers, such as seniors, pensioners and customers with rejected personal loans, so as to test performances and optimise contact and offering processes.
Intesa Sanpaolo Personal Finance's income before tax from continuing operations amounted to 80 million euro compared to 53 million euro in 2013 (+50.1%). This performance was due to lower net adjustments to loans (-37.8%) which more than offset the increase in operating costs (+2.7%), and the decline in revenues (-6%) which was primarily attributable to lower credit processing fee and commission income on the extra-captive one-fifth of salary products, an increase in the fee and commission expense paid to the Banca dei Territori network, lower fee and commission income on insurance brokerage by the extra-captive network, as well as to the lesser contribution of fee and commission income charged to customers during the account closure process.

Setefi specialises in managing electronic payment systems, and is registered in the Payment Institutes Registry kept by the Bank of Italy. The company is an independent business unit for acquiring and a hub for concentrating all activities relating to cards and POS. Setefi also carries out processing for payment cards on behalf of the banks in the Intesa Sanpaolo Group and, though total volumes are marginal, also issuing of own payment cards, typically relating to fidelity cards.
Almost all of the 14.2 million euro cards managed by Setefi as at 31 December 2014 are cards issued directly by the Parent Company and the Group banks (+7.3% compared to the end of 2013). The number of POS at the end of 2014 amounted to approximately 332,000. In 2014, the volume of transactions handled (transactions on Setefi POS and transactions of cards issued by Group banks on other POS) and the total amount transacted increased compared to the previous year. The total number of transactions handled came to approximately 830 million euro, while the amount transacted stood at approximately 61 billion euro. It should be noted that, as a result of the completion during 2014 of the migration to Setefi of the authorisation system for the acceptance of payments by Bancomat/Pagobancomat cards (via both ATMs and POS terminals), Setefi processed an incremental 240 million transactions (authorisation) amounting to around 33 billion euro. Setefi's growth plans for 2014 regarded the e-commerce, mobile POS and mobile payments sectors as targets for priority action, in addition to initiatives aimed at consolidating and implementing international expansion on the most attractive European markets, as well as the offering of electronic money services on the non-captive market (banks not belonging to the Group). Setefi implements constant modulation of its commercial offerings, characterised by high value added services with a strong technological component. One of the most noteworthy initiatives of the year was gaining PCI DSS certification (Payment Card Industry Data Security Standard) for the protection of cardholder data, and ISO 9001_2008 certification (international standard for the certification of quality of the services provided by a company) for the operational processes involved in acquiring services. Particular effort was also invested into meeting the provisions of Decree no. 51/2014 "Regulation concerning the fees applied to payment card transactions", which establishes new restrictions on the management of the conditions applicable to merchants for the acceptance of card payments. The Mobile POS product underwent a complete change in the sales model with the development of personalised applications and solutions for different retail sectors. Over 35,000 new "Move and Pay Business" terminals were installed (a Setefi solution allowing a smart phone and/or tablet to be linked to a device which can accept card payments through the international networks, or domestically via contact-less PagoBancomat payments and NFC). Other initiatives by the company include: implementation of the mobile payments platform with the major telecommunications companies; development of integrated e-commerce services including the development of the acquiring-couponing platform; integration with PayPal; agreement with Powa Technologies to propose a new way of accepting payments to retailers with electronic money using a tablet or smart phone. Agreements have also been reached with the main restaurant voucher providers in the market, on moving to electronic processing. Special attention was paid to providing infrastructure support to the Parent Company's Multichannel Project. With regard to acquiring initiatives in new Countries, Setefi already operates in France, Germany, the United Kingdom, Spain, Switzerland and Austria and has obtained authorisation to operate in Greece, Portugal, the Netherlands and the Principality of Monaco. Negotiations are also underway with non-captive primary customers to outsource acquiring and card processing, as well as continuation of activities in setting up the third Disaster Recovery site.
In 2014, Setefi recorded a decrease in income before tax from continuing operations of 226 million euro (-2% compared to 2013) as a result of the increase in operating costs (+11.9%), especially administrative expenses, in the light of substantially stable revenues (+0.4%).

SIREFID, which specialises in trust services for business leaders and private investors, held assets under administration of 7.6 billion euro as at 31 December 2014 (which includes the 149 million euro of assets relating to the LECOIP - Leveraged Employee Co - Investment Plans) equal to 71,839 mandates (of which 49,538 pertaining to the Leveraged Employee Co-Investment Plan). The merger of Intesa Sanpaolo Trust Company into SIREFID entered into effect on 30 June, resulting in the integration of classic and trustee fiduciary management services into a single company. The transaction will allow savings in terms of administrative expenses, as well as greater focus of the business.

Banca Prossima

Banca Prossima operates in the non-profit sector through 66 local branches and 280 specialists distributed throughout Italy. In November the bank acquired around 20,700 customers through the contribution of the Intesa Sanpaolo and Banco di Napoli non-profit business line, bringing the total stock of customers up to approximately 51,800 at the end of December 2014. Financial assets amounted to 6.7 billion euro, of which 4.2 billion euro in indirect customer deposits and 2.5 billion euro in direct customer deposits. At the same date, lending operations had achieved an approved amount of 2.2 billion euro (of which 1.5 billion euro had been used). In 2014 the company reported revenues of 53 million euro (+16.7% compared to 2013), achieving an operating margin of 16 million euro and income before tax from continuing operations of 5.2 million euro.
In 2014 the initiatives already set in place by Banca Prossima mainly focused on developing new products and services to meet the specific needs of non-denominational and religious non-profit organisations. In particular, at the beginning of the year the full 40 million euro ceiling was reached for disbursement of loans linked to the placement of the first Intesa Sanpaolo "Serie Speciale Banca Prossima" bond. The proceeds from the placement are destined to provide new financing to non-profit organisations through Banca Prossima. In June, Intesa Sanpaolo issued the second bond of this type, under conditions similar to those of the first issue. The placement closed at the beginning of July and raised over 5 million euro. The "Doppia Fiducia" initiative was also launched, with the aim of supporting organisations which are unable to make sustainable investments despite their receivables

from the Public Administration which have not been transferred to third parties or collected yet. Finally, innovative, distinctive solutions dedicated to the non-profit sector, such as the Terzo Valore crowd-lending portal through which 17 projects were published and completed in 2014, continued to be offered.

Insurance and Pension companies

Intesa Sanpaolo Vita, the Intesa Sanpaolo Group's insurance company, offers an extensive range of products and services covering insurance investment, family protection and supplementary pensions, and makes use of a widespread distribution structure based on numerous channels: branches of Group banks which offer the entire range of products, and Intesa Sanpaolo Personal Finance branches for insurance products covering personal loans, consumer credit and assignment of one-fifth of salary.
The Intesa Sanpaolo Vita insurance group also includes: **Intesa Sanpaolo Assicura**, which operates in the non-life business, and incorporated Bentos Assicurazioni at the end of December 2013; **Intesa Sanpaolo Life**, a company incorporated under Irish law, operating under the free provision of services in the life business; EurizonVita (Beijing) Business Advisory, a company incorporated under Chinese law, which performs instrumental activities relating to the minority investment held by Intesa Sanpaolo Vita in Union Life Insurance Limited Company (the sale of which is currently being finalised); and Intesa Sanpaolo Smart Care, dedicated to the marketing and sale of hardware and software and the supply of electronic support services. Since December 2014, the Intesa Sanpaolo Vita product range has further expanded as a result of the acquisition of the pension funds which had previously been managed by Intesa Sanpaolo Previdenza.
In 2014, Intesa Sanpaolo Vita's income from insurance business of 820 million euro showed an increase of 15.8% compared to 2013, due to the improvement in the net investment result deriving on the one hand from the increase of assets subject to segregated management, in particular those deriving from new business product, and on the other hand from financial trading activities undertaken to maintain the segregated management yields and to optimise the positioning of the investment portfolio. At the end of December 2014 the portfolio of life policies came to 88,664 million euro, up 18.1% on an annual basis. In 2014, gross life premiums underwritten for both insurance products and policies with investment content amounted to 20,849 million euro, compared to 13,946 million euro in 2013. New life business amounted to 20,625 million euro in premiums underwritten (13,673 million euro in the previous year).

Corporate and Investment Banking

(millions of euro)

Income statement	2014	2013	Changes amount	%
Net interest income	1,835	1,863	-28	-1.5
Dividends and profits (losses) on investments carried at equity	24	6	18	
Net fee and commission income	816	815	1	0.1
Profits (Losses) on trading	568	675	-107	-15.9
Income from insurance business	-	-	-	-
Other operating income (expenses)	-	1	-1	
Operating income	**3,243**	**3,360**	**-117**	**-3.5**
Personnel expenses	-351	-294	57	19.4
Other administrative expenses	-544	-510	34	6.7
Adjustments to property, equipment and intangible assets	-3	-3	-	-
Operating costs	**-898**	**-807**	**91**	**11.3**
Operating margin	**2,345**	**2,553**	**-208**	**-8.1**
Net provisions for risks and charges	-4	-10	-6	-60.0
Net adjustments to loans	-495	-718	-223	-31.1
Net impairment losses on other assets	-56	-92	-36	-39.1
Profits (Losses) on investments held to maturity and on other investments	90	-15	105	
Income (Loss) before tax from continuing operations	**1,880**	**1,718**	**162**	**9.4**
Taxes on income from continuing operations	-575	-649	-74	-11.4
Charges (net of tax) for integration and exit incentives	-4	-4	-	-
Effect of purchase price allocation (net of tax)	-	-	-	-
Impairment (net of tax) of goodwill and other intangible assets	-	-1,134	-1,134	
Income (Loss) after tax from discontinued operations	-	-	-	-
Minority interests	-	-	-	-
Net income (loss)	**1,301**	**-69**	**1,370**	

(millions of euro)

	31.12.2014	31.12.2013	Changes amount	%
Loans to customers	91,017	90,907	110	0.1
Direct deposits from banking business [(a)]	97,400	113,956	-16,556	-14.5
Risk-weighted assets [(b)]	92,544	96,987	-4,443	-4.6
Absorbed capital [(b)]	7,403	7,759	-356	-4.6

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

[(a)] The item includes capital protected securitised derivatives (certificates) classified under financial liabilities held for trading.

[(b)] Values as at 31 December 2014 are determined using the methodology envisaged by the Basel 3 Capital Accord. Values as at 31 December 2013 are reconstructed also to account for new regulatory metrics.

In the first half of 2014, the Corporate and Investment Banking Division reorganised its structure by completing the integration of the Public Finance and Infrastructure Department into the Corporate Italia Department, which took on the name Corporate and Public Finance Department, with the aim of maximising potential synergies between the private sector and public counterparties.
In November, the International Network and Global Industries Department was set up to pursue the 2014/2017 Business Plan objectives with even greater efficiency. It was brought about by merging the Global Industries and the International Departments.

In 2014, the Division recorded operating income of 3,243 million euro (representing 19% of the Group's consolidated total), down by 3.5% compared to the previous year.
In detail, net interest income declined by 1.5% to 1,835 million euro due to the smaller contribution from the decrease in average volumes of loans to customers and the structured finance segment, in contrast to the positive performance of margins on deposits. Net fee and commission income, amounting to 816 million euro, was stable (+0.1%): the growth reported in the investment banking segment, particularly on the primary market, was offset by lower fee and commission income from commercial and transaction banking activity. Profits on trading of 568 million euro declined (-15.9%) due to the absence of the merchant banking transactions undertaken in 2013 and lower contribution from proprietary trading and capital markets activities.

Operating costs amounted to 898 million euro, up 11.3% compared to the previous year, due to higher administrative and personnel expenses. As a result of the trend in revenues and costs described above, the operating margin, amounting to 2,345 million euro, recorded a 8.1% decrease. On the other hand, Income before tax from continuing operations increased by 9.4% to 1,880 million euro, due to decreased adjustments to loans, and profits on investments as a result of the sale of the Pirelli & C. shares and the stake in Camfin. The cost of credit of Corporate and Investment Banking, calculated as the ratio of adjustments to loans and stock of loans to customers, amounted to 0.5% during 2014. In greater detail, adjustments during the year by the Network Banks with respect to Corporate amounted to 382 million euro (compared to loans of 64,667 million euro), broken down as follows: Intesa Sanpaolo 339 million euro, Banco di Napoli 15 million euro, Carisbo 14 million euro, CR Veneto 11 million euro, Banca di Trento e Bolzano, CR Romagna and CR Firenze 1 million euro each. Overall, net income amounted to 1,301 million euro. This compares with a loss of 69 million euro in 2013, which was affected by material impairment of goodwill and other intangibles caused by the difficult macroeconomic context.

In quarterly terms, the fourth quarter of 2014 showed an increase in operating income (+15.5%) compared to the third, mainly attributable to the performance of net fee and commission income and profits on trading. The growth in revenues, only partly attenuated by higher operating costs (+23.8%), resulted in an increase in operating margin (11.5%). Net income, penalised by impairment on investments, was lower than in the third quarter (-8.7%).

The Division’s intermediated volumes decreased compared to the end of December 2013 (-8%). In detail, direct deposits from banking business, amounting to 97,400 million euro, decreased by 14.5%, mainly due to the decrease in securities transactions by Banca IMI and, to a lesser extent, the decline in customer deposits in the Global Banking and Transaction Department. Loans to customers, amounting to 91,017 million euro, were stable (+0.1%): lower loans to Italian and international corporate customers as well as to the Irish subsidiary were offset by the development of reverse repurchase agreement transactions with institutions and financial intermediaries by Banca IMI, as well as increased business with customers in the Trade Finance and Correspondent Banking segment.

The Division absorbed 30% of the Group capital, which was slightly down compared to 2013. The value of capital absorbed, amounting to 7,403 million euro, was down (-4.6%), mainly owing to lower credit risks linked to the reduction in loans to global industries counterparties, as well as due to the reduction in market risk linked to structured finance and capital markets operations.

Business	Corporate, Investment Banking and Public Finance, in Italy and abroad
Mission	To act as a global partner in supporting companies and financial institutions in achieving balanced, sustainable growth, including at the international level, through a specialised network of branches, representation offices and subsidiaries that engage in corporate banking operations To foster collaboration between the public and private sectors with the aim of supporting the creation of infrastructure and the modernisation of the public administration by pursuing international growth opportunities in countries of strategic interest to the Group
Organisational structure	
International Network and Global Industries Department	The Department manages relations with approximately 1,100 major companies. In particular, it is responsible for around 200 Italian and international corporate groups with global reach, which operate in six key industries with high growth potential (oil and gas, power and utilities, automotive, infrastructures, telecom and media and luxury and consumer goods). The Department also manages relations with corporates with a foreign-based parent company that do not operate in the above sectors, as well as with international Public Finance customers. Through its network of international branches, representative offices and foreign subsidiaries focused on corporate banking, this Department provides specialist assistance in support of the internationalisation of Italian corporates and the development of exports, the management and development of relations with financial institution counterparties on emerging markets, the promotion and development of cash management instruments and trade services
Corporate and Public Finance Department	The Department is responsible for servicing approximately 700 Italian large and medium corporates, by means of a global and integrated offer of products and services overseen by all the Divisions and Group product companies. It also serves central governments, public entities, local authorities, universities, public utilities, general contractors and public and private healthcare providers
Global Banking & Transaction Department	The Department is responsible for relations with Financial Institutions, management of transactional services related to payment systems, trade and export finance products and services, custody and settlement of Italian securities (local custody)
Merchant Banking Department	The Department operates in the private-equity segment, including through its subsidiaries by acquiring investments in the venture capital, notably medium-/long-term investments (of an institutional and development nature with a business logic), of private equity companies and specialist funds (restructuring, mezzanine, venture capital)
Structured Finance	The scope of the Division includes the structured finance activity carried out by Banca IMI
Proprietary Trading	The Service is responsible for management of the proprietary portfolio and/or risk through direct access to markets or indirect access, via relevant internal functions, in order to carry out trading, arbitrage and long/short positions on capital markets products, cash and derivatives
Investment Banking, Capital Market and primary market	The scope of the Division also includes the M&A and advisory, capital markets and primary markets (equity and debt capital market) activities performed by Banca IMI
Distribution structure	In Italy, the Corporate and Investment Banking Division draws on a total of 43 branches dedicated to corporate customers and public customers. At the international level, it operates in 29 countries in support of the cross-border operations of its customers through a specialised network of branches, representative offices and subsidiaries that engage in corporate banking activity

International Network and Global Industries Department, Corporate and Public Finance Department

In 2014, leveraging its international network, the Corporate and Public Finance Department ensured its support for Italian businesses by also assisting them in the internationalisation process. In accordance with the 2014/2017 Business Plan, specific initiatives were launched to add value to the public component of the customer base, and to grow the private one, consisting of national groups with over 350 million euro in turnover. In detail, during the period the Department identified a pool of companies to which financial support can be provided, including through the use of the T-LTRO programme. Finally, support continued to be provided for companies' current commercial banking activity through the development of transaction banking systems, the promotion of cross-selling of specific products and dedicated marketing campaigns.

In 2014, the International Network and Global Industries Department undertook specific actions in support of the internationalisation project, which will focus on developing products at an international level in order to foster the consolidation of the Group's position vis-à-vis Italian and internationally established banks. In collaboration and synergy with the International Subsidiary Banks Division, planned visits to the corporate departments of the main international subsidiary banks and the international branches of the Parent Company also continued with the aim of disseminating the results achieved and guiding colleagues in reinforcing strategic segment-based dialogue with customers in order to extend offerings in countries in which the Group has a direct or indirect presence, and in particular where new branch openings have been finalised (Turkey and Brazil).
In addition, the period also saw the completion, in collaboration with Banca IMI, of numerous investment banking (DCM, ECM, M&A) and structured finance transactions which are described in more detail in the paragraphs below.

Over the year, innovation initiatives and projects continued with a transversal impact on both Departments, such as the Intesa Sanpaolo Start-Up Initiative, the Technology Opportunity Proposal (T.O.P.) and collaboration with Singularity University. Through the Start-Up Initiative, the Group supports the development of Italian and international technology companies and coordinates the energies and efforts of the parties involved in order to support micro-businesses that create innovation, by encouraging investment and aggregation actions while reducing the costs and timing of research and development processes. Since its launch, many editions of the initiative have been held, in Italy, the United Kingdom, Germany, France and the United States, involving thousands of business owners and investors operating in various areas of technological innovation. The implementation of the T.O.P. project for customers (primarily Italian multinationals and international corporations) also continued, providing investment opportunities and/or industrial agreements with growing companies. Lastly, partnership continued with Singularity University, one of the most advanced research centres for new technologies, established in Silicon Valley with the support of NASA and Google and which, thanks to the potential offered by new technologies, aims to solve the big challenges awaiting humanity (water, food, climate change, sustainability, etc.). The partnership consists of an exchange of knowledge via the participation of a number of the Division's top managers in the executive programmes held in Silicon Valley, along with joint events organised in Italy.

The International Network directly covers 29 countries through 14 wholesale branches, 17 representative offices and two subsidiary banks.
In 2014, international development activities continued, further proof of the Group's growing commitment to supporting companies that operate, or intend to operate, on international markets. In particular, in addition to increasing the attention to and coverage of relationships with Italian and international customers, investments in high-potential markets continued. The Istanbul branch was opened during the year, and the establishment of a subsidiary with a Banco Multiplo license (a retail and investment bank also authorised to operate on the foreign-exchange market) in Sao Paolo, Brazil, entered its final phase, with the aim of improving local coverage, heretofore provided by a representative office. The subsidiary is expected to open during the first half of 2015. In the context of initiatives aimed at improving presence in the Gulf area, where the Group is the sole Italian bank which operates directly, the Group is currently in the process of opening a branch in Abu Dhabi in the United Arab Emirates, as the natural next step after the representative office opened in 2012, as well as a level-IV branch – equivalent to a representative office – in Doha, Qatar. The processes aimed at opening representation offices in Washington, USA, and Jakarta, Indonesia, have recently been started.
Structured finance activities targeting international customers were also intensified in the period. In further detail, mention should be made of efforts in the large-scale retail sector in order to meet the need for increased efficiency of working capital and the supply value chain, as well as efforts in the pharmaceutical sector in support of industry consolidation and reorganisation transactions at a global level. In addition to its intermediated finance solutions, the Group also offered standard and hybrid bonds, made available by Banca IMI, which acted as bookrunner and co-manager. In the petrochemical industry, the International Network and Banca IMI are increasing their project finance activities. Banca IMI also participated in cross-border acquisitions of listed groups as advisor and tender agent.
The Department is responsible for:
– **Société Européenne de Banque**, which posted income before tax from continuing operations in 2014 of 172 milion euro, up slightly compared to 2013 (+1%) and mainly as a result of the decrease in operating costs (-1.9%) and recoveries on loans which more than offset the slight decline in revenues (-0.6%);
– **Intesa Sanpaolo Bank Ireland**, which posted income before tax from continuing operations in 2014 of 94 milion euro, up compared to the previous year (+55.2%), due to the growth in operating income (+70.5%), as a result of profits on trading, and cost savings (-15.4%).

Global Banking & Transaction Department

In 2014, the flow of transactions undertaken on financial markets by the Global Banking & Transactions Department was especially intense. In further detail, the Foreign & Italian Banks segment continued to play an important role in support of the Italian and international financial system, while maintaining strong profitability and a low risk profile in the transactions undertaken on capital markets for the benefit of Italian and international financial institutions, thanks to its positioning on quality counterparties, low-risk and collateralised assets. Initiatives aimed at marketing transaction services with banking customers in Italy and internationally continued, particularly in the cash context, as did the synergy with Banca IMI in cross-selling investment-banking products and services.

In the Asset Management and Insurance segment several important transactions were concluded in the consumer credit sector (IBL, Pitagora, Dynamica), some of which involved customers in an investment role (Hayfin Capital Management Ltd), in real estate (Hines SGR, Idea Fimit SGR, Cordea Savills SGR), and private equity (Tower Gate Capital Ltd, in a joint advisory mandate with Quadrivio SGR). In addition, significant time deposit transactions were completed in foreign currency with maturities of up to one year (Halifax Share Dealing Ltd). A highlight on the equity market was the participation in the Anima SGR IPO and Cattolica capital increase, where Banca IMI acted as global coordinator. Lastly, much work has been done on transnational activities, in particular, in relation to issues related to Target2 Securities.

The Trade Finance and Correspondent Banking segment showed essentially stable trade flows in the various areas. As regards commercial operations, particular attention continued to be paid to sub-Saharan Africa, India, Turkey, China and Latin America. Bangladesh and Thailand have been identified as business opportunities for 2015, and they were visited during the period, along with Myanmar. In Latin America there has been an increase in activity during the last part of the year, especially in Brazil as a result of increased spreads paid by the leading banks in the country. In the Structured Export Finance (SEF) sector several transactions were finalised including the construction of a refinery in Turkey, a petrochemical plant in Turkmenistan, an electrical power plant in Egypt and the expansion of the Panama Canal. Two aircraft financing transactions were also completed: the first was with the Mexican airline Interjet for the acquisition of 11 aircraft manufactured by the Superjet International Company (Finmeccanica Group), and the second related to the supply of two Boeing 777-300s to the Angolan flag carrier, TAAG. Mandates were also won for the organisation of two transactions in Zambia. The first is with the Zambian Ministry of Finance (borrower) in the aircraft financing sector (this transaction will be shared on an equal basis with another Italian bank) and the second with the Ministry of Water and Irrigation (borrower) in Nairobi. Moreover, two export credit transactions in Russia were also organised. With further reference to transactions supporting exports, with the participation of SACE, completed deals included around 45 without recourse discount transactions were finalised, with transfer of policy and confirmation of letters of credit, with or without post financing, and three pre-export transactions with BP Oil in favour of Rosneft, with Rusal, and relating to cocoa produced in Ghana. Commercial development focused primarily on less mature markets such as East Asia and Africa, where there is attractive new transaction origination activity, whereas there are fewer business opportunities than in the past in Russia and adjacent countries (Ukraine and Belarus in particular) due to the recent political instability. However, the structuring phase of the first financing transaction of domestic Chinese trade receivables was completed covered by credit insurance facilitated by the presence of the Group's operating structures located there.

Activities in the Cash and Local Custody segment focused on transactional products and services in accordance with the guidelines for growth and the needs expressed by the markets and customers. In particular, commercial initiatives relating to Securities Services and Post-Trading services focused on acquiring five relevant new customers and developing the marketing of the value proposition for Target2 Securities, the Eurosystem's new securities settlement platform, to small and medium Italian banks and three large Italian and international banking groups. With reference to Target2 Securities at Group level, a new technology provider was selected in 2014 in order to support custody and securities administration activities and Intesa Sanpaolo was officially recognised as a directly connected party for phase 1. Work also continued on activities in the masterplan relating to the implementation of technology platforms and processes required to ensure continuity of securities settlement activities in time to be used for the launch of phase 1 in June 2015, in which the Italian market will take part. In collaboration with Banca IMI, work continued on generating new business in cross-selling execution and custody contracts to the Italian and international customer base and on participation in international markets, including connected post-trading services. In addition, new relationships were continuously entered into for third party pledge holder services including for securitisations, and for supporting structured finance and capital markets operations undertaken by Banca IMI. Lastly, with regard to Network Management and the oversight of Intesa Sanpaolo's sub-depositaries, renegotiation activities continued with respect to fee and commission expense and due diligence of the sub-depositaries.
Regarding commercial cash management activities for the Financial Institutions customer base, an interdivisional agreement was successfully entered into and implemented with the International Subsidiary Banks Division to centralise collection and payment services within the parent company. Great attention was focused on development of activities related to US dollar clearing and opening up to the Asian market with direct Renminbi clearing. Following the introduction, effective from 1 February 2014, of the SEPA credit transfer and SEPA direct debit (replacing the Italian domestic credit transfer and direct debit) in countries participating in the Single Euro Payments Area (SEPA), meetings with customers intensified with the aim of providing support for the transition to SEPA products.
With respect to new products in the Cash Management area, the following commercial initiatives have been launched: electronic invoicing, CBill, Inbiz Forex and My Bank. Project activities in support of business functions also continued, including the activation of the SEDA remuneration service and expansion of the Inbiz portal to include features of the Setweb portal for Financial Institution and Securities Services customers. Liquidity Dashboard was launched. Its goal is to create a single dashboard providing managers and customers with real-time display of the customer's cash movements, and one of its main features is the ability to create treasury forecasts. Work continues on the "Bolero" platform, for the implementation of a new bank-customer dialogue channel for integrated management of trade transactions; management of approval rules on the CBI passive channel for authorisations by digital signature; integration of the Billing service product catalogue; and the test phases for Financial Institution customers regarding the new tool for determining the prices of PriceLab cash management products.

Merchant Banking Department

As at 31 December 2014, the portfolio held by the Merchant Banking Department, directly and through subsidiaries, amounted to 1 billion euro, of which 500 million euro was invested in companies and 500 million euro in private equity funds.
Over the year, the Department completed the following transactions: the sale of part of the equity interest in Genextra in the context of a repurchase of treasury shares by the subsidiary, achieving a capital gain of 6.5 million euro; the sale of the Group's

entire interest of around 7 million ordinary shares in Pirelli & C., achieving a capital gain of 59 million euro on a consolidated basis; the acquisition of 48.31% of NAUS, the corporate vehicle through which an investment was undertaken in RINA in order to support that group's international growth in classification, certification, verification of conformity, inspection, training, testing and engineering consultancy services in the naval sector; the disposal of part of the investment in Lauro 61, the controlling entity of the Camfin group, for a net capital gain of 49 million euro.
Lastly, during the year, the Merchant Banking Department was involved in the disposal of a portfolio of private equity funds.

Structured Finance

In 2014, Banca IMI continued to maintain a selective approach in pursuing new business opportunities, focusing its activities on its main customers and relevant industrial sectors, while opening up to international markets.
In the Project & Industry Specialised Lending segment, a revolving line was underwritten in the telecommunications sector for a leading Italian telephone service provider, while in the Energy segment three important financing transactions were finalised, in the regulated activities sector, in the renewable energy sector, and in the extraction and sale of natural gas, respectively. In the Shipping sector, Banca IMI underwrote and financed two Product Tankers. In the Public & Social Infrastructure segment, the promotion and development of local public transport continued to generate significant interest. The bank took part in the financing of both the tramway in Firenze and the SPV set up to operate the Milan subway system's new Line 4. In the healthcare sector two transactions were completed: the construction of the new building and auxiliary works at Ospedale SS. Giovanni e Paolo in Venezia and the restructuring and expansion of 5 healthcare buildings in Nuoro province. Lastly, in the water service sector, the bank participated in the financing of Gaia which operates the integrated water service of the former ATO1 Toscana Nord.
In the Leveraged & Acquisition Finance segment, a financing transaction was finalised for Asset Management Holding with the aim of refinancing the company's debt in conjunction with its stock market listing. In addition, Banca IMI took part in the structuring of three vendor loans for three newly incorporated companies owned by Fondo Strategico Italiano, F2i and Fondo Orizzonte in support of the acquisition of 59.26% of SIA, a company operating in the payment, networking and credit card processing sector, of which the Intesa Sanpaolo Group sold a 32.92% interest (1.39% held by Banca IMI). Origination activity continued with the relationship units of the Corporate and Investment Banking Division and Banca dei Territori Division. In detail, the transactions finalised during 2014 included the following: The refinancing on longer-term maturities ("Amendment and Extend") of the outstanding debt of Intercos, a company active in the creation, development and production of make-up products for the cosmetic industry, with a view to a possible listing of the company; the financing of the acquisition by the Astorg Partners' private equity fund, of Megadyne, which operates in the production and marketing of polyurethane and rubber transmission belts for industrial uses; the Amendment and Extend refinancing of IP Cleaning which operates in the production of machinery and equipment for the professional cleaning sector, in the context of the acquisition of its share capital by the Ambienta private equity fund; the financing of the acquisition by the Capvis private equity fund of Faster which produces couplings for hydraulic applications. In the real estate segment, origination activity was aimed at structuring credit facilities according to an asset-light, geographically diversified approach for the Bank in support of investments in the sector of reference by offering a full range of dedicated financial products and providing specialised advice for the real estate segment, both in Italy and internationally. Transactions of note include: the structuring and disbursement of financial facilities for refinancing and specific cash requirements relating to a package of income-generating properties owned by Beni Stabili SIIQ; the line of credit intended to refinance the Porta Nuova Garibaldi Fund, managed by Hines Italia SGR; the credit facilities for TEA in support of the construction of a shopping centre located in Lainate/Arese (MI); financing in support of a residential project in Brooklyn (New York); and financing for the real-estate company Patrimonio Real Estate (Zuncheddu Group); disbursement of a loan to Tribeca White Street LLC (Sorgente Group) for the acquisition and development of a property in the area of the same name in Manhattan (New York); financing of Cordea Savills SGR in support of the acquisition by the real-estate fund C1 of a set of seven properties leased to the State Property Agency; structuring of two financings to fund the acquisition of three rental buildings in Brooklyn (New York); structuring and disbursement of a loan to the Pompei Real Estate Fund managed by Sator Immobiliare SGR for the acquisition of the "La Cartiera" shopping centre in Pompei in the province of Naples; structuring and disbursement of a loan to the Montenapoleone Retail company (Giuseppe Statuto Group) which will be securitised and sold to third party investors in the first few months of 2015, in line with the asset light policy; and the structuring and disbursement of loans to roll over the maturing debt of the Atlantic 2 and Omega Real Estate Funds both managed by IDeA Fimit SGR.
As regards financial advisory services, the following completed transactions are of note: the voluntary takeover bid for for all units of the Atlantic1 real estate fund, listed on the MIV segment of Borsa Italiana, promoted by Oceano Immobiliare; the reengineering of the financial structure of the Porta Nuova Garibaldi real estate fund as advisor to Hines Italia SGR; the divestment of a non-core real estate portfolio belonging to Armonia real estate fund managed by IDeA Fimit SGR and the subsequent placement of shares in it with Colony Capital LLC as advisor to the Intesa Sanpaolo Group; and two separate refinancing operations for the Omega and Atlantic 2 real estate funds, acting as advisor to IDeA Fimit SGR.
Several loans were granted in relation to Corporate Loan Structuring activities: to Kuwait Petroleum Italia for the acquisition of Shell's Italian network; to Massimo Zanetti Beverage Group for the acquisition of the Boncafé group operating in South East Asia; to Valvitalia in conjunction with its acquisition of an interest in Fondo Strategico Italiano; to Carlo Gnutti to finance the acquisition from the Finnish Capman fund of the Swedish Ljunghall group operating in the automotive sector; and to La Doria to finance its acquisition of the Althea group. A series of Revolving Credit Facilities were also structured in support of the ordinary financial requirements of a number of significant national and international businesses such as Finmeccanica, GTECH, Vimpelcom Ltd., World Duty Free Group, Prysmian, Barilla Group, Terna, Astaldi, Edison, Italcementi Finance SA, Prada as well as new medium- and long-term financing solutions for significant companies and national groups including Banca Farmafactoring, Gruppo Bonfiglioli Riduttori, Gruppo Calzedonia, Esprinet, Granarolo, Gruppo Maggiore, Il Sole 24 Ore, SAVE and Gruppo Trevi Finanziaria.
In the International Structured Finance sector, the net decline in the cost of funding at the international level fostered access to international markets in which the Group's structured finance was less competitive, markedly in the USA and Australia. In the Asia Pacific region, at the Hong Kong Hub, the following transactions in particular were supported: Infrastructure PPP Financing (Australia), as part of a selected consortium that includes Bouygues and Acciona; the refinancing of a multi-fuel power station that provides power to an aluminium refinery (GE Group); and the financing of Armada C7 Pte Ltd, sponsored by Bumi Armada Berhad

and Shapoorji Pallonji & Company Ltd.. Negotiations are also in progress for financing for a leading mining company (Rio Tinto) for the development on a global scale of a mining project in Mongolia.
In the Americas, the most significant transactions related to the Latin American area, where the bank acted as mandated lead arranger, along with four other international banks, for a bridge loan with a term of 18 months for a gas pipeline in Peru developed by Odebrecht and Enagas. The disbursement will be followed by medium-/long-term financing for the energy infrastructure.
Moreover, a bridge loan was disbursed for a solar energy plant in Uruguay in favour of Fotowatio Renewable Ventures, a company specialised in the development of renewable power plants on a global scale. The long-term financial structure that is to follow will involve the participation of the Inter-American Development Bank.
In London, the desk participated in the EMEA area as mandated lead arranger in the following financings: to Jacobs Douwe Egberts, a new company formed through the merger of D.E Master Blenders 1753 with Mondelez International Inc.'s coffee Division; to Abertis Telecom Terrestre, the Spanish leader in the television signal broadcasting sector, to facilitate new acquisitions; to Numericable with a Revolving Credit Facility as part of its acquisition of SFR, Vivendi's telecom business unit; to ATLL Concessionaria de la Generalitat de Catalunya, a subsidiary of the Acciona group which operates in the water distribution sector in Catalonia; to Red Eléctrica Internacional, an affiliate of Red Eléctrica Corporacion, the company which manages the Spanish electricity grid, for the purpose of acquiring rights to use the optical fibre network of Administrador de Infraestructuras Ferroviarias; to United Group BV to facilitate its acquisition of Tusmobil in Slovenia and add to group liquidity.
The desk participated in two important transactions as joint lead arranger and bookrunner: to Freeport LNG Liquefaction, the third USA financing of liquefied natural gas export terminals to achieve the closing phase (following Sabine Pass Liquefaction LNG and Cameron LNG) and to the Sasol Chemicals USA financing of an ethane cracker at its petrochemical complex at Lake Charles in Louisiana.

Proprietary Trading

In 2014, Proprietary Trading made a positive contribution to the income statement, in terms of revenues, albeit to a lesser extent than in 2013.
In detail, structured credit products contributed positively, mainly as a result of the European and US ABS/CDO positions, due to the gains realised on the partial disposal of the trading portfolio and the reassessment of the existing portfolio. Overall, as at 31 December 2014, the risk exposure at Group level to structured credit products, and funded and unfunded ABS/CDOs amounted to 2.5 billion euro.
The Hedge Fund portfolio contributed positively to revenues in 2014. The strategy primarily aimed at benefiting from the occurrence of specific corporate events largely independent of the general market trend. At 31 December 2014, the Hedge Fund portfolio came to 733 million euro, essentially stable compared to 744 million euro at the end of 2013.

Investment Banking, Capital Market and primary market

In 2014, Banca IMI acted as bookrunner for 68 transactions, 45 of which related to Italian issuers, ranking it in the top position in Italy by value and in second place by number of transactions, with a market share by value of 15.9%. The Bank also led Italy in the Corporate and High Yield segments both by value and number of transactions.
In the financial institutions segment, it acted as bookrunner for the 9 public transactions by Intesa Sanpaolo (three senior unsecured bonds; four dollar bonds of which two were subordinated; and a bond and a covered bond in CNH – offshore Chinese yuan), for the eurobonds issued by Veneto Banca, Banca Popolare di Vicenza, Banco Espirito Santo and Banca Monte dei Paschi di Siena, and for the covered bonds issued by Cassa di Risparmio di Parma e Piacenza, UBI Banca, Commerzbank, UBS, BPCE and Credit Suisse. The bank also acted as joint lead manager for senior unsecured issues by JP Morgan, BPCE, Crédit Agricole and Goldman Sachs, as well as for the subordinated transactions by BNP Paribas Cardif, Royal Bank of Scotland, Société Générale, HSBC, UBS and Credit Suisse. It acted as joint lead manager and bookrunner for the subordinated bond issued by Intesa Sanpaolo Vita and as global coordinator and bookrunner for the subordinated bond issued by Poste Vita. The bank also acted as co-manager in several issues by leading American and European financial institutions both in dollars and in euros, including Bank of America, JP Morgan, Citigroup, Goldman Sachs, BNP Paribas, Barclays, HSBS, RBS, Morgan Stanley and Deutsche Bank. In the ABS segment, the bank stood out for its role as sole manager in the placement of the senior tranche of the Alba 5 SPV securitisation by Alba Leasing, acted as re-offer agent in the placement by Veneto Banca of the senior tranche of the Claris ABS 2011 securitisation and in the placement by Credito Valtellinese of the senior tranche of the Quadrivio RMBS 2001 transaction, in addition to acting as sole arranger, lead manager and bookrunner in the placement by Consel (Banca Sella Group) of the senior tranche of the Monviso 2014 ABS. In the Liability Management segment, it acted as dealer manager in the tender offers by Barclays Bank, Credit Suisse and Hera for senior bonds, and it also acted as dealer manager and bookrunner in the exchange offer by Piaggio for an outstanding bond with maturity in December 2016, exchanged for a new bond maturing in 2021.
In relation with its corporate customers, the Bank acted as bookrunner for important issuers, originating bonds with medium- and long-term maturities for Pirelli, FGA Capital, Deutsche Bahn, 2i Rete Gas, Acea, Iren, RCI Banque, Air Liquide, America Movil, Unibail-Rodamco, GDF Suez, Kedrion, Fiat, Rallye, Snam, CNH Industrial, HeidelbergCement, FCE Bank, Sias, Luxottica Group, ENI, Finmeccanica and Autoroutes du Sud de la France. Particularly noteworthy are the hybrid bonds issued by Gas Natural, Accor, Enel and EDF in two tranches and the green bond issued by Hera, which was the first issuer in Italy, and the fourth in Europe as a whole for this type of issue. Banca IMI also acted as co-manager in numerous dollar and euro issues by significant American and European corporates, including Johnson Controls, Illinois Tool Works, Viacom, Amgen, Walt Disney, Exxon, Boeing, IBM, Verizon, General Electric, Daimler, Whirlpool, Bayer, AB Inbev and Wolter Kluwers; and by emerging markets issuers including Petrobras, Mubadala and MAF Global Securities.
In the high-yield segment, Banca IMI acted as bookrunner in two issues for Wind, the eurobonds issued by CMC Ravenna and Maccaferri, and the private placements by Saras, Twin Set-Simona Barbieri, and Coesia. It also distinguished itself through its role as sole manager of the public subscription offer for the bond issued by General Electric Capital Corporation intended for the Italian retail public.

The Bank maintained its leading position with issuers in the Sovereign, Supranational & Agencies sector, acting as lead manager and joint bookrunner in the placement of the BTPei of the Italian Republic indexed to inflation in the Eurozone and in Italian BTPs. The Bank also successfully placed the bond issued by Cassa Depositi e Prestiti and served as joint bookrunner in the issue by the Republic of Croatia. Lastly, as co-lead manager it participated in 7 issues by the European Financial Stability Facility (EFSF) and 2 issues by the European Stability Mechanism (ESM).

In the equity capital market segment, Banca IMI maintained its customary coverage of the domestic market in 2014, participating in the IPO of Anima, the placement of convertible bonds issued by Maire Tecnimont, Sogefi, Safilo and STMicroelectronics, as well as in the capital increases by Banco Popolare, Credito Valtellinese, Banca Popolare di Sondrio, Trevi Finanziaria, Cattolica Assicurazioni, Beni Stabili and Immobiliare Grande Distribuzione. With regard to accelerated bookbuilding, Banca IMI was involved in the transactions carried out by Salini Impregilo and Salini Costruttori to increase the free float through the sale of 26% of the share capital of Salini Impregilo; by Generali in its sale of around 1.4% of the share capital of Atlantia; by Intesa Sanpaolo in its sale of around 1.5% of the share capital of Pirelli; by Fondazione Carige in its sale of 11% of the share capital of Banca Carige; by Arnoldo Mondadori Editore in its issue of new shares and sale of treasury shares amounting to 12% of its share capital; and by Amico International SA in its sale of 10% of the share capital of Amico International Shipping SA. Internationally, the bank was involved in the capital increases by Deutsche Bank, Raiffeisen Bank International, Alpha Bank, Peugeot, Banco Espirito Santo, London Stock Exchange, in the Coface IPO, the placement of the convertible bond and shares in Fiat Chrysler Automobiles, in the Ipo of Synchrony Financial on the NYSE and in the placement of the Alcoa convertible bond. The bank also confirmed its leadership position in the takeover bid/delisting segment, overseeing the takeover bid launched by Blackstone for shares of the closed-end listed real-estate fund Atlantic 1 as the intermediary responsible for coordinating subscriptions, by Haworth for the shares in Poltrona Frau, and by Whirlpool for the shares in Indesit. On the AIM market, Banca IMI led the IPO for the ordinary shares of Triboo Media.

In M&A and Advisory business, Banca IMI achieved positive results thanks to the significant roles it played in several of the main transactions of the period in Italy, in which it provided support to Versace with the sale of the company’s 20% interest to the Blackstone fund, to the Pirelli Group with the sale of its steel cord business unit to Bekaert and to Camfin with the transaction that allowed the acquisition of an interest in Pirelli by the Russian group Rosneft and disinvestment from the Clessidra fund. In addition to the above, in the energy and utility sector, the bank advised Italgas on the de-merger of AES Torino; Enel on the sale of the remaining 14.8% interest in Enel Rete Gas to F2i Reti Italia; Snam on the acquisition of 84.45% in Trans Austria Gasleitung (the gas pipeline linking the Austro-Slovak and Austro-Italian borders); F2i on the acquisition of 70% of a portfolio of renewable energy production assets from Edison; in the industrial sector, the bank advised Indesit on the mandatory takeover bid by Whirpool; Tamini Trasformatori on the sale of its capital to Terna; Valvitalia on the acquisiton of a 49.5% interest in the company Fondo Strategico Italiano; SIT Group on the restructuring of its ownership structure; the Synergo fund on the sale of 13.2% of IP Cleaning to Ambienta SGR; CAME on the acquisition of 100% of Parkare; in the food and beverage sector, it assisted Ebro Foods with the acquisition of 52% of Pastificio Lucio Garofalo; La Doria with the acquisition of Pa.fi.al.; and Generale Conserve with the acquisition of the De Rica business unit from Conserve Italia.

Banca IMI also provided advisory services to Gruppo Editoriale l’Espresso concerning the strategic combination of Rete A with Telecom Italia Media Broadcasting, to Giochi Preziosi regarding the sale of Giocoplast Natale and the Como Gioco business unit and to the Parent Company Intesa Sanpaolo in the transaction involving the sale of 44.5% of NH Italia to the NH Hoteles Group.

For Financial Institutions customers, the bank acted as financial advisor to Fondazione Carige in the sale of a 27.5% interest in Banca Carige, to Banco di Desio e della Brianza in the acquisition of approximately 70% of Banca Popolare di Spoleto, to Fondazione Cassa di Risparmio di Lucca on the merger by incorporation of Credito Bergamasco into Banco Popolare, and to Fondazione Cassa di Risparmio di Teramo on the sale of Banca Tercas to Banca Popolare di Bari.

International Subsidiary Banks

(millions of euro)

Income statement	2014	2013	Changes	
			amount	%
Net interest income	1,509	1,533	-24	-1.6
Dividends and profits (losses) on investments carried at equity	43	32	11	34.4
Net fee and commission income	535	534	1	0.2
Profits (Losses) on trading	128	106	22	20.8
Income from insurance business	-	-	-	-
Other operating income (expenses)	-86	-82	4	4.9
Operating income	**2,129**	**2,123**	**6**	**0.3**
Personnel expenses	-561	-560	1	0.2
Other administrative expenses	-416	-435	-19	-4.4
Adjustments to property, equipment and intangible assets	-106	-113	-7	-6.2
Operating costs	**-1,083**	**-1,108**	**-25**	**-2.3**
Operating margin	**1,046**	**1,015**	**31**	**3.1**
Net provisions for risks and charges	-240	-10	230	
Net adjustments to loans	-512	-776	-264	-34.0
Net impairment losses on other assets	-40	-135	-95	-70.4
Profits (Losses) on investments held to maturity and on other investments	-	-11	-11	
Income (Loss) before tax from continuing operations	**254**	**83**	**171**	
Taxes on income from continuing operations	-163	-173	-10	-5.8
Charges (net of tax) for integration and exit incentives	-2	-	2	-
Effect of purchase price allocation (net of tax)	-	-	-	-
Impairment (net of tax) of goodwill and other intangible assets	-	-722	-722	
Income (Loss) after tax from discontinued operations	-	-	-	-
Minority interests	-	-	-	-
Net income (loss)	**89**	**-812**	**901**	

(millions of euro)

	31.12.2014	31.12.2013	Changes	
			amount	%
Loans to customers	26,398	27,015	-617	-2.3
Direct deposits from banking business	31,078	30,182	896	3.0
Risk-weighted assets [(a)]	27,556	27,634	-78	-0.3
Absorbed capital [(a)]	2,204	2,211	-7	-0.3

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

[(a)] Values as at 31 December 2014 are determined using the methodology envisaged by the Basel 3 Capital Accord. Values as at 31 December 2013 are reconstructed also to account for new regulatory metrics.

The International Subsidiary Banks Division is responsible for the Group's activities in foreign markets through commercial banking subsidiaries and associates, mainly active in retail banking.

It bears noting that the income statement figures presented above and commented upon below do not include the results of the Ukrainian Pravex Bank, for which disposal negotiations are currently underway.

In 2014, the Division's operating income came to 2,129 million euro, essentially in line with previous year (+0.3%). A detailed analysis shows that net interest income came to 1,509 million euro, a decrease compared to 1,533 million euro in 2013 (-1.6%), mainly due to the trends reported by Banca Intesa – Russia (-22 milion euro) and CIB Bank (-16 million euro), which were only partly absorbed by the increase recorded by Bank of Alexandria (+11 million euro) and VUB Banka (+9 million euro). Net fee and commission income, amounting to 535 million euro, was in line with 2013 (+0.2%). Profits on trading, amounting to 128 million euro, increased by 20.8% due to contributions from CIB Bank and Bank of Alexandria (+7 million euro each) and Privredna Banka Zagreb (+6 million euro), only partly offset by those of Intesa Sanpaolo Bank Romania (-4 million euro) and Banca Intesa Russia (-2 million euro).

Operating costs, amounting to 1,083 million euro, were down compared to 2013 (-2.3%). As a result of the above revenue and cost trends, the operating margin came to 1,046 million euro, up 3.1%. Income before tax from continuing operations of 254 million euro showed a threefold increase compared to 83 million euro of the previous year, benefiting from the lower adjustments to loans and net impairment losses on other assets which more than offset the increase in provisions for risks and charges recognised by CIB Bank Group in Hungary in accordance with government regulations on retail loans, taking into account both foreign currencies and unilateral changes to the value of the contracts. The Division closed 2014 with a net income of 89 million euro. This compares with a loss of 812 million euro in 2013, which was affected by material impairment of goodwill and other intangibles caused by the difficult macroeconomic context.
On a quarterly basis, the fourth quarter of 2014 reported an operating margin down 15.2% on the third quarter, due to a decrease in revenue (-2.5%) and increases in operating costs (+11.1%). After recognising the provisions for risks and charges of CIB Bank Group in line with the government regulations cited above, and the adjustments to loans and net impairment losses on other assets, income before tax from continuing operations and net result for the quarter were both negative.
The Division's intermediated volumes increased slightly compared to the end of December 2013 (+0.5%) due to the positive performance of direct deposits from banking business (+3%), mainly in amounts due to customers. Conversely, loans to customers recorded a downward trend (-2.3%).

Capital absorbed, which represents 9% of the Group's total, was similar to the levels seen in 2013, coming to 2,204 million euro.

Business	It is responsible for the Group's operations on the international markets through commercial bank subsidiaries and associates
Mission	Guidance, coordination and support for international subsidiaries, which engage primarily in retail banking operations. The Division is responsible for setting the Group's strategic development guidelines in terms of its direct presence on international markets, involving systematic exploration and analysis of new growth opportunities on markets already served and new markets, the coordination of international subsidiary banks' operations and the management of the relationships between international subsidiary banks and the Parent Company's central units and the branches and other foreign offices of the Corporate and Investment Banking Division
Organisational structure	
South-Eastern Europe	Presence in Albania, Bosnia-Herzegovina, Croatia, Romania and Serbi
Central-Eastern Europe	Presence in Slovakia, Slovenia and Hungary
Commonwealth of Independent States & South Mediterranean	Presence in Egypt, the Russian Federation and Ukraine
Other companies	ISP Card, which supports banks in the Division in the payment services segment
Distribution structure	1,374 branches in 12 countries (including branches of the Ukrainian subsidiary Pravex Bank in the process of being sold)

South-Eastern Europe

In 2014 the operating income of the **Privredna Banka Zagreb** Group amounted to 432 million euro (+1.2% compared to the previous year), due to the increase in net fee and commission income and profits on trading. The operating costs of 200 million euro grew by 3% compared with 2013. The operating margin came to 233 million euro, which was essentially in line with the previous year (-0.3%) and income before tax from continuing operations, amounting to 152 million euro, showed an increase of 25.2%, benefiting from the lower adjustments to loans.

Banca Intesa Beograd, including Leasing Beograd, showed an operating margin of 148 million euro, which was essentially in line with 2013 (+0.2%): the slight decline in operating income (-0.6%) was entirely offset by the decrease in operating costs (-1.9%). Income before tax from continuing operations amounted to 62 million euro compared to 83 million euro in the previous year (-25.2%), due to increased adjustments to loans and net impairment losses on other assets.

Intesa Sanpaolo Banka Bosna i Hercegovina closed 2014 with an operating margin of 16 million euro, up 11.6% on 2013. This performance is attributable to the increase in operating income (+4.4%), especially net interest income and net fee and commission income, on the one hand, and the decrease in operating costs (-1.1%), on the other. Income before tax from continuing operations totalled 11 million euro, up 45.8%.

Intesa Sanpaolo Bank Albania reported an operating margin of 25 million euro, down compared to the previous year (-16.9%), due to a decrease in revenues and an increase in operating costs. Income before tax from continuing operations amounted to 18 million euro, double compared to 2013, due to a reduction in adjustments to loans.

The companies operating in Romania (**Intesa Sanpaolo Bank Romania** and **ISP Leasing Romania**) recorded a total operating margin of 12 million euro, down 24.8% on the previous year. This performance was due to a decrease in operating income (-10.7%), primarily ascribable to profits on trading, only partially offset by a decline in operating costs (-3.1%). The companies reported a loss before tax from continuing operations of 25 million euro, compared with the loss of 37 million euro in 2013, mainly due to lower adjustments to loans (-39.2%).

Central-Eastern Europe

Banka Koper, including Finor Leasing, reported operating income of 88 million euro, up 10.5% on 2013 due to positive developments in all the main income components. Operating costs increased slightly (+1.6%). Income before tax from continuing operations amounted to 8.6 million euro, up by more than double compared to the previous year, despite higher net impairment losses on other assets.

The **VUB Banka** Group achieved an operating margin of 281 million euro, up compared to 2013, due to an increase in operating income (+3.5%), attributable in large part to net interest income, which more than offset the increase in operating costs (+2.5%). Income before tax from continuing operations totalled 190 million euro, up 5.5% on the previous year.

The performance of this subsidiary bank was severely affected by the increasing pressure on the Hungarian banking system, as a result of the serious economic difficulties experienced by the country, as well as by the recent government regulations on retail loans. The **CIB Bank** Group reported operating income of 268 million euro, down 7.9% compared with 2013. Operating costs decreased 12.2%, with savings spread through all items. After posting high net adjustments to loans, albeit down compared to the previous year, as well as the aforementioned provisions for risks and charges, income before tax from continuing operations showed a negative balance of 287 million euro, compared to -387 million euro recognised in 2013.
The loan securitisation transaction launched at the end of the year is described in the Executive Summary chapter of this Report on operations.

Commonwealth of Independent States & South Mediterranean

Banca Intesa - Russia reported income before tax from continuing operations of 0.4 million euro, compared with 5.4 million euro in 2013. Operating income decreased (-19.3%), mainly due to the decline in net interest income (-20.5%). Operating costs were down 17%. Net adjustments to loans amounted to 26 million euro, down 17.6% compared to the previous year (-17.6%) The significant fluctuations in local currency in the final months of 2014 resulted in a negative foreign exchange effect on the bank's results.

Pravex Bank has already been referred to in the Executive Summary. The bank - which now counts as one of the assets in the Capital Light Bank - closed the year with a loss before tax of 48 million euro.

Bank of Alexandria reported an operating margin of 154 million euro, up 13.5% compared to 2013. Operating income, amounting to 302 million euro, increased 8.7%, due to improved contributions by all main components. Operating costs increased by 4.1%, mainly due to administrative expenses. Following net adjustments to loans of 34 million euro, down 7% on the previous year, income before tax from continuing operations amounted to 115 million euro, up 16.3% on 2013.

Other companies

Operating income reported by **ISP Card** came to 37 million euro, slightly down on 2013 (-1.6%). Operating costs fell to 32 million euro (-5.6%). This resulted in income before tax from continuing operations of 5.2 million euro, compared with 3.4 million euro in the previous year (+53.6%).

Eurizon Capital

(millions of euro)

Income statement	2014	2013	Changes amount	%
Net interest income	1	1	-	-
Dividends and profits (losses) on investments carried at equity	38	32	6	18.8
Net fee and commission income	501	370	131	35.4
Profits (Losses) on trading	6	3	3	
Income from insurance business	-	-	-	-
Other operating income (expenses)	1	1	-	-
Operating income	**547**	**407**	**140**	**34.4**
Personnel expenses	-59	-51	8	15.7
Other administrative expenses	-70	-59	11	18.6
Adjustments to property, equipment and intangible assets	-1	-1	-	-
Operating costs	**-130**	**-111**	**19**	**17.1**
Operating margin	**417**	**296**	**121**	**40.9**
Net provisions for risks and charges	1	14	-13	-92.9
Net adjustments to loans	-	-	-	-
Net impairment losses on other assets	-	-	-	-
Profits (Losses) on investments held to maturity and on other investments	-	-	-	-
Income (Loss) before tax from continuing operations	**418**	**310**	**108**	**34.8**
Taxes on income from continuing operations	-101	-87	14	16.1
Charges (net of tax) for integration and exit incentives	-1	-	1	-
Effect of purchase price allocation (net of tax)	-38	-38	-	-
Impairment (net of tax) of goodwill and other intangible assets	-	-	-	-
Income (Loss) after tax from discontinued operations	-	-	-	-
Minority interests	-8	-7	1	14.3
Net income (loss)	**270**	**178**	**92**	**51.7**

(millions of euro)

	31.12.2014	31.12.2013	Changes amount	%
Assets under management	202,765	163,838	38,927	23.8
Risk-weighted assets [(a)]	917	737	180	24.4
Absorbed capital [(a)]	83	66	17	25.8

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

[(a)] Values as at 31 December 2014 are determined using the methodology envisaged by the Basel 3 Capital Accord. Values as at 31 December 2013 are reconstructed also to account for new regulatory metrics.

Overall, total assets managed by Eurizon Capital at the end of December 2014 came to 202.8 billion euro (net of duplications), up by 23.8% in the twelve months as a result of net inflows and the favourable financial market performance. In 2014, net inflows came to 26.2 billion euro, due to the strong performance of mutual funds (primarily fixed-term funds established in both Luxembourg and Italy), retail portfolio management schemes (principally due to the contributions of the new “GP Unica” and "GP Obiettivo Private lines) and captive insurance products, consisting of line I insurance contracts, the category to which traditional life policies are classified, as well as of unit-linked policies. Eurizon Capital’s share of assets under management was 15.2% as at 31 December 2014 (gross of duplications and including individual asset management within Intesa Sanpaolo Private Banking’s portfolio), from 14.5% at the end of December 2013.

Operating income for 2014, amounting to 547 million euro, grew by 34.4% compared to the previous year, benefiting from the favourable performance of net fee and commission income (+35.4%). This performance is largely attributable to the increase in average assets under management, which considerably exceeded the level of 2013. Operating costs increased (+17.1%) due to administrative and personnel expenses. As a result of the above trends the operating margin amounted to 417 million euro, up 40.9% compared to 2013. Eurizon Capital closed 2014 with a net income of 270 million euro (+51.7%).

On a quarterly basis, the fourth quarter of 2014 showed an increase of 52.4% in operating margin compared to the third quarter, due to growth in operating income (+45.5%) and, particularly, in net fee and commission income. This trend was reflected in the net income, up 62.4% on the previous quarter.

Capital absorbed amounted to 83 million euro, up on the amount for 2013.

Business	Asset management
Mission	To provide collective and individual asset management products to the Group's internal banking networks and develop its presence on the open market through specific distribution agreements with other networks and institutional investors
Organisational structure	
Eurizon Capital SGR	Specialised in asset management on behalf of both retail customers (mutual funds and portfolio management schemes) and institutional customers (including fund users), to which it offers a wide range of specific investment products and services
Eurizon Capital SA (Luxembourg)	Specialised in managing Luxembourg mutual funds with low tracking error
VUB Asset Management (Slovakia)	A Slovak asset management company, 50.12% owned by Eurizon Capital SA, which heads up the Hungarian CIB IFM and the Croatian PBZ Invest (Eastern European asset management hub)
Epsilon Associati SGR	Specialised in managing structured credit products and mutual funds using quantitative methods and 51% owned by Eurizon Capital and the remaining 49% by Banca IMI
Allfunds Bank SA	A 50% subsidiary of Eurizon Capital operating as a multimanager distribution platform for asset management products targeting institutional investors
Penghua Fund Management Company Limited	Chinese fund manager 49% owned by Eurizon Capital SGR

The key events and initiatives regarding products placed and managed by Group companies in 2014 are outlined below.

With reference to international development, December 2014 saw the finalisation of the transfer to Eurizon Capital SGR of the parent company Intesa Sanpaolo's 50% interest in Allfunds Bank SA, a company constituted under Spanish law,

With reference to product development initiatives, 2014 saw the continuation of the placement of new editions of the Italian mutual funds range with placement windows named "Eurizon Gestione Attiva", "Eurizon Cedola Attiva" and "Eurizon Guida Attiva" (distributed by third-party distributors and, in particular, by the Cariparma Group), as well as the funds established by Epsilon named "Epsilon Flexible Forex Coupon" and "Epsilon allocazione tattica". Moreover, the new product "Eurizon Multiasset Reddito" was launched, which aims to optimise the fund's return over a period of five years, in accordance with a set risk budget, with annual income distribution.
With regard to Luxembourg mutual funds, as part of the joint venture established within Epsilon by Eurizon Capital and Banca IMI, the placement of the range of capital protected products continued within the "Investment Solution by Epsilon" umbrella fund to be managed by Epsilon. In further detail, in 2014 new windows were opened in the "Valore Cedola x 5", "Soluzione Flessibile Protetta", "Global Coupon" and "Equity Coupon" sub-fund families.

Banca Fideuram

(millions of euro)

Income statement	2014	2013	Changes amount	%
Net interest income	136	147	-11	-7.5
Dividends and profits (losses) on investments carried at equity	-	-	-	-
Net fee and commission income	770	662	108	16.3
Profits (Losses) on trading	29	17	12	70.6
Income from insurance business	99	78	21	26.9
Other operating income (expenses)	-1	-9	-8	-88.9
Operating income	**1,033**	**895**	**138**	**15.4**
Personnel expenses	-144	-126	18	14.3
Other administrative expenses	-178	-181	-3	-1.7
Adjustments to property, equipment and intangible assets	-15	-15	-	-
Operating costs	**-337**	**-322**	**15**	**4.7**
Operating margin	**696**	**573**	**123**	**21.5**
Net provisions for risks and charges	-83	-74	9	12.2
Net adjustments to loans	-	-6	-6	
Net impairment losses on other assets	1	-4	5	
Profits (Losses) on investments held to maturity and on other investments	-	-2	-2	
Income (Loss) before tax from continuing operations	**614**	**487**	**127**	**26.1**
Taxes on income from continuing operations	-166	-150	16	10.7
Charges (net of tax) for integration and exit incentives	-6	-1	5	
Effect of purchase price allocation (net of tax)	-86	-89	-3	-3.4
Impairment (net of tax) of goodwill and other intangible assets	-	-29	-29	
Income (Loss) after tax from discontinued operations	-	-	-	-
Minority interests	-	-	-	-
Net income (loss)	**356**	**218**	**138**	**63.3**

(millions of euro)

	31.12.2014	31.12.2013	Changes amount	%
Assets under management	73,263	66,096	7,167	10.8
Direct deposits from banking business	8,660	7,256	1,404	19.3
Direct deposits from insurance business and technical reserves	23,158	18,431	4,727	25.6
Risk-weighted assets [(a)]	5,731	4,961	770	15.5
Absorbed capital [(a)]	894	682	212	31.1

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

[(a)] Values as at 31 December 2014 are determined using the methodology envisaged by the Basel 3 Capital Accord. Values as at 31 December 2013 are reconstructed also to account for new regulatory metrics.

Assets under management and assets under administration of the Banca Fideuram Group at the end of December 2014 amounted to 90.2 billion euro (of which 73.3 billion euro in assets under management and 16.9 billion euro in assets under administration), up 7.8% on an annual basis. This trend is attributable to the positive market performance of assets and the positive net inflow performance.
In detail, assets under management, which represent more than three quarters of the aggregate, were up 10.8% compared to the balance at the end of 2013, thanks to the positive development of the life insurance and asset management segment. Conversely, assets under administration showed a decrease of 3.9% on the volume as at 31 December 2013. Banca Fideuram Group's distribution networks achieved net inflows of 2.5 billion euro which was essentially in line with the previous year (+47 million euro, equal to +1.9%). An analysis by aggregates shows that inflows to assets under management, amounting to 3.8 billion euro, were down by 1.7 billion euro compared to the previous year, attributable to mutual funds and life insurance policies. On the other hand, net outflows from assets under administration, amounting to 1.3 billion euro, showed a corresponding improvement of 1.8 billion euro on the net outflows of 3.1 billion euro reported in 2013, mainly attributable to securities.
Direct deposits from banking business amounted to 8,660 million euro, up 19.3% over the twelve months, as a result of the increase current accounts and time deposits of ordinary customers.

Direct deposits from insurance business, amounting to 23,158 million euro, increased 25.6%, attributable to the positive performance of financial liabilities of the insurance segment designated at fair value and, to a lesser extent, to technical reserves.
The number of private bankers came to 5,044 as at 31 December 2014, down compared to the end of 2013 (5,104).
The operating margin for 2014 stood at 696 million euro, up 21.5% compared to 2013, driven by the development of operating income (+15.4%), along with a modest rise in operating costs (+4.7%).
The performance of revenues is attributable to all major components, and markedly to net fee and commission income of 770 million euro, up 16.3%. In particular, recurring fee and commission income, i.e. fee and commission income correlated with assets under management, which represents the most important component of fee and commission income, rose compared to the previous year, owing to the growth in average assets under management, with profitability improving as a result of increased incidence of assets linked to the Sei advanced advisory service. Front-end net fee and commission income, associated with the placement of securities, funds and insurance policies and the receipt and transmission of orders, reported a reduction which was largely attributable to the decrease in volumes associated with the placement of securities, especially in the last quarter of the year. Performance fees, almost fully recognised on an annual basis, were up due to the positive performance of asset management products compared to their benchmarks. Fee and commission expense, essentially related to incentives for the network for attracting new money, reported a decrease due to lesser incentives to the network of private bankers as a consequence of a decreased contribution in terms of net inflows to assets under management. Conversely, net interest income declined (-7.5%), chiefly attributable to the minimum levels reached by benchmark interest rates, with a less elastic cost of funding. Among other income components, there was an increase in income from insurance business attributable to Fideuram Vita, which rose from 78 million euro to 99 million euro (+26.9%). This performance may be attributed to the improved net investment result on the portfolio of investments underlying separate management accounts and free capital, as well as the effects of financial market performance on measurement. Net provisions for risks and charges increased 12.2% due to the contractual indemnities owed to private bankers. Income before tax from continuing operations amounted to 614 million euro, up 26.1%. Lastly, following the attribution of the effects of purchase price allocation on the income statement (86 million euro), Banca Fideuram closed 2014 with net income of 356 million euro, up 63.3% compared to the previous year.
The fourth quarter of 2014 showed an increase in operating income of 5% compared to the third quarter, attributable to net fee and commission income and profits on trading. The revenue performance, which was entirely offset by higher operating costs (+15.4%), resulted in operating margin standing at the same levels as the previous quarter. Income before tax from continuing operations declined (-9.9%) due to higher provisions for risks and charges recognised in the final quarter. Net income performed similarly (-6.6%).
The capital absorbed by Banca Fideuram amounted to 894 million euro, up on the previous year.

Business	Asset-gathering activity through financial advisors networks at the service of customers with medium/high savings potential
Mission	To aid customers with informed management of their assets, beginning with a thorough analysis of their true needs and risk profile. To advise on financial and pension issues with the aid of highly qualified professionals in a fully transparent manner and in full compliance with the rules
Distribution structure	96 branches in Italy with 5,044 private bankers

In 2014, product development measures were implemented with the aim of meeting customers' medium- and long-term needs through solutions that may be adapted to suit the constantly changing market scenario and are consistent with the Banca Fideuram Group's business model, which has always focused on advice with guided open architecture.

Bank's funds saw the addition of a new bond sub-fund of Fonditalia (FOI) focusing on the high-yield segment (FOI High Yield Short Duration), developed in partnership with JP Morgan Asset Management; the change of the investment strategy in the FOI Ethical investment category with the introduction of an equity component which is permanently based on ethical principles; as well as the introduction of a new balanced sub-fund of Fideuram Master Selection (FMS), which takes the form of a multi-asset and multi-manger fund of funds (FMS Balanced), rounding out the line of funds of funds previously included in the range.

Within the scope of Fideuram Multibrand (third-party funds distributed à la carte), placement commenced on the Luxembourg-based "Epsilon Fund" managed by Eurizon Capital SA, and the ongoing development of the existing range continued, primarily consisting of the addition of new sub-funds to existing UCIs and of new classes to those already placed.

With the aim of offering a more complete and modular portfolio management service, the "Fideuram Omnia" range was expanded to include the new "Active Beta Balanced" line which primarily invests in balanced funds provided by third parties and selected by Fideuram Investimenti to allow for an approach which combines a variety of management styles. A new line called "Eligo Titoli" was also launched. This is a portfolio management product which offers the possibility of building an individual portfolio by selecting one or more baskets of securities. The new "Consilia" product family was also launched including four investment lines using a multi-strategy management approach.

Turning to insurance products, the class III policy "Fideuram Vita Insieme" was further improved from the standpoint of services and UCIs by increasing the flexibility of its draw-down plan and introducing a new guided re-allocation option that allows customers to re-calibrate their portfolios periodically on the basis of the market outlook provided by Fideuram Investimenti. In addition, for the "private" version, seven new asset managers have been introduced to further increase the investment opportunities available. Their niche segments are particularly well suited to the portfolio diversification requirements of the target customer base.

In pension products, the Fideuram Pension Fund was revised. The main changes to the fund included the introduction of multi-fund management, the option to make contributions through the coupons paid as part of the draw-down plans for products in the "Fideuram Vita Insieme" family and the possibility of operating through the Fideuram Mobile Solution platform.

Initiatives in the area of assets under administration involved both the offering of investments in securities and the offering of banking products. In the area of securities investments, Banca Fideuram and Sanpaolo Invest participated in a number of issues by the Intesa Sanpaolo Group. In detail, twenty-two placements were made on the primary market through fixed-rate and blended-rate senior bonds with minimum and maximum duration of five and six years. Banca Fideuram also participated in the placement of BTP Italia issues launched by the Ministry for the Economy and Finance through the traditional channel as well as directly through Fideuram Online, in addition to taking part in the consortium for the initial public offering of various companies' ordinary shares. As regards the offering of banking products, initiatives continued with the aim of promoting the use of banking services and the acquisition of new customers. During the year, campaigns continued to be held to promote the "Fideuram Plus" current accounts, which offer a promotional annual gross interest rate during a specific time window for up to a certain level of the balance, provided that certain conditions have been met. Lastly, the range of lending products has been reviewed.

In 2014, the Group has continued to focus on its Sei advanced advisory service as a distinctive factor of its service model. At the end of December 2014, there were about 60 thousand customers, for approximately 25 billion euro in assets under administration (+3.5 billion euro compared to the end of 2013).

Centro di Governo

The Corporate Centre is responsible for direction, coordination and control of the whole Group, as well as for Treasury and ALM.
The Corporate Centre Departments generated an operating loss of 1,263 million euro in 2014, compared to an operating loss of 1,672 million euro in the previous year. This performance was mainly due to the improvement in terms of net interest, which, though still negative, benefited from a gradual reduction in the cost of liquidity. This phenomenon was partly mitigated by the significant deterioration of profits on trading. The net loss amounted to 1,952 million euro; this amount compares to -115 million euro for 2013 which had benefited from the fair value measurement of the new stake in the Bank of Italy for a total of 2,558 million euro.

Treasury services

The Treasury Department includes treasury services in euro and foreign currencies, and the integrated management of liquidity requirements/surpluses, financial risks and settlement risks. In 2014, Intesa Sanpaolo confirmed its role of "critical participant" and system-wide bank, keeping its payment volumes on the Eurosystem Target2 platform stable. The implementation phase for the "Target2 Securities" project envisages the launch of tests in March 2015, followed by migration to the new system at the end of June. The Bank has also confirmed its interest in taking part in the European project which is working towards the inclusion of the Hungarian Forint in the Continuous Linked Settlement (CLS) system, guaranteeing its commitment to mitigating settlement risk in foreign exchange rate transactions.

In the first half of the year, the money market was characterised by accommodating ECB policy which realigned the official refinancing rate with very short-term rates, at the same time as the gradual and progressive repayment by the banks of the three-year VLTRO auctions launched by the Central Bank approximately two years ago. Over the second half of the year, participation in two TLTRO auctions was finalised and the ECB implemented its ABS purchase programmes. In this scenario, Intesa Sanpaolo restructured its liquidity profile in terms of exposure to the European Central Bank by using its refinancing solely for the purpose of covering seasonal requirements at market conditions. This policy has afforded the Bank greater flexibility in liquidity management, and has improved the cost of its securities funding which has remained substantially stable over the whole period.

In order to maximise the risk/reward profile in the Government Bonds Portfolio, a number of investment strategies have been put in place during the year with the aim of increasing the residual maturities of the assets. This has entailed a preference for longer positions to benefit from the expectations of flattening credit spread curves. In addition investments were diversified into core and semi-core European government bonds. The final part of the year was characterised by geopolitical instability between Russia and Ukraine, and "Greek risk" which signalled a return of volatility and an increase in the spread between core and non-core securities. In addition, in order to benefit from the purchase programmes implemented by the European Central Bank, investments in "covered bonds" were increased.

Compared with 2013, medium/long-term funding recorded a slowdown in deposits with typical instruments of the segment.
In the domestic market in 2014, the total amount of Group securities placed through its own and third-party networks came to 8 billion euro (18 billion euro in 2013). Among the securities placed, there was a prevalence of structured bonds (primarily represented by structured index-linked instruments) at 71%, while the share of plain-vanilla instruments amounted to 29%. The breakdown by average maturity shows a concentration of 2, 3, and 4 year maturities, which together made up 51% of the total.
On international markets, unsecured institutional funding transactions were completed for a total of approximately 10.3 billion euro. Of these, 5.1 billion were senior funding on the Euromarket and with German institutional investors, 4.5 billion dollars on the US market, and 650 million CNY on the Asian markets. In addition, the New York branch issued approximately 2.5 billion dollars in certificates of deposit with 13-year maturity (equal to approximately 1.8 billion euro).
The institutional market saw the launch of the 16th public series of fixed rate Covered Bonds under the programme backed by mortgages, for a nominal amount of 1.25 billion euro and 12-year maturity. In the context of the ISP CB covered bond public issue programme, the 6th series of 2.4 billion euro was redeemed in advance and replaced by a 9th series of floating-rate bonds with a duration of two years, for a total of 1 billion euro. The two groups of issues are eligible for Eurosystem transactions and are quoted on the Luxembourg stock exchange with Moody’s A2 rating. In order to improve the mapping of the repayment profile of the cover pool with the maturities of the securities issued, the multi-originator programme guaranteed by ISP OBG saw early redemption of four series of securities and their replacement by twelve new issues (the 7th to the 18th series) underwritten by Intesa Sanpaolo. These have floating-rates, maturities of between 2 and 7 years, Luxembourg stock exchange listings, A (high) ratings from DBRS and they are eligible for Eurosystem transactions. The amount of the securities currently in issue is approximately equal to 19 billion euro. The Cassa di Risparmio in Bologna also participated in this programme as an additional transferor, with 1.2 billion euro.

As regards monitoring and managing the loan collateral, the procedure named A.Ba.Co. (Collateralised Bank Assets), allows bank loans disbursed to non-financial companies to be used to secure loan transactions with the Bank of Italy. This procedure is implemented in compliance with the Bank of Italy regulations "Eurosystem Monetary Policy Instruments - Guide for Operators”. During 2014 there was a decrease of around 1.5 billion euro in allocations compared to the previous year. At the end of December 2014, the gross outstanding amount lodged as pledge by the Group was about 6.3 billion euro.

Active Value Management (AVM)

With regard to Asset & Liability Management, operational management of the interest rate risks of the Group’s banking book – in the segment over 18 months – is handled by the ALM structures under the supervision of the Risk Management Department. Interest rate risk is monitored and managed mainly by examining the sensitivity of the market value of the various positions in the banking book to parallel shifts in the interest rate curve at the various maturities; moreover specific scenario analysis techniques on rate developments are used, as well as performance scenarios for specific positions. The strategic choices on interest rate risk are made by the Group's Financial Risks Committee, within limits established by the Management Board. The ALM structure actively supports the Committee's decision-making activity by formulating analyses and proposals. The structural component of liquidity risk is managed by identifying expected liquidity mismatches by maturity bands, on the basis of liquidity policies defined by the Group internally. Mismatch analysis on medium-/long-term maturities provides input for planning bond funding, in order to anticipate possible pressures on short-term funding.

Business continuity

During 2014, work continued on updating and testing the business continuity solutions in place, with the strengthening of specific initiatives and existing coverage on the one hand and providing new solutions designed to increase efficiency of the coverage on the other.
In this context, a number of initiatives were aimed at implementing the contents of the "New regulations for the prudential supervision of banks", issued by the Bank of Italy and as updated in Circular no. 263. One of the various initiatives launched was a project to ensure the compliance of the Group's Business Continuity Management (BCM) model and this led to the definition of a new model which has updated the regulatory framework: Business Continuity Guidelines, Rules for the Business Continuity Plan, and Crisis Management Organisational Model. This led on to a new project which was set up in order to evaluate the residual risks not already covered by the Business Continuity Plan.
In the same context, the process of integrating Incident and Crisis Management was reinforced in order to improve escalation mechanisms and optimise the flow of communication between the structures responsible for processes on the one hand, and crisis management on the other.
In 2014, as in the past, the BCM model was extended to the international operations of the Group, with the aim of increasing business continuity coverage levels in the branches and subsidiaries abroad.
Coverage, solutions and crisis management mechanisms are being continuously reinforced and in 2014 this again ensured service continuity and the protection of employees and customers during environmental and social crises. These included adverse weather and seismic events, persistent international situations of crisis (Egypt, Ukraine and Hong Kong), social protests on Italian soil in close proximity to operating structures in the main Italian cities, and infrastructure outages (electricity, IT links).
During the year accurate tests of business continuity procedures of the Group's Italian and international companies were carried out. Noteworthy events included the annual certification of technical solutions related to Disaster Recovery of the Target systems, checks on organisational solutions involving staff in the Tokyo and Shanghai branches, and the international sessions organised by the ECB and Swift. Checks were also conducted of the business continuity procedures and the main market access infrastructure and interconnections between that infrastructure and Group systems. All the scheduled checks were also conducted to ensure that the systems of buildings that host systemic processes, critical processes and/or IT centres meet applicable reliability requirements.
In the context of CO.DI.SE ("Continuity of Service" - the working group responsible for the continuity of service of the Italian financial system, coordinated by the Bank of Italy) representatives from Intesa Sanpaolo top management successfully participated in the sixth simulation of continuity of service, for participants with systemic importance in the Italian financial sector. The exercise is conducted directly by the Bank of Italy through the CO.DI.SE and its aims are to evaluate and improve the capacity to manage serious operational crises in the light of regulatory amendments. CONSOB, Borsa Italiana and all CO.DI.SE participants were involved.
With reference to the specific provisions on the management of IT security, 2014 saw a number of initiatives aimed at implementing the contents of the "New regulations for the prudential supervision of banks", issued by the Bank of Italy and as updated in Circular no. 263. In particular, these initiatives involved the audit of the internal regulatory framework on IT security, the integration of IT Risk Analysis into the Internal Control System, and the methodologies and quantification measures for residual risk. The aims were to achieve acceptance by users and the creation of a matrix showing level one and level two IT security controls.
In addition, the operational model of the Computer Emergency Response Team (CERT) was consolidated in synergy with Group Crisis Management and the internal functions of the Incident Management e Security Operation Centre (SOC).
In the context of dematerialisation initiatives, procedures were defined on the outsourcing of compliant storage of documentation in electronic format with Infogroup S.c.p.a and the necessary documentation required by the Bank of Italy was prepared for the outsourcing of FOI ("Important Operative Function") services.

Information technology systems

Also in 2014, Intesa Sanpaolo Group Services – the consortium company which centralises the structures providing IT, operational, real estate, organisational services and other auxiliary services supporting Group business – developed significant project tasks to support Group Business and Governance functions, and played a primary role in company efficiency, streamlining, rationalisation and innovation initiatives.
The most important projects realised were aimed at developing products and services, improving customer relationships and cross-selling, optimising the operating model, as well as achieving compliance with new regulatory developments.
For the Banca dei Territori Division, development work is ongoing in facilitating the sale of at least five "key" products per customer, cross-selling, and bundling together the products obtained, including through revisiting the modular platform used for in-branch sales. This has been enriched with new information on the customer base in order to make product analysis and loan offers easier, whilst at the same time keeping risk and credit management data at the forefront.
Activities have been launched to empower all the direct sales channels. Internet Banking has been improved with new functionality and the ATM/MTA network has been renovated with both software and hardware investments. Also for mobile devices, new Apps were issued for iPhone, Android and tablet, and the M-site was published for all the other smart phones.

The “Move and Pay” service was integrated into the "La Tua Banca" App and will allow users to make P2P (peer-to-peer) near field payments using NFC (Near Field Communication) technology. In parallel, a process review and a channel systems review are both in course to allow the introduction of further dematerialisation and use of advanced digital signatures. These latter two subjects will facilitate improved efficiency for out-of-branch offerings and will enable distance offers. The offers will be enhanced with pre-sale, in-sale and post-sale process flows which will be available through several of the bank's sales channels. The multi-channel process flows are already active for debit and prepaid cards and are being implemented for credit cards, investments and for the pre-sale of mortgages. In order to facilitate the acquisition and maintenance of new customers, a project has been launched to manage dynamic discount levels conditional on certain events and behaviours as pre-agreed with the customer.
To support the new commercial model, activities have been launched in order to put in place processes and operational tools in the multi-channel environment, and to create a new Contact Unit hub to manage different customer segments more efficiently over the entire product range, including insurance and mortgages. Of all the actions undertaken within the full range of customer segments, a highlight was supporting the creation of the Private "Top" branch to improve the service to the high-end client base.
In 2014, the multi-channel programme was applied to the technological renewal of branch applications with the aim of guaranteeing a consistent visual identity and user experience across both physical and virtual presences.
The multi-channel approach was also key in the completion of ticketing and prepaid card functionality for Expo 2015. The first version of the "Created in Italia" e-commerce portal is also available for Italian SMEs wishing to grow internationally before, during and after the event.

Regarding the activities related to the Corporate and Investment Banking Division, highlights include the new functionality introduced in Business Internet Banking (InBiz) and the development of a new, evolved, pricing system for transactional products to improve the tracking of cross-selling goals and develop the Corporate customer base. Monitoring the divisional performance indicators was another important activity. A dashboard to support the business strategies was created along with a package of information on customer liquidity positions. Regarding the extension of Banca IMI's product offering, an application was launched to support physical gas trading.
In 2014, the Payment Service Hub (PSH) continued to be one of the largest components of the major project for the implementation of the Transaction Banking strategy on a group-wide basis. It was rolled out in accordance with plan during the year for all transfers and other payments in line with the work carried out within the scope of the SEPA implementation.
In support of the selective development of the high potential international customer base, the main projects were the expansion of the product offer and the opening of a new branch in Istanbul. Work continues on the centralisation of infrastructure around position keeping and accounting in branches abroad and profit-enhancing operational capability was strengthened in key business areas in the Singapore, Hong Kong and New York branches.
With the CIO and the International Subsidiary Banks Division, the ICT Systems Department produced a global three-year plan with the aim of coordinating the directional development and IT systems optimisation of the individual banks, creating new synergies, implementing common governance models and sharing best practice. Key milestones in this context included the continuation of the centralisation of the distributed computing processing infrastructures of the banks in Croatia, Slovenia and the Slovak Republic, and the modification of the parent company's Corporate Internet Banking systems for application in Slovakia and the Czech Republic.
In the macro regulatory context, requirements have been complied with at both local and international levels. As well as implementing EMIR, the Dodd Frank Act (DFA) and FATCA, it was also possible to put in place the changes required by Target 2 Securities, SEPA, Circular 263 and the Bank of Italy regulations on anti-money laundering and reporting of default positions.
In addition, from 1 January 2014 the reforms of the accord by the Basel Committee ("Basel 3") and the new Single Supervisory Mechanism for the banking system were essentially implemented by:
- Regulation (EU) no. 575/2013 of 26 June 2013 (CRR); and
- Directive 2013/36 (EU) of 26 June 2013 (CRD IV).

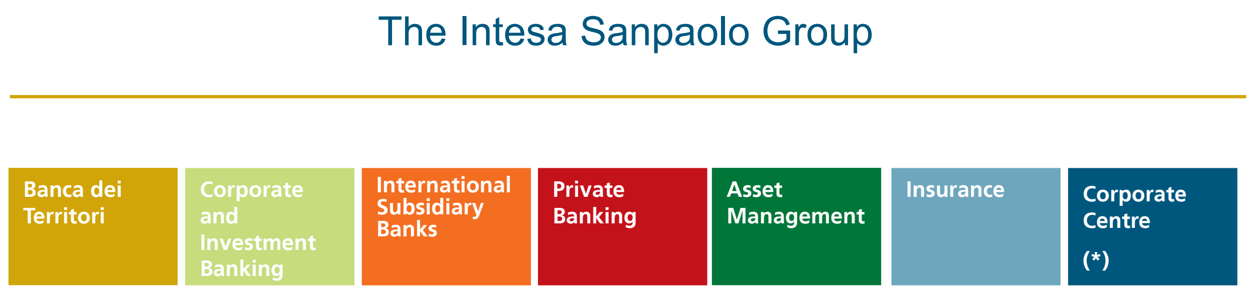
The European Union regulatory framework was subsequently implemented by provisions issued by the Bank of Italy and the European Banking Authority (EBA) to align the new institutional and regulatory frameworks following the introduction of European bank supervision. In particular, the new regulatory framework has set out stricter deadlines for the production of monitoring data flows to the EBA and as a result also for the preparation of consolidated results which must not exceed 42 calendar days following the end of the quarter, including the year end.
As a result, 2014 saw the launch of the Fast Closing project which resulted in procedures and tools to support the production of the whole range of new EU standard indicators as well as streamlining a large number of activities required for the early approval of the financial statement data, thus allowing the new regulatory deadlines to be respected.

With regard to other cross-divisional projects, internal transfer pricing was reviewed to take into account the type and financial characteristics of the products and customer base. On the other hand, the aim of the Group liquidity management project, which was launched in 2014, was to integrate the processes and tools supporting the monitoring activities undertaken by the Chief Risk Officer as well as the tactical and strategic coverage of liquidity and interest rate risk by the Chief Financial Officer. This project will also allow increased flexibility in the adoption of regulatory requirements at both national and continental level.

In line with furthering the simplification agenda, internally almost all mobile telephone contracts were brought together under a single provider, generating synergies. A key external project was the infrastructure work done on the new New Headquarters in Torino. The Chief Financial Officer initiated a strategic project to redesign the Group's management systems to take advantage of Big Data technologies and define new data governance and quality control procedures in respect of cross-divisional data and thereby produce integrated and timely reports of the available data.
Cash management initiatives were some of the most important innovations: some branches have been equipped with new self-service TARMs (Teller Assisted Recycling Machines) in order to reduce operating costs and free up product-selling time. Cutting edge commercial techniques have been introduced in a few pilot branches, using computer monitors and rolling advertising to replace window and in-branch poster displays. Release 1.5 of the iPhone and Android "La Mia Banca" App was published, to include changes to a range of functionalities as well as new banking and other services. Masterpass Wallet is a different product which creates an electronic wallet linked to the smart phone's SIM card, allowing the link to one or more credit, debit or prepaid cards so that the telephone can be used for near field payments.

In the context of extraordinary projects, the commitment to promote Mediocredito Italiano as a business finance hub has been confirmed. Regulatory requirements have been met, and currently work is underway on pre-implementation activities to merge the processes and procedures of Mediofactoring and Leasint into Mediocredito. Lastly, the activities undertaken as part of the geographical reorganisation have also been significant in following up the optimisation of network presence through the closure of 312 branches, and in the implementation of the merger by incorporation of Cassa di Risparmio di Venezia and Banca di Credito Sardo into Intesa Sanpaolo.

THE NEW DIVISIONAL STRUCTURE



(*) Includes the Group's Treasury and the Capital Light Bank

As already described above, in November 2014, as part of the activities involved in achieving objectives established in the 2014-2017 Business Plan, the Intesa Sanpaolo Group's organisational structure was redefined with the establishment of the Private Banking, Asset Management and Insurance Divisions.
In greater detail, the new ***Private Banking Division*** was assigned the mission of serving the top customers segment (Private and High Net Worth Individuals), strengthening the creation of value for the Group by increasing the profitability of assets managed through development of the range of products and offer terms - with a particular focus on high service-content products. The Head of the Private Banking Division coordinates operations of the subsidiaries Banca Fideuram, Fideuram Investimenti, Intesa Sanpaolo Private Banking, Sirefid, Fideuram Fiduciaria, Intesa Sanpaolo Private Bank (Suisse), and Fideuram Asset Management Ireland, ensuring overall coordination with a view to optimising the organisation of the Group's activities in achieving results.
The mission assigned to the ***Asset Management Division*** was that of developing the best asset management solutions for Group customers through the subsidiary Eurizon Capital.
The ***Insurance Division*** coordinates the operations of the Intesa Sanpaolo Vita, Fideuram Vita, Intesa Sanpaolo Previdenza (which was contributed to Intesa Sanpaolo Vita in December 2014) and Intesa Sanpaolo Assicura subsidiaries, which is tasked with developing the insurance product mix targeting Group customers.
In addition, a business unit named *Capital Light Bank* (CLB) was set up with the aim of extracting value from non-core activities and freeing up resources to serve growth. The unit, which is part of the Corporate Centre, is aimed at managing the reduction of a significant stock of the Bank's non-core assets, and specifically: non-performing loans, repossessed properties, discontinued business units, investments held for sale and other portfolios of assets which do not respond to the development priorities of the Business Plan. The specialist skills concentrated in the new business unit will also allow *Capital Light Bank* to service the other Group structures, particularly specific business areas such as credit collection and the management of pledged assets.

Taking into account: the information stated above, and further described in the chapter on Accounting Policies; consistency with the information included in previous financial statements; and the fact that the changes to the Group organisational model only came into force in November 2014, the breakdown of information by business area has been provided with reference to the previous operating structure of the Group based on five business areas (Banca dei Territori, Corporate and Investment Banking, International Subsidiary Banks, Eurizon Capital, and Banca Fideuram).
The breakdown has been shown under the new structure for the 2014 only, as permitted by IFRS 8.

The following table shows the reclassified income statement data and the main balance sheet aggregate data in line with the new organisational structure which was introduced at the end of 2014.

(millions of euro)

	Banca dei Territori	Corporate and Investment Banking	International Subsidiary Banks	Private Banking	Asset Management	Insurance
Net interest income	5,520	1,792	1,440	219	1	-
Dividends and profits (losses) on investments carried at equity	-	24	43	10	38	-
Net fee and commission income	3,976	815	521	1,199	501	-
Profits (Losses) on trading	53	565	122	31	6	-
Income from insurance business	-	-	-	-	-	930
Other operating income (expenses)	41	-	-97	-3	1	1
Operating income	**9,590**	**3,196**	**2,029**	**1,456**	**547**	**931**
Personnel expenses	-2,950	-351	-554	-286	-59	-59
Other administrative expenses	-2,053	-524	-386	-225	-70	-89
Adjustments to property, equipment and intangible assets	-5	-3	-105	-14	-1	-3
Operating costs	**-5,008**	**-878**	**-1,045**	**-525**	**-130**	**-151**
Operating margin	**4,582**	**2,318**	**984**	**931**	**417**	**780**
Net provisions for risks and charges	-60	-4	-55	-89	1	-
Net adjustments to loans	-2,856	-478	-377	-1	-	-
Net impairment losses on other assets	-3	-57	-28	-	-	-1
Profits (Losses) on investments held to maturity and on other investments	-	90	-1	-	-	-
Income (Loss) before tax from continuing operations	**1,663**	**1,869**	**523**	**841**	**418**	**779**
Taxes on income from continuing operations	-648	-572	-144	-248	-101	-240
Charges (net of tax) for integration and exit incentives	-81	-3	-3	-7	-1	-1
Effect of purchase price allocation (net of tax)	-32	-	-	-87	-38	-36
Impairment (net of tax) of goodwill and other intangible assets	-	-	-	-	-	-
Income (Loss) after tax from discontinued operations	-	-	-	-	-	-
Minority interests	-	-	-	-	-8	-
Net income (loss)	**902**	**1,294**	**376**	**499**	**270**	**502**

(millions of euro)

	Banca dei Territori	Corporate and Investment Banking	International Subsidiary Banks	Private Banking	Asset Management	Insurance
Loans to customers	188,300	83,054	25,074	7,614	473	13
Direct deposits from banking business	162,412	97,400	31,078	22,825	9	182

GEOGRAPHICAL AREAS

	Italy	Europe	Rest of the World	Total
Operating income				
2014	13,366	2,915	617	16,898
2013	12,960	2,763	525	16,248
% change [(a)]	3.1	5.5	17.5	4.0
Loans to customers				
31.12.2014	293,509	35,239	10,357	339,105
31.12.2013	300,990	35,894	6,905	343,789
% change [(b)]	-2.5	-1.8	50.0	-1.4
Direct deposits from banking business				
31.12.2014	306,507	43,732	9,390	359,629
31.12.2013	318,923	46,528	6,615	372,066
% change [(b)]	-3.9	-6.0	42.0	-3.3

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

[(a)] The change expresses the ratio between 2014 and 2013.

[(b)] The change expresses the ratio between 31.12.2014 and 31.12.2013.

With regard to subdivision by geographical areas, the activities of the Intesa Sanpaolo Group continued to be concentrated primarily in the Italian market. Italy accounted for 79% of revenues, 87% of loans to customers and 85% of direct deposits from banking business. Abroad, the Group has a significant presence in Central and South-Eastern Europe (Croatia, Slovenia, Slovakia, Serbia, Hungary, Bosnia and Herzegovina, Albania, Romania), in the Russian Federation and in the Mediterranean area (Egypt).
As regards the performance of operations in 2014, overall bank funding volumes were essentially stable in Italy and in other European countries and up in other countries. The decrease in loans to customers at an overall level was the result of a contraction in Italy and other European countries compared to an increase in the Rest of the World. The increase in operating income was greater in Italy than in the Rest of the World and Europe.

Further detailed information with reference to the individual foreign countries where the Group operates, are published in compliance with Art. 89 of Directive 2013/36/EU of the European Parliament and of the Council (CRD IV), via the following link www.group.intesasanpaolo.com.

Corporate governance and remuneration policies

Corporate Governance and remuneration policies

Corporate Governance

Intesa Sanpaolo adheres to the objectives and guidelines of the Corporate Governance Code by Borsa Italiana, and its governance system is in line with the principles contained therein (for which a report is provided, describing the adjustments deemed appropriate) as well as, in general, with national and international best practices, which aim to ensure, also in accordance with the Supervisory Authority provisions, effective and transparent distribution of the roles and responsibilities of its corporate bodies and a proper balance of strategic supervision, management and control functions.
For a detailed description of the corporate governance system, reference is made to the "Report on Corporate Governance and Ownership Structures" - available on the Bank's website (Governance section) - prepared in accordance with Article 123-bis of the Consolidated Law on Finance, which requires issuers to provide the market yearly with a set of information, precisely identified by the said Article, on their ownership structures, their compliance to some corporate governance codes, their corporate bodies structure and operation as well as their corporate governance practices.

Shareholder base

According to the records of the Shareholders' Register and the most recent available information, as at 31 December 2014, shareholders with stakes exceeding 2% – threshold that, if exceeded, requires communication to both the subsidiary and Consob, pursuant to Italian legislation (Article 120 of the Consolidated Law on Finance) – are as follows.

Shareholder	Ordinary shares	% held on ordinary share capital
Compagnia di San Paolo	1,506,372,075	9.506%
Blackrock Inc [1]	775,978,889	4.897%
Fondazione Cariplo	767,029,267	4.840%
Fondazione C.R. di Padova e Rovigo	659,451,562	4.162%
Ente C.R. Firenze	514,655,221	3.248%
Norges Bank	321,954,711	2.032%

[1] held as assets under management.

The dual corporate governance system

Intesa Sanpaolo adopts the dual corporate governance system, consisting of a Supervisory Board and a Management Board, in application of the provisions laid down by Article 2409-octies and following of the Italian Civil Code and by Article 147-ter and following of the Consolidated Law on Finance.
The decision to use the dual corporate governance system - which is widespread in other countries of the European Union, particularly in large companies and in companies with widely-distributed shares - is based on a number of reasons.
First of all, this system more clearly separates the functions of ownership and management, with the Supervisory Board acting as a filter between shareholders and the management body - namely the Management Board - and therefore appears to respond more effectively than the traditional system to the need for greater transparency and reduction of potential conflict of interest risk.
Furthermore, the role assigned by law to the Supervisory Board emphasises the distinction between the control function and the strategic guidelines on the one hand, and the management function on the other, permitting a clearer definition of the roles and responsibilities of the corporate bodies, also to ensure sound and prudent management of the Bank. In particular, the Supervisory Board, which takes on several of the powers typically assigned to the Shareholders' Meeting, functions of the board of statutory auditors and some of the "top management" powers, performs a broader steering and control function, also in terms of performance, with respect to management of the Bank than that normally carried out by the board of statutory auditors.

The Shareholders' Meeting

The Shareholders' Meeting is the body deemed to represent all shareholders and its resolutions, passed in accordance with the law and the Articles of Association and which are binding on all shareholders, irrespective of their attendance or dissent. In the dual corporate governance system adopted by Intesa Sanpaolo, the Shareholders' Meeting is, amongst other things, competent to resolve upon:

- appointment, removal and remuneration of the Supervisory Board Members, including Board Members vested with special duties;
- responsibilities of the Supervisory Board Members and, without prejudice to the concurrent duties of the Supervisory Board, of the Management Board Members;
- distribution of profits;
- appointment and removal of the independent auditors;
- approval of financial statements unless approved by the Supervisory Board;
- approval of remuneration policies for Management Board Members and financial instrument-based plans, in keeping with the provisions of law and regulations in force;
- transactions reserved by the law to resolution of the Extraordinary Shareholders' Meeting.

The Supervisory Board

The Supervisory Board is composed of a minimum of 15 and a maximum of 21 members, including non-shareholders, appointed by the Shareholders' Meeting, who remain in office for three financial years.
Intesa Sanpaolo's Ordinary Shareholders' Meeting, held on 22 April 2013 appointed 19 members of the Supervisory Board and, pursuant to the provisions laid down by Article 23 of the Articles of Association, appointed the Supervisory Board for 2013-2015, thereby electing Giovanni Bazoli as Chairman and Gianfranco Carbonato and Mario Bertolissi as Deputy Chairpersons.
Pursuant to the Articles of Association, election of the board took place on the basis of lists of candidates with the integrity, professional and independence requirements envisaged by law and by the Articles of Association, presented by Shareholders holding at least 0.5% of the ordinary share capital.
The Supervisory Board performs steering, strategic supervision and control duties. Therefore, in addition to the supervisory functions of the board of statutory auditors under the traditional corporate governance system, it is also charged with certain duties traditionally attributed to the Shareholders' Meeting, such as appointment and removal of Management Board Members, liability actions against Management Board Members and approval of the financial statements.
Taking into account the new Supervisory regulatory framework and the related amendment to the Articles of Association, as well as to ensure the best and most efficient operation of the Body, by resolution of 19 December 2014, the Supervisory Board reviewed its functional model, thereby restructuring its internal Committees - including in terms of composition - with:

- the dissolution of the Control, Financial Statements and Strategy Committees;
- the concurrent establishment of the new Risk Committee (supporting the Board in exercising the strategic supervision function, assigning to this Committee, among others, the functions performed by the previous Strategy and Financial Statements Committees) and the Internal Control Committee (supporting the Board in exercising the control function, thereby attributing to this Committee also Surveillance Body functions pursuant to the Organisational, Management and Control Model governed by Legislative Decree 231 of 8 June 2001);
- the confirmation of the Nominations Committee, the Remuneration Committee and the Committee for transactions with related parties of Intesa Sanpaolo S.p.A. and associated entities of the Group.

The Management Board

The Management Board - in charge of managing the Bank - is composed of a minimum of 7 and a maximum of 11 members, including non-shareholders, appointed by the Supervisory Board, which determines their number at the time of appointment.
On 9 May 2013 the Supervisory Board determined the number of members as 10, appointed Gian Maria Gros-Pietro as Chairman and Marcello Sala (Senior Deputy Chairperson) and Giovanni Costa as Executive Deputy Chairpersons, and recommended to the Management Board that Enrico Tommaso Cucchiani be appointed as Managing Director and CEO and Carlo Messina, Gaetano Miccichè and Bruno Picca as Executive Board Members selected from among the Group Executives (which the Management Board arranged at its meeting of 9 May 2013).
On 29 September 2013, the Management Board, on the recommendation of the Supervisory Board meeting held on the same date, appointed Carlo Messina as Managing Director and CEO to replace Enrico Cucchiani (whose office terminated on that date). The Supervisory Board integrated the Management Board and appointed Francesco Micheli to the office of Management Board Member, recommending him to the Management Board as Executive Board Member selected from among the Group Executives. Following the resignation of Francesco Micheli on 15 May 2014, on 22 May 2014 the Supervisory Board integrated the Management Board and appointed Stefano Del Punta to the office of Management Board Member, recommending him to the Management Board as Executive Board Member selected from among the Group Executives.

Head Office Departments

Intesa Sanpaolo's Head Office Departments are organised according to a model that is in line with international best practices in terms of Corporate Governance.
The Head Office Departments are arranged in governance areas as indicated below and report directly to the Managing Director and CEO.

Chief Operating Officer (COO)
The COO is responsible for:
- defining, in accordance with corporate strategies and objectives, the Group's organisational, IT, logistic, operational and security guidelines and policies, working with Intesa Sanpaolo Group Services;
- coordinating the implementation of said guidelines and policies by the relevant Group business units, and in other corporate areas as appropriate;
- verifying, through the appropriate control methods and in collaboration with Intesa Sanpaolo Group Services, compliance with the guidelines and policies in the aforementioned areas, ensuring, in accordance with the Business Plan, the achievement of cost synergies and excellent quality service.

Also reporting to the COO is the Human Resources Department, which is responsible for:
- contributing, consistently with corporate strategies and objectives, to the definition of guidelines and policies on human resources of the Group;
- managing internal communications initiatives aimed at encouraging the development of Group values and culture;
- promoting the professional development of human resources through the planning, implementation and management of adequate systems and operating processes;
- defining, in accordance with the Business Units and other Departments, the training guidelines and policies for the Group, monitoring their implementation;
- ensuring, in accordance with the Business Units and other Departments, proper qualitative-quantitative coverage of required staff to achieve the strategic objectives of the Group;
- defining the employment and trade union relations policies;
- managing the pension aspects and employment-related disputes;
- coordinating and handling administrative, accounting, tax and social security obligations for Group personnel;
- coordinating the operations of the Human Resource units of the Departments, Business Units and Group companies.

Chief Innovation Officer (CIO)
The CIO is responsible for:
- searching and analysing innovative solutions on the national and international market, in order to identify development opportunities for the Group and for customers both the banking and non-banking sectors;
- defining, in line with business strategies and objectives, the guidelines and policies on Group's innovation, thereby proposing to the Managing Director and CEO new projects that are in line with the main innovation trends, so that they can be translated into actions for development and/or new business lines to pursue the achievement of the Group's growth objectives, measuring the related financial return;
- managing, through the Innovation Agenda, innovation initiatives and the related investments, both at the Bank and Territorial level, taking on the most appropriate role from time to time to achieve successful results;
- acting, in partnership with the other Group departments, as the driver and enabler of innovation initiatives in the Territory, building a network of relations with companies, start-ups, incubators, research centres, universities and other local entities;
- disseminating the culture of innovation within the Group, supporting and managing specific project phases.

Chief Lending Officer (CLO)
The CLO is responsible for:
- making material lending decisions, or submitting them to the relevant bodies, and supervising non-performing loans;
- coordinating the implementation of credit guidelines and strategies by the relevant Bank and Group business units, and in other corporate areas as appropriate;
- participating, in accordance with the corporate strategies and objectives, in the definition of the Bank and Group guidelines in terms of lending strategy and credit risk assumption and management, directly authorising relevant matters;
- managing, monitoring and coordinating the recovery of Group positions classified as doubtful and not outsourced to external collection companies.

Chief Financial Officer (CFO)
The CFO is responsible for:
- defining, in accordance with corporate strategies and objectives, the guidelines and policies in terms of research, planning, capital management, credit strategies, management control, and relations with investors and rating agencies;
- facilitating value creation within the Group and ensuring the relative controls, through integrated monitoring of study and research activities, planning, management control and capital management, and optimisation of the financial and credit portfolios;
- coordinating the implementation of guidelines and policies on planning, capital management and management control by the relevant Group business units, and in other corporate areas as appropriate;
- verifying the implementation of said guidelines and policies, also through monitoring of the Group's planning and capital management process, budget development and management control activities;
- verifying, through the appropriate control methods, compliance with the guidelines and policies defined and ensuring the pursuit of effectiveness and efficiency in the service level offered.

Chief Risk Officer (CRO)
The CRO is responsible for:
- consistent with corporate strategies and objectives, defining guidelines and policies on risk management, compliance and legal matters;
- coordinating the implementation of guidelines and policies on risk management, compliance and legal matters by the relevant Group business units, and in other corporate areas as appropriate;
- guaranteeing the measurement and control of Group exposure to the various types of risk, also verifying the implementation of guidelines and policies as above;
- guaranteeing the monitoring of credit quality and the observance of credit-related guidelines and strategies through the constant monitoring of risk, and submitting proposals on the structure of delegated powers of the corporate bodies;
- supervising the identification and monitoring of any misalignment of current regulations, and arranging consulting, support and sensitisation as appropriate on regulations to the corporate departments.

Chief Governance Officer (CGO)
The CGO is responsible for:
- ensuring assistance and advice to the corporate bodies of the Parent Company and to Top Management in terms of proper implementation of corporate law and for the supervisory regulatory profiles at Group level;
- providing assistance in all corporate transactions involving the Parent Company and Group companies;
- handling the obligations connected to the corporate governance of all Group companies, Management Board operations and the Shareholders' Meeting;
- ensuring that the Group's interests are safeguarded in all specifically assigned subsidiaries;

The following are not part of the aforementioned governance areas:

- the Administration and Tax Head Office Department, which reports directly to the Managing Director and CEO and is responsible for ensuring the accurate and timely presentation of income statement and balance sheet results of the Bank and of the entire Group, as well as compliance with the relative accounting, supervisory and tax obligations, performing quality control of the processes governing management and financial reporting disclosures to the market, pursuant to the appropriate regulations;

- the Internal Auditing Head Office Department, which reports directly to the Chairman of the Management Board and the Chairman of the Supervisory Board and is responsible for:
  - ensuring constant and independent auditing of the regular performance of Bank operations and processes for the purpose of preventing or identifying any anomalous or risky conduct or situation, assessing the overall operations of the internal control system and its adequacy in guaranteeing the effectiveness and efficiency of company processes, safeguarding asset value and loss protection, and the reliability and completeness of accounting and management reports, and the compliance of transactions with corporate governance policies and with internal and external regulations;
  - providing consulting to the Bank's and the Group's departments, also through participation in projects, for the purpose of adding value and improving effectiveness of control, risk management and governance processes of the organisation;
  - ensuring supervision of the internal control systems of the Group's subsidiaries, also by exercising governance of and providing guidelines to the respective internal audit functions;
  - supporting corporate governance and ensuring that Top Management, the Corporate Bodies and the competent Authorities (Bank of Italy, Consob, etc.) promptly and systematically receive information on the status of the control system and on the outcome of activities performed;

- the International and Regulatory Affairs Head Office Department, which reports to the Managing Director and CEO is responsible for:
  - managing relations with national and international regulators;
  - overseeing and developing relations with the main stakeholders at the international level;
  - managing the Group's institutional relations, promoting and directing relations with institutional bodies, associations and national and international trade associations;
  - representing the Group's position in institutional venues as regards policies for economic and social growth and development;

- the External Relations Head Office Department, which reports directly to the Managing Director and CEO, to the Chairman of the Management Board and to the Chairman of the Supervisory Board, and is responsible for:
  - managing and coordinating the Group's external communications, in order to promote competitiveness, quality and innovation with respect to the targets of the various business lines, uphold the Group's reputation with media and with the financial community and develop its image as perceived by opinion makers and Italian and foreign public opinion;
  - spreading the ethical, social and cultural values that form part of the Group's identity;
  - handling relations with the press and with media in general;
  - monitoring the perception of the group and the effectiveness of external communications.

Remuneration policies
The issue of remuneration of listed companies and financial intermediaries has been gaining growing attention by international bodies and regulators, aiming to guide issuers and intermediaries towards the adoption of remuneration systems that are consistent with the principles - intensified following the economic and financial crisis - governing the process for drawing up and approving the remuneration policies, their remuneration structure and their transparency.

In particular, according to these principles, remuneration systems must take into account current and future risks and the level of capitalisation of each intermediary, and guarantee remuneration based on results actually achieved. With effect from 2011, Italian Authorities defined a set of key rules, also in accordance with the European Community regulations adopted on this issue.
By regulation dated 30 March 2011, the Bank of Italy issued new provisions prescribing harmonised rules and regulations to govern the remuneration policies, systems and practices in banks, in terms of the relative process of drawing up and control, remuneration structure and disclosure obligations. The Supervisory Authority further intensified monitoring of this last issue by including remuneration systems and practices among the information to be disclosed under Pillar 3 reporting, pursuant to Title IV of Circular 263 of 27 December 2006.
Moreover, ISVAP (now IVASS), with regulation no. 39 of 9 June 2011, provided for the principles regarding the decision-making processes, structure and disclosure obligations of the remuneration policies of insurance companies.
In its resolution no. 18049 of 23 December 2011, Consob regulated implementation of the provisions contained in Article 123-ter of the Consolidated Law on Finance, which require issuers to draw up and publicly disclose a report on remuneration.
Several important updates have been introduced on the self-governance level as well. After being initially modified (March 2010) in the part regarding remuneration, the Corporate Governance Code underwent a complete overhaul that resulted in the publication of a new edition in December 2011.
In fact, the Bank of Italy subsequently revisited the topic of remuneration policies with two communications dated 2 March 2012 and 13 March 2013, highlighting in general the opportunity for banks to define a strategy that is consistent with the objective of preserving, with a view to the future, the balance of the company's position, as well as maintaining the conditions of capital adequacy and prudent management of liquidity risk.
In 2014, following a proposal from the EBA, the European Union arranged the issue of new Regulatory Technical Standards (RTS) relating to suitable qualitative and quantitative criteria for the identification of categories of personnel whose professional activities have a material impact on the institution's risk profile (so-called "Risk Takers").

Lastly, in application of the Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 (so-called CRD IV), published in the EU Official Journal on 27 June 2013, the Bank of Italy updated and published the "Provisions regarding remuneration and incentive policies and practices", Title iv – Chapter 2, Circular 285 of 17 December 2013 in the Official Gazette of the Italian Republic on 2 December 2014.

Consequently, based on the provisions of the aforementioned Article 123-ter of the Consolidated Law on Finance, a specific Report on Remuneration is drawn up and published together with the Report on Corporate Governance and Ownership Structures. This Report also takes into account the obligations of disclosure to the Shareholders' Meeting, in accordance with the supervisory provisions issued by the Bank of Italy.
Intesa Sanpaolo has always focused extensively on the issue of remuneration, observance of the relative regulations and utmost transparency on the market. The above information updates and integrates the methods followed until now, gathering into a single, well-organised and structured document and, in a specific Pillar 3 chapter, all of the qualitative and quantitative information which, before 2011, depending on their type, was contained in the Report on Corporate Governance and Ownership Structures, in the Supervisory Board's report submitted to the Meeting, pursuant to Article 153 of the Consolidated Law on Finance, and in the financial statements.
Both documents are available at www.group.intesasanpaolo.com. See these documents for a complete and detailed analysis of the remuneration and incentive systems and practices and for the relative quantitative information.

Procedures for adoption and implementation of the remuneration policies

At Intesa Sanpaolo, company that adopts the dual corporate governance system, the remuneration policies are partly resolved by the Shareholders' Meeting and partly by the Supervisory Board, with involvement of the Management Board in matters regarding the employee remuneration policies.
More specifically, in accordance with Article 2364-bis, paragraph 1, no. 2), of the Italian Civil Code and pursuant to the provisions of the Articles of Association, the Shareholders' Meeting is responsible for determining the remuneration amount for Supervisory Board Members appointed by the same and for Members appointed to special offices. The Shareholders' Meeting is also responsible for the approval of the remuneration policy in favour of the Management Board Members, the remuneration plans based on financial instruments and, as required by the above provisions on remuneration, for the proposal to increase the variable remuneration-to-fixed remuneration cap (by qualified majority) as well as for the definition of the criteria and maximum limits for the determination of compensation in the event of termination of the employment agreement.
The Supervisory Board – in accordance with the remuneration policies resolved by the Shareholders' Meeting and with the support of the Remuneration Committee – is responsible for determining the remuneration for Management Board Members, also in relation to the offices and duties attributed to them (Chairman, Deputy Chairperson, Managing Director, Executive Board Member). The Supervisory Board is also responsible for approving, upon proposal by the Management Board, the remuneration policies for employees, including General Managers and Key Managers, and for staff not bound to the company by an employment agreement.
The remuneration policies for employees and staff not bound to the company by an employment agreement are drawn up by the Human Resources Head Office Department, which involves the relevant company functions in order to guarantee, among other things, their consistency with the strategic objectives and the level of capitalisation and liquidity of the companies and of the Group, as well as their compliance with the Group's rules, regulations, codes of ethics and standards of conduct.
On an annual basis, the Internal Auditing Head Office Department, in accordance with the guidelines of the Supervisory Authority, verifies compliance of the remuneration implementation procedures to the relevant policies, informing the Supervisory Board and the Shareholders' Meeting on the results of the verifications conducted.

Remuneration of the Supervisory Board Members

The Bank's Articles of Association envisage that the Supervisory Board Members be entitled to a fixed remuneration for the services rendered, which is determined for the entire period of their office by the Shareholders' Meeting at the time of their appointment, also taking into account the remuneration due to Board Members appointed to special offices (Chairman, Deputy Chairperson and Secretary of the Board).
Furthermore, in terms of the activities that the Members are called upon to carry out as members of the Committees established within the Supervisory Board pursuant to the Articles of Association, the Shareholders' Meeting has envisaged recognition of an additional remuneration amount for the Committees' Chairmen (which all the parties concerned have waived) and an attendance allowance for each Supervisory Board Member who is part of the Committees, based on actual attendance at each meeting. An attendance allowance based on actual attendance at each meeting of the Management Board is also envisaged for members of the Control Committee (until the end of 2014 and of the Internal Control Committee since 2015), required by the Articles of Association to participate in the meetings of the Management Board.
The fixed remuneration for Supervisory Board Members were reduced by one third by the Shareholders' Meeting, compared to those approved for the previous term, and reflect the initiative implemented by Board Members in office at that time, who waived one third of the remuneration for their office with effect from 1 July 2012.
Supervisory Board Members are not entitled to any form of variable remuneration.
It is noted, however, that, as laid down in the Supervisory Provisions on remuneration, the amount of the remuneration paid to the Chairman is not higher, but rather lower than the fixed remuneration paid to the Managing Director and CEO.

Remuneration policy for the Management Board Members

Pursuant to the Articles of Association, the Shareholders' Meeting approves the remuneration policy for the Management Board Members on the recommendation from the Supervisory Board which, upon consultation with the Remuneration Committee, determines the relative remuneration amount.
According to the policy in force, the remuneration of Management Board Members consists of a fixed portion and a variable portion.
With regard to the fixed portion, all Management Board Members, being members of the Bank's management body, shall receive an annual remuneration for each year of their term of office. Management Board Members holding particular offices (Chairman, Deputy Chairperson, Managing Director, Executive Board Member) shall receive an additional remuneration consisting of a fixed annual amount for each year of their term of office (in the event of more than one office, only the highest fixed remuneration will be assigned). Executive Management Board Members appointed from among Group Executives have waived this remuneration.
The variable portion is reserved for Executive Board Members only, i.e. the Managing Director, Executive Management Board Member selected from among Executives and Executive Management Board Member not selected from among Executives (the latter refers to the two Deputy Chairpersons).
For the Chairman of the Management Board, the amount is in line with the outgoing Chairman's decision waiving one third of remuneration due for this office with effect from 1 May 2012.

Remuneration policy for employees and staff not bound by an employment agreement

The remuneration policy of the Intesa Sanpaolo Group is based on the following principles:

a) alignment of the conduct of management and employees with the interests of shareholders, to the medium and long-term strategies and to company objectives, as part of the set of rules aimed at accurate monitoring of the current and future corporate risks and maintenance of an adequate level of liquidity and capitalisation;
b) merit, to guarantee better matching with actual performance and the quality of management identified, through:
   - remuneration flexibility via the variable component linked to results achieved;
   - focus on key staff members demonstrating high management quality, to whom competitive salary brackets, aligned with the reference market, are reserved;
   - differentiation of the best performances to which variable bonus levels significantly in excess of the average are to be assigned;
c) equity, in order to promote proper conduct and standardise treatment in terms of remuneration, through:
   - correlation of a person's fixed salary to the weight of the role held;
   - differentiation of salary brackets and the variable component-to-total remuneration cap, on the basis of professional categories;
d) external competitiveness of overall annual remuneration with respect to the levels in the large European banking groups, obtained through periodic specialist surveys, in order to attract and retain the best management and professional resources on the market;
e) sustainability, to limit expense deriving from application of the policy to values compatible with medium- and long-term strategies and annual targets, by means of:
   - mechanisms to adjust allocations to the overall incentive provisions according to the company's profitability and the results achieved, while also taking account of the reference peer;
   - selective reviews of fixed pay;
   - use of objective parameters when reviewing pay;
   - alignment of costs with company performance, by varying the amount of remuneration paid to the management;
   - determination of appropriate caps on both total incentives and the amount of individual bonuses;
f) compliance with the international, European and national legal and regulatory provisions and the consequent focus on Key Managers, Risk Takers and Control Functions.

The Supervisory Board is responsible for approving the policies on remuneration of employees and staff not bound to the company by an employment agreement, upon proposal of the Management Board and with the involvement of the Remuneration Committee.
These Bodies also have the option of resolving on updates, amendments and/or derogations to the policy.

The Human Resources Head Office Department is responsible for drawing up the aforementioned remuneration policies that undergo the relative approval procedure, involving the following, to the extent of their responsibilities, as envisaged by the Regulations:
- the Risk Management Head Office Department, in order to ensure consistency of the remuneration policies and consequent incentive systems with the Group's Risk Appetite Framework (RAF);
- the Budget and Control Head Office Department and the Planning, Strategic ALM and Capital Management Head Office Department in order to ensure consistency of the remuneration policies and consequent incentive systems with:
  - the strategic short-and medium-long term objectives of the Companies and of the Group;
  - the capitalisation and liquidity level of the Companies and of the Group;
- the Compliance Head Office Department, in order to verify compliance of the remuneration policies and consequent incentive systems with the Group's rules, regulations, codes of ethics and standards of conduct.

On an annual basis, the Internal Auditing Head Office Department, in accordance with the guidelines of the Supervisory Authority, verifies compliance of the remuneration implementation procedures to the relevant policies, informing the Supervisory Board and the Shareholders' Meeting on the results of the verifications conducted.

Employee remuneration is broken down into the following:
a) fixed component, defined based on the contractual agreement, the role held, any responsibilities assigned, and the specific experience and expertise acquired by the employee, including any indemnity[3] for Risk Takers belonging to the Corporate Control Functions and those responsible for management roles within the scope of the Banca dei Territori local network
b) short-term variable component, linked to employee's performance and aligned to the annual results actually achieved, and consisting of:
   - specific incentive systems, as described further on, that provide for bonuses in line with market standards, as reported by periodic specialist surveys such as the Italian Banking Association's annual salary survey, focusing on personnel of the commercial network;
   - company bonus, envisaged by the national collective bargaining agreement and designed to reward employees for productivity increases, on the basis of their respective job profiles;
   - long-term variable component, based on instruments associated with Intesa Sanpaolo shares, introduced in 2014 at the time of launch of the 2014-2017 Business Plan through the Leveraged Employee Co-Investment Plans ("LECOIP Plans");
c) any benefits designed to increase employee motivation and loyalty; these may be of a contractual nature (e.g., supplementary pension, health benefits, etc.) or the result of remuneration policy decisions (e.g., company car) and, therefore, have different treatment with respect to different categories of personnel.

In accordance with the regulatory guidelines, the Intesa Sanpaolo Group traditionally adopts a pay mix that is appropriately balanced between the aforementioned components, in order to:
- allow flexible management of labour costs, as the variable portion may significantly decline, even down to zero, depending on the performance actually achieved during the year in question;
- discourage behaviour focused on the achievement of short-term results, particularly if these involve taking on greater risk.

In order to achieve the above objectives, it is standard Group practice to establish ex ante limits in terms of balanced maximums for variable remuneration, through the definition of specific caps on the increase of bonuses in relation to any over-performance.
From 1 January 2013 this cap on variable remuneration has been set at 100% of the fixed remuneration, adopting the requirements of Directive 2013/36/EU in advance of a year (so-called "CRD IV").
However, in terms of compliance with variable remuneration-to-fixed remuneration cap (1:1), appropriate pay mix differentiations were identified with reference to the various professional categories or business segments, in line with the results obtained by means of specific benchmark analyses related to the leading European banking groups that also ensure compliance with the internal equity principle, given the use of common benchmarks for each cluster.

The adequacy of the amounts is further verified in comparison to market practices, with ongoing participation in national and international remuneration surveys; for management roles and other particular business positions, the comparison is based on specific peer groups, in order to evaluate the competitive alignment with the most appropriate reference market.
In relation to market data, the Intesa Sanpaolo Group aims to align the overall remuneration to median values, notwithstanding the possibility to make the appropriate differentiations for particularly critical positions and/or resources with high management skills.

The correlation between remuneration, performance and risk is ensured for all employees through:
- the use of a balanced pay mix, as the fixed component is sufficiently high to allow the variable portion, which is never guaranteed, to decline significantly, even down to zero, upon occurrence of the conditions specified below;
- the application of the principle of selectivity, which differentiates the best performances and, in return, assigns significantly higher-than-average bonuses;
- the introduction, on the basis of the "financial sustainability principle", of a structured mechanism for funding the variable component (bonus pool), which correlates the amount to be allocated to incentives for all company segments to the performance of a Group parameter, currently identified as Income before tax from continuing operations;
- the use of a solidarity mechanism between Group and Division/Business Unit results, according to which the amount of total bonuses paid to the employees of each Business Unit depends in part on the Group's overall performance (reflected in the size

[3] Portion of fixed remuneration assigned according to the period in that role, paid monthly, not representing the calculation basis for employee termination indemnities and supplementary pension (if the fund has a GAP calculation basis). Social security contributions are calculated on the amount paid.

of the bonus pool) and in part on the performance of the specific Organisational Unit, measured in terms of the degree of expected contribution to the Group's Income before tax from continuing operations;

- the application of the "guided discretion principle", which translates into the assignment to the CEO of a limited part of the Group's bonus pool (10%), eligible for allocation once the threshold has been reached, to departments that have exceeded their access thresholds, as further recognition for the quality and level of performance achieved;
- the observance of the access conditions provided for in international and national regulations, namely:
    - at Group level, the achievement of capital adequacy and liquidity levels and, in more general terms, compliance with the limits envisaged in its own Risk Appetite Framework (RAF);
    - at individual level, the propriety of conduct (absence of disciplinary measures resulting in one or more days of suspension);
- the measurement of performance from multiple perspectives, both quantitative (profitability, growth, productivity, cost of risk/sustainability) and qualitative (strategic actions or projects and managerial qualities), as well as extending to different scopes (Group/Department/Individual). The following are some examples of indicators for performance drivers:
    - Profitability: Operating income/Risk Weighted Assets, Income before tax from continuing operations/Tangible Equity vs. Peers, Portfolio Mix (assets under management vs. assets under administration), Revenues/Assets, Net fee and commission income/Operating income
    - Growth: Operating income, Average Assets under Management (asset management), Net inflows (private banking)
    - Productivity: Cost/Income, Optimisation of response times in relation to granting, Operating income/Full Time Equivalent, Costs/Assets under Management
    - Cost of risk/sustainability: Adjustments to loans/Period-end loans, Concentration Risk, Balance sheet quality and active risks profile; Maintaining Liquidity Coverage Ratio target levels;
- the use of an additional mechanism that measures the residual risk level of each business unit (Q-Factor) and that acts as a possible de-multiplier of the bonus achieved in the event of failure to reach the target.

The assignment of guaranteed bonuses is not envisaged, with the sole exception of limited cases of recently hired employees, without prejudice to thorough assessment and analysis of market practice, solely for the first year.

It is expressly prohibited for individual employees to undertake personal hedging or insurance strategies on the remuneration or other aspects that may alter or undermine the effects of the alignment with company risk inherent in the remuneration mechanisms described. Remuneration may not be paid in forms, instruments or methods aimed at avoiding provisions of law.

The termination of service of personnel with state pension or seniority pension rights and/or A.G.O. pension treatment does not result in loss of the right to payment of the entitled amounts, even deferred.
In all other cases, the company has the right to award any amounts, depending on the specific situations, on termination of the employment agreement, also through consensual retrenchment agreements providing termination indemnities.
In any case, as provided for by the Supervisory Provisions on remuneration, the compensation agreed in view of or upon early termination of the employment agreement or early termination of office, including any compensation paid according to the non-competition agreement and the indemnity for failed notice of the surplus compared to the amount provided for by the law (so-called "Golden parachute") will be paid in the same manner envisaged for the short-term variable remuneration for the different clusters (Top Risk Takers, Risk Takers, managers, remaining personnel) and within the limits that will be approved by the Shareholders' Meeting.
In recent years, the Bank has signed specific agreements with the trade unions with regard to the "solidarity fund", applied to employees of all levels, including executives, which also governs the treatment of sums payable to personnel on termination of service in the event of extraordinary transactions and/or company reorganisations.

Social and environmental responsibility

Social and environmental responsibility

Activities continued in 2014 to promote social and environmental responsibility as a distinctive characteristic of Intesa Sanpaolo. The corporate social responsibility management model (CSR) continued to operate in two implementing environments: the Code of Ethics and the Sustainability Report.
The Code of Ethics states the corporate values and principles of conduct towards stakeholders, and defines the implementing and assessment mechanisms used by the highest governance bodies to ensure that the values are adhered to and firmly embedded in the life of the Bank. The Sustainability Report discloses the outcomes of a CSR management process based on a virtuous circle of stakeholder engagement and listening: defining the improvement objectives, KPI monitoring on the implementation status and, lastly, reporting.

The activities associated with monitoring and strengthened application of the Code of Ethics were performed in accordance with instructions in the ISO 26000 Guidelines, an international standard dedicated to integrating social responsibility into corporate practice and organisation. With regard to Parent Company policies, process and practices and to the high priority areas (financial inclusion and access to credit, compliance with supply chain rights, building and service accessibility, employee well-being and career development), progress was monitored in the implementation of suggestions emerging from the previous year's monitoring. In addition, the monitoring scope was extended to the Group's International Subsidiary Banks through an initiative designed to detect the level of consistency of local policies and practices with those of the Code of Ethics: an initial self-assessment phase, completed by International Subsidiary Bank managers and led by CSR Delegates, was followed by verification performed by an independent third party, further studying areas where the self-assessment indicated potential risk aspects. The areas monitored were all those envisaged by ISO 26000: organisational governance, human rights, labour rights, the environment, fair operating practices, customer issues, involvement and development of the community.
As regards the management processes for the Sustainability Report, the listening activities and stakeholder engagement on sustainability issues were conducted in strong synergy with the departments responsible for customer satisfaction, consumer association relations, investor relations, trade union relations, internal communications and human resource management. The stakeholders engaged directly in the 2014 process were the network staff (who first experienced adoption of the Business Plan reporting model), the trade unions, the leading Italian trade associations, a number of Socially Responsible Investors (SRIs), representatives of minority shareholder associations, a panel of suppliers and associations representing the interests of the community and environmental protection. With regard to stakeholder engagement activities implemented by the Group's International Subsidiary Banks, in 2014 – also thanks to training on the new edition of the G4 reporting standard, which offered a section dedicated to sharing of engagement methods – the initiatives undertaken, the stakeholders involved and the main issues emerging from the international scope were mapped.
The resulting scenario allowed a focus on significant issues that represent development or risk management opportunities, thereby defining areas for improvement as regards important matters for the Bank, the society and the environment (see the chapter on materiality analysis). The materiality analysis was also conducted with a view to making disclosure of Group commitment more concise, usable and transparent. The Sustainability Report refers to additional information on the website, making numerous hyperlinks available. The appendix contains all the numeric indicator tables illustrating progress made in the three-year period.

2014 saw the Group's continued commitment to combating climate change. The basic principles underlying our Environmental and Energy Policy remain waste management, gradual improvement of energy efficiency and performance, and the focus on the environmental and social consequences of our decisions. Intesa Sanpaolo confirms its commitment to the ecosystem, biodiversity and risks associated with climate change, not always appropriately included when discussing credit and wealth management areas.

In the second half of the year, Rules on diversity for sexual orientation and identity were issued, in line with the commitment to respect all differences by adopting rules for the management of people increasingly marked by fair and consistent behaviour, guaranteeing equal opportunities in all the phases of working life as well as in non work-related initiatives and services provided by the Group.

A joint operation continued between the CSR Unit and Training Department to plan initiatives for the transfer of awareness and, at the same time, the dissemination of everyday principles and values. The role of the CSR Delegates in Italy and the Delegates abroad was fundamental, the latter being specifically involved in extending the new approach adopted for monitoring and control of the Code of Ethics. In fact, a targeted training course was held in Budapest to test the "self-assessment" of departments using the ISO 26000 standard guidelines. The 12 Delegates were also involved in training on updates to the GRI4 reporting standard. Set up in 2013 from an interdepartmental partnership between CSR, the International Subsidiary Banks Division and the Training Department, the CSR Drops training project, dedicated to the Group's International Subsidiary Banks uses the storytelling method to teach about the Group's CSR model, with everyday examples and discusses the four CSR pillars that also became short films: Our decisions, The seven values, Dialogue with stakeholders and the Culture of responsibility. In 2014, CSR Drops was made available through remote learning to all colleagues in the International Subsidiary Banks and their Division.

The launch of the third edition of the Equator Principles (EPIII) and the coming into force of the new obligations from January 2014 made a complete review of the training plan necessary, this time much more extensive and structured than the plan completed in 2012. In fact, the new and broader scope of application of the Equator Principles drove us to considering roles in addition to the project finance specialists. As regards contents covered, the training sessions were oriented towards awareness of the new Operating Guide, issued in August 2014, and analysis of specific, real or ad hoc case studies. In this case, too, the CSR delegates from the departments identified for training were called upon along with other participants. Proper courses began in November 2014 with the first two days' training.

In 2014 Intesa Sanpaolo gained numerous awards for its activities in the various areas of action: For environmental initiatives, the Bank was included in the top 20 in Bloomberg's ranking of the "World's Greenest Banks" and in the top 100 worldwide for environmental sustainability in Newsweek's ranking of the "World's Greenest Companies 2014".
The commitment to employees was rewarded by Osservatorio HR Innovation Practices, which chose Intesa Sanpaolo as the best company for management process innovation and Human Resource career development. The HR Innovation Award was presented to the Training Department's Capusability Project, designed to increase training efficiency within the company. The focus on inclusion also earned a major recognition in the "Diversity & Inclusion Award Diversitalavoro", awarded to companies that promote job placement policies for the disabled, thus aiming to enhance talent and skills.
In the field of innovation, Intesa Sanpaolo won the "INNOV@RETAIL" innovation award for customer data management services, promoted by Accenture and Il Sole 24 Ore, for the ABC *analytics* project, a new system of indicators made available to managers to improve their work on behalf of customers.

Materiality analysis

The 2014 Sustainability Report focuses on the most important issues for our core business and for the Group's stakeholders. Identification of the issues was performed through a process structured according to the G4 edition of GRI guidelines: materiality analysis allowed us to identify and summarise our priorities and those of our stakeholders. "Material" aspects reflect the significant economic, social and environmental impacts on the organisation or substantially influence assessments and decisions taken by stakeholders.

Identification and prioritisation of material issues

The identification of material economic, environmental and social sustainability issues for the financial sector, the Group business and our stakeholders was performed by analysing the:

- sustainability aspects and topics identified by the Global Reporting Initiative reporting standard;
- documentary sources within the Group, for example top management communications, shareholders' meeting minutes, notices to shareholders, Sustainability Reports for the last three years, policies adopted by the Group and complaints on the Code of Ethics;
- external documentary sources, including the reference reporting standards for sustainability performance (G4, SASB), ESG rating agency questionnaires, the Sustainability Reports of other Italian and international financial groups;
- press releases and planning documents of Italian public institutions and multilateral organisations.

The issues identified were organised into a tree format with three increasing levels of detail.

Definition of the materiality matrix

To prioritise the issues identified, each issue was assessed, on the one hand in relation to its significance to business strategies and commitments defined in the Business Plan and, on the other hand, in relation to the extent that it represents the interests and expectations of stakeholders: these two aspects are represented by the two axes of the materiality matrix, which is presented in detail in the Sustainability Report.
The main differences compared to the 2013 materiality matrix concern the issues with strong impact on the 2014-2017 Business Plan. Business support becomes an increasingly strategic success factor for the Bank and fundamental leverage for Italy's growth. Innovations in terms of the Service Model and of new business areas that the Bank will focus its efforts on, have made the issue of quality in customer relations even more strategic.
Of all the issues identified, the following are those proving to be priorities for 2014, on which the Sustainability Report will discuss the related matters in detail, the management method, significant indicators and the relationship between said issues and the Business Plan progress:

- Protection of solidity and profitability
- Business risk management
- Integrity and firmness in corporate conduct
- Human resource development and management
- Quality of customer relations
- Access to credit and savings management
- Climate Change

Matrix validation

To define the scope of the issues identified, all impacts – positive and negative – that the issue might have on stakeholders or in the reference context of its own value chain were considered. In particular, the risks and opportunities deriving from the issue were taken into account, as were the potential to influence Group strategy in the long term, with a view to assessing the broader sustainability context.
The assessments were shared with the Delegates of the Chief Risk Officer, Chief Financial Officer and Chief Operating Officer Governance Areas, identifying the reporting and management disclosure structure associated with each issue.
The following chapter on relations with stakeholders provides a summary of the most material issues for the Bank's various stakeholder categories.

Relations with stakeholders

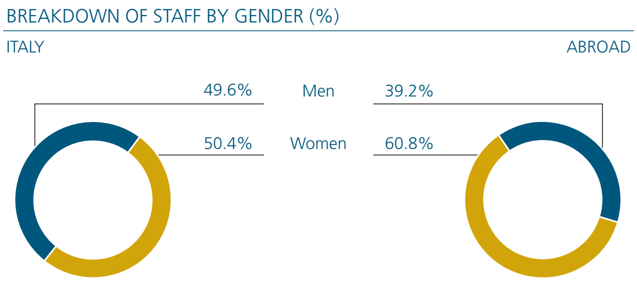
Employees

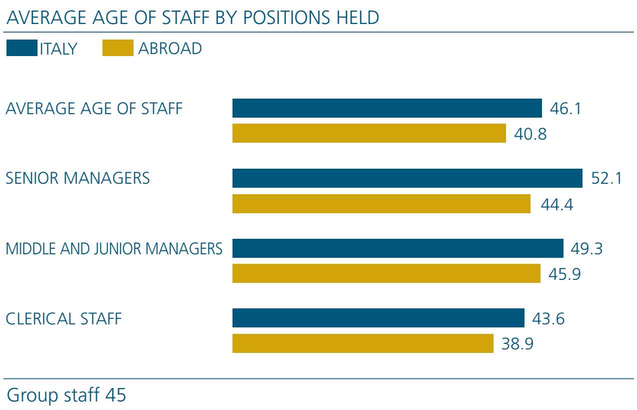
In 2014 Intesa Sanpaolo laid the foundations for and began implementation of the development and reorganisation programmes designed to strengthen its competitiveness on the markets, also through service and product innovation, in response to the stagnant economy and complex recession.

The Business Plan has identified human resource enhancement and motivation, as well as strengthening of their sense of belonging, as some of the key forms of leverage for achieving the Group's strategic objectives. On this basis, corporate human resources strategy has aimed to:

- research innovative motivation and retention methods for its resources, also by introducing employee share ownership plans that share the creation of value over time;
- invest in action and processes in support of the commitment and motivation of human resources, developing real opportunities for career and skills development with growth projects and paths targeting motivated and talented individuals;
- create value through an industrial relations system capable of maintaining social cohesion and developing innovative, sustainable solutions focused on enhancement of the integrated welfare system for its employees and their families;
- enhance merit through structured corporate processes and by offering opportunities for involvement in career development projects and career paths to motivated and talented employees;
- continue investing in ongoing training, focusing on important projects in support of corporate strategic decisions.

Employment and welfare are confirmed as the two priority aspects on which future action will focus in support of motivating and involving employees in terms of flexibility, efficiency and productivity.





Staff breakdown by type of contract (%)	Italy	Abroad	Total
Permanent contracts	99.4	90.9	97.1
Employment contracts - permanent	0.1	-	0.1
Apprenticeship contracts	0.4	0.1	0.3
Employment contracts - apprentices	-	-	-
New recruit contracts	-	-	-
Non-permanent contracts	0.1	9.0	2.5
Temporary workers (in Italy: Supply and Project workers) - (number)	28	95	123

In compliance with the Business Plan, corporate simplification, organisational streamlining and cost containment procedures continued, adopting measures to limit social impact in specific situations.
The industrial relations scenario is also characterised by:

- use of new methods for relations with company members;

- research into tools and/or solutions to consolidate and develop corporate welfare, employment support, identification of new methods – also in economic terms – for involvement in the corporate planning, testing of innovative working conditions inspired by the creation of an environment based on mutual trust and sensitisation.

In particular, renewal of the Industrial Relations Protocol laid the groundwork for pursuing these objectives, with the setting-up of a joint company-trade union body - the Welfare, Safety and Sustainable Development Committee - assigned with the task of preparing solutions to align the needs regarding households, welfare and assistance and the best possible time usage balance with the essential aim of corporate productivity.

Among the first results emerging from the work of this Committee were the following important understandings:

- Framework protocol on inclusion and equal opportunities in the Group welfare area to create value in terms of social sustainability, equal treatment, the elimination of discrimination and the promotion of measures to enhance diversity. In this context, an agreement was reached that grants extraordinary paid leave for either civil or religious marriages celebrated in Italy or abroad, even if not yet recognised under Italian law, and extends corporate welfare to disabled family members in civil unions.
- Agreement on flexible work pilot projects within the Group - first tested in 2015 - to match corporate productivity needs to personal/family needs in order to offer a better life-work balance.

As decided in 2013, 2014 again saw the award of social bonus, which allowed employees to make use of reimbursement of expense for children's education fees, integrated health benefits and/or supplementary pensions, also in favour of family members, as an alternative to receiving the bonus with their salary. This disbursement was limited only to employees with annual salaries of less than 65,000 euro, assuming a specific social commitment that allowed a balance between cost sustainability for the company and the enhancement of corporate welfare.

Strong corporate commitment continued in the rationalisation of pre-existing forms of welfare with agreements on the rationalisation and merging of 11 defined-benefit and 3 defined-contribution pension funds, to reduce risks (operational, financial and actuarial) and to guarantee greater investment opportunities to subscribers. With regard to Pension Funds, the Group boasts a history of deep-rooted sensitivity to supplementary pension issues: the main funds were established as far back as the 19th century, at the dawn of welfare intended as a social need. The activity relates to around 10,000 individuals in Italy, with assets allocated to the services for over 9.8 billion euro and an annual contribution inflow of approximately 500 million euro per year. For employees in service, the supplementary pension offers a particular benefit in the form of the contribution borne by the company, the option of requesting advances and the deductibility of contributions with marginal rate savings.

With regard to integrated health benefits, management in 2014 confirmed the effectiveness of the measures adopted, which generated a strong decrease in the deficit in retired subscribers management, also through the agreement signed by the Funds' founders in September 2013 to strengthen medium-term sustainability. Based on the positive performance, the Board of Directors of the Intesa Sanpaolo Group Health Fund allocated 2 million euro for a cardiovascular risk prevention initiative to be implemented in 2015, which will be accompanied by a communications campaign on correct lifestyle, also addressed to all employees. It is estimated that in 2014 approximately 135 million euro will be paid in services, with the figure verified at the time of preparation of the financial statements.

In its first year of activity, ALI (Associazione Lavoratori Intesa Sanpaolo) signed up more than 100,000 members and gradually expanded its range of services to confirm it as an effective new form of complementary welfare.

Pending the verification planned at the time of preparation of the Financial Statements, as a result of initiatives at national and local level in the areas of Tourism, Personal Services, Culture and Sport&Recreation, it is expected that the direct benefits in 2014 to members will exceed 3 million euro. Added to these are the indirect benefits represented by special arrangements and discounted purchase opportunities made available to members also through an online store. The Association represents an important element in strengthening corporate identity as part of the integrated corporate welfare system, which also includes people care and mobility management activities.

Recruitments during the year (by type of contract)	**Italy**	**Abroad**	**Total**
Permanent contracts	350	940	1,290
of which employment contracts	-	-	-
Apprenticeship contracts	81	35	116
of which employment contracts	-	-	-
Non-permanent contracts	46	1,230	1,276
New recruit contracts	-	4	4

Regarding employment, in 2014 the Group recruited 2,686 persons (477 in Italy and 2,209 abroad). At Group level the number of women reached 53.2% and the investment in the future through the introduction of new resources continued in line with company objectives.

	Turnover rate
Italy	0.77%
Men	*0.96%*
Women	*0.58%*
Abroad	1.34%
Men	*1.43%*
Women	*1.28%*

The Group workforce turnover rate recorded a drop (-0.92%), in line with the structural measures planned.

In 2014 the process of aligning remuneration policies and systems with the provisions issued by the European and National Regulators continued; in previous years the Group had already adopted a series of actions now confirmed in the regulations issued.
The annual incentive systems continued to pursue the objective of correlating the variable portion of remuneration available to the results actually achieved by the Group, in proportion to the extent of short-term and long-term risks actually assumed, and taking into account that an adequate level of capitalisation has to be maintained.

With the aim of long-term retention and motivation of its human resources, in 2014 the Group adopted a Leveraged Employee Co-Investment Plan (LECOIP) through a trade union agreement which envisages the assignment of Intesa Sanpaolo shares without charge to employees with the option of subscribing to investment plans offering them a return on capital at maturity greater than the initial investment and the opportunity of additional earnings if the performance is positive. Targeting all employees, the initiative constitutes an equal distribution and cohesion practice. It has seen an exceptionally high number of subscribers and the related costs will be considered an advance on amounts due as corporate bonus for the years 2014-2017. Overall, as at the end date of the subscription period, 50,298 Group employees had subscribed to the investment plan, equal to 79% of those eligible, for a total value of approximately 150 million euro. The initiative generated an additional benefit for all employees: the possibility, in this difficult economic scenario, of obtaining a sum of money at preferential terms in the form of a trustee loan, with repayment of the principal in May 2018 and a minimum 1-year duration for an amount equal to 80% of the "protected capital" (a minimum of 1,500 euro) envisaged in the LECOIP. The preferential rate applied to the loan will be that currently envisaged for loans reserved for Group employees. For further details of the Co-Investment Plan, reference should be made to the description in the Executive Summary and in Part I of the Notes to the financial statements.

To respond to the expectations of all stakeholders, in 2014 Intesa Sanpaolo Training Department continued to invest in the implementation of ad hoc training initiatives, dedicated to enhancing the skills of all Group employees. Constant support was provided in career development in the various professional categories and in the focus on enhancing people skills to adapt to the continuously changing forms and needs of service to our customers. In line with its four-year plan, the training activities catalogue was therefore backed by a series of specific projects that can be grouped into five macro areas: 1) Skills development in support of business quality; 2) Dissemination of the culture of risk monitoring, able to detect the extent of risk in preventive as well as final terms; 3) Innovation and new professions, in synergy with the newly-established Innovation Centre for the transversal sharing of ideas and visions on the development of our professional careers and on formal and "informal" skills; 4) Internationalisation, with three key objectives: to develop innovative global management skills, to encourage integration of organisational conduct and to break down cultural barriers in support of change management; 5) Development and consolidation of managerial skills.

The "On Air" platform for Group career management and development is now extended to all employees in the Parent Company's Head Office Departments and in the Banca dei Territori Division. On Air promotes employees' motivation through a structured process of self-nomination for career development courses, followed by the activation of individual development paths and empowerment designed to promote professional growth and development. The platform constantly monitors and develops human resources according to a Succession Planning process.
Individual motivation is therefore the distinguishing element of On Air, as a criterion for identifying merit and implementing professional development logics in compliance with the inclusion and diversity management policies. In 2014 – following developments in the business environment and the creation of new professions, and as a result of the information set (expertise, skills, motivation and aptitude) made available through On Air by self-nominated individuals – a new process was activated, Direct Job Offering, which allowed job searching campaigns to be carried out, targeted to the profile of open positions and the company's need for expertise. According to a "domestic job market" logic, it allowed opportunities and areas for transversal growth to be created for interested and motivated employees.

The performance assessment system – "Perfomer" - applying throughout the Group and including the international hubs, is based on the expected profile logic, appraising employees on the basis of their conduct in relation to the complexity and specific nature of their duties, with objective and fair assessment also through professional self-assessment and an individual development plan based on strengths and investment areas.

"Permano", launched in 2009 as part of a series of activities to improve the relationship between private life and working life, was transformed from a project into a process, including in the system an approach of sensitivity and focus on employees who have been absent from the Bank for a long period, facilitating their return.

Investments continued during 2014 to strengthen Intesa Sanpaolo's presence on the LinkedIn professional network, a new recruitment and employer branding channel that aims to enhance brand awareness, present Intesa Sanpaolo's identity as an employer in web 2.0 solutions and therefore attract strongly talented candidates, thus benefiting from the recruitment of specialists in Italy and abroad. In its first year of use, LinkedIn – a tool with no geographic boundaries – proved to be an effective channel for reaching a large catchment area of candidates, rapidly and directly, and at year end had passed the milestone of 50,000 followers.

Many employee involvement and listening activities were performed, starting with the climate analysis that involved 63,071 professional staff and middle managers, with around 51.3% participation, 968 executives with a participation level of 88.5% and 22,731 employees of the International Subsidiary Banks with a participation level of 51%. 31 local sessions were held – "Life and work in Intesa Sanpaolo" – attended by more than 300 employees from all company departments involved in the life of the Bank. In addition to numerous ad hoc listening activities for the companies/departments, constant reports were guaranteed to all Group employees – in Italy and abroad – regarding the Business Plan and the new Banca dei Territori Service Model, for which around 70 in-depth interviews were conducted with the Regional, Sales and Governance Area Managers of Banca dei Territori.

Risk assessment of the health and safety of employees was carefully managed by the Prevention and Protection Department through a special management system in compliance with the most important national standards.
Constant monitoring of the business units, with over 1,000 site visits performed during the year, allowed the Risk Assessment Document to be kept up to date and available to all employees.
The adopted model requires that the residual risk factors to be managed are extracted year by year and, starting with that showing the broadest scope, action plans diversified by corporate function are defined. The action required has priority indications but no spending limits. The Safety and Protection Department assesses the action taken and performs periodic checks on works progress: in recent years the objectives assigned to individual functions have always been achieved. For instance, the improvement plan implemented resulted in a considerable overall reduction in the risk factors recorded (in the Parent Company, for example, the risk factors dropped from 20,949 in 2013 to 10,162 in 2015, including contributions made by the merged companies). Lastly, the risk management process in the Group's offices was finalised, achieving a 78% reduction in the major risk factors compared to 2013.

Post-robbery support activities continued with help from specialists at Milan University, arranged with the voluntary prior consent of interested parties, provided by the company doctor and – in cases considered more critical given the dynamics of the event - also by psychologists.
In partnership with the Occupational Health Clinic of the University of Milan, in 2014 the preliminary assessment of work-related stress was updated to include new uniform groups deriving from analysis of the branches operating extended working hours and a more in-depth risk assessment was performed for telephone exchange operators, security guards, IT systems operators and the contact unit operators. Arrangements were also made to:
- perform a special assessment of workers sent abroad, which takes into account environmental, health and hygiene, logistics and personal safety aspects;
- finalise the seismic risk assessment, performed as a preliminary measure in relation to area risk and building vulnerability, also as a result of a seismic or other external event, in relation to maintaining the static resistance requirements of buildings;
- extend the ban on smoking to also include e-cigarettes, based on the principle of maximum health and safety protection of workers exposed to the substances that could be inhaled as a result of the vaporising process;
- prepare a plan for controlling the service levels contracted out for food and beverage distribution.

The focus on health and safety issues was also constantly backed by specific training and education activities which in 2014 particularly concentrated on specific training for Operators, i.e. the Organisational Unit Heads. All other training activities already in place on health and safety issues also continued, totalling more than 60,000 training hours in 2014.

Total accidents throughout the year	**Italy**	**Abroad**	**Total**
Total accidents throughout the year	775	103	878
Accidents inside the company	*191*	*26*	*217*
Accidents outside the company	*584*	*77*	*661*
Percentage of accidents out of the total number of employees	1.2	0.4	1.0

In 2014 no corporate liability was confirmed in any of the three case types listed below:
- deaths of permanent staff in the workplace in which corporate liability was confirmed;
- serious accidents in the workplace resulting in serious or very serious injury to permanent staff in which corporate liability was confirmed;
- charges related to occupational diseases from employees or former employees and cases of mobbing in which corporate liability was confirmed.

Customers

In a still difficult economic scenario, Intesa Sanpaolo has not lost sight of its traditional vocation as a real economy Bank, operating alongside households and businesses. For a bank, promoting financial inclusion and the capacity for growth of business ideas means providing support to the recovery essential to economic, environmental and social sustainability in the community and, at the same time, providing opportunities for business growth and development.

Intesa Sanpaolo meets the varying needs of consumers through targeted marketing and an approach differentiated by customer segment, in an attempt to accompany customers throughout their entire lifecycle, seeking a new way of banking and looking to the future.

Two initiatives continued in 2014 designed to more effectively meet customer needs based on today's lifestyle:the Banca Estesa project, in which the opening hours of branches – now over 550 – are extended, making the availability of services and advice more compatible with the personal and professional commitments of customers, and the Out-of-Branch Offerings that extend advisory services and commercial development to the customer’s home or workplace, with a range of products expanded during the year. The Remote Offerings service was added in 2014, allowing customers to purchase certain products and services directly online, with telephone support from the reference manager or an advisor. This last initiative forms part of the wider integrated multichannel project. Its strong drive began in 2014 and aims to offer customers the integrated use of all channels now available for interacting with the Bank (branch, ATM, Internet and Contact Unit), allowing them to operate where and when they wish in a complete, simple and easy manner. In 2014, the “Insieme per la Crescita” (Together for Growth) project was launched, implementing managerial change action in support of the new Banca dei Territori service model and innovative methods for engaging employees. The idea behind the project is to take action on sales conduct to improve network performance, increasing customer satisfaction through human contact with a higher added value. The project was launched in June 2014, involving 16 branches and around 400 employees, and was then extended in July to a total of 51 branches and approximately 1,000 employees. September saw extension to the entire network of the project, which is expected to end in May 2015. The project is constantly monitored, in relation to customer and employee satisfaction and in terms of sales performance. The pilot phase recorded positive results in all areas.

Solutions were also created to help overcome difficulties for households: “Rata Leggera” allows customers who have taken out mortgage loans, for which the repayment began at least 12 months earlier and who are at least 3 months behind with their payments, to suspend their principal payments for a maximum 12 months. Designed as a “reward” mechanism for selected customers with a sound credit profile, the purpose of “Rata Leggera” was extended to also make it available to customers as a means of overcoming temporary economic difficulties. Suspension of the principal repayment by instalments has therefore become a rescheduling tool that can be used to cover unexpected outgoings and overcome temporary hardship as well as a means of freeing up funds in the household budget to be used in consumer goods and lifestyle improvement investments.

Intesa Sanpaolo also launched "Casa Insieme" in the first half of the year, an initiative aimed at stimulating the real-estate market that enhances the saleability of newly-built properties financed by the Bank by bringing together buyers and sellers of new homes through measures focusing on financial services and communication.

Through specific contractual arrangements, the Bank provides the building companies amongst its customers with access to communication initiatives aimed at increasing the visibility of their projects, commercial support from the Bank’s branches, including the periodic presence of a branch manager at the site, and special economic conditions for those who purchase a home located on the participating construction sites.

Thanks to “Casa Insieme”, builders can cut the amount of time needed to sell their properties, reduce their entrepreneurial risk and free up lines of credit to be used for new real-estate initiatives, while individual customers can benefit from conditions more favourable than standard list prices, simplified criteria for access to credit and, in some cases, contributions from the builders (lower instalments and exemption from administrative expenses).

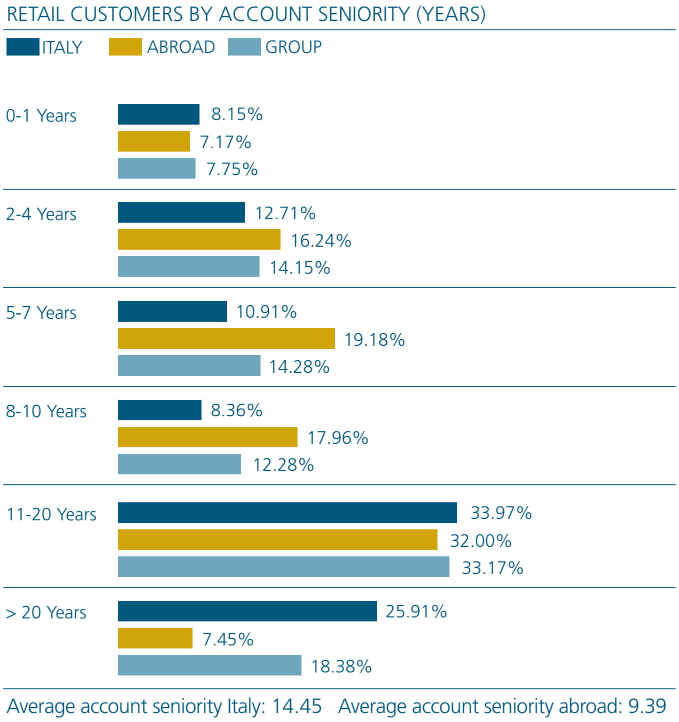
Since the launch of the initiative, “Casa Insieme” has provided support to 119 sites.

As regards products targeting young people, Intesa Sanpaolo continues to focus on those people representing the key to our future.

Superflash, the “umbrella brand” for products, services and support solutions for young people aged between 18 and 35, continued, also as a new communication language at the branches and online, with a dedicated section on the Bank's website and through its presence on social networks. Superflash covers a range of dedicated products at extremely affordable costs to meet the basic needs of young people: prepaid cards, current accounts, loans, mortgages and investment options.

As regards welfare-related products, the Group considered it important to dedicate specific subsidised terms to young people. The two solutions launched at the end of 2012 – an open-ended pension fund, “Il Mio Domani”, and an individual pension plan, “Il Mio Futuro” – offering under-25s a discount on the annual management fee to subscribers. The total subscriptions in 2014 numbered more than 38,400.

The “Bridge Loan”, on the other hand, was designed to offer university students the opportunity for financing their studies at particularly favourable terms. It targets students enrolled at one of the participating universities, and the requirements – taking no account of household income – are based solely on regular university attendance and performance, with no personal guarantees required.



For people over 60, the range of products and services takes into consideration the specific needs of simplicity and the enhancement of relations with the Bank. In 2014 the range of products already marketed in the last two years has been consolidated with three dedicated product lines: "Carta Pensione", "Libretto Pensione per te" and "Conto Facile", that can be personalised according to customer needs, free of account opening and closing costs, to which all the Bank's services can be linked. The account was offered with a discount on annual fee in 2014. As at 31 December 2014 there were 3,400 "Carta pensione" cards, 20,800 "Libretti pensione" books and 90,000 "Conto Facile" current accounts.
The range dedicated to senior customers was completed by the "Conto di Base" account designed to comply with financial inclusion regulations introduced in 2012. As at 31 December 2014 there were more than 8,500 "Conto di Base" accounts, of which: 912 held by socially underprivileged customers; 3,269 by individuals receiving pensions up to 18,000 euro per year and 4,368 by customers not falling into these categories.
The main banking component of the product range, with services that are simpler and more transparent and meet protection needs, was backed by a non-banking component relating to health, wellcare and recreation, for example including: protection for unforeseen events, doctors and healthcare facilities accessible at preferential terms, social, welfare and tax-related services at subsidised conditions or even free of charge, and opportunities to purchase recreational products and services at bargain prices.
In 2014, in a scenario of rising healthcare costs for households, the "Riconoscimento Salute Senior" service was consolidated with greater territorial coverage and network quality of Intesa Sanpaolo. More than 508,000 customers over 65 accessed this programme.
With the aim of encouraging integration and financial inclusion of non-Italians, Intesa Sanpaolo developed three complementary services, the characteristics and costs of which make the range complete and competitive, allowing money to be sent to any country in the world: Getmoney to Family, which allows money to be sent to the main countries of origin of migrants, through partnership agreements signed with local banks; Express to Family, which allows the transfer of money to Intesa Sanpaolo Group banks in Albania, Egypt, Romania, Serbia and the Ukraine, and Money Transfer Western Union, which through its widespread agent network allows money to be received anywhere in the world. Through the three services as a whole, 2014 saw almost 110,000 remittances amounting to more than 57 million euro, up on the 2013 total. The increase referred mainly to the Western Union service, used by around 14,000 customers in 2014.
Acommitment that Intesa Sanpaolo Group holds particularly close to its area of expertise is the economic and financial education, making people more aware of their financial options, particularly the younger generations. Numerous initiatives were implemented to make our experience and advice available, with no business aim, on issues related to asset management and household budget. As part of the partnership with Consumer Associations, the four-year planned "Skills pooling" project was launched back in 2011 with the aim of improving mutual awareness and the ability to cooperate to the benefit of customers and consumers.
The project is divided into four steps: training for Consumer Association middle managers, development of a training project for all Intesa Sanpaolo employees that was carried out in 2013, local meetings and the fourth and last step in which Intesa Sanpaolo Group top managers and the Associations' executive managers will combine skills and recommendations in a series of meetings specialised by business area, such as retail, legal or customer support. 2014 saw the implementation of the third and most important stage of the agreements: the territorial definition of the initiative. A pilot project was set up in the Piedmont Region for which Intesa Sanpaolo was responsible for holding four seminars. Nine days of training targeted Association managers and representatives at regional level. The adoption of a "pilot model" confirms the accepted need to finalise the most delicate part of the entire project, on the one hand because it allowed the definition of a model that can be exported to other areas, and on the other hand because it is oriented towards training the human resources of the associations which, together, will relate with customers/residents, thereby continuing the territorial testing.

Also with regard to businesses, dialogue continued with the SMEs in order that the Bank could work alongside them on a path to overcome the crisis. Intesa Sanpaolo was a party to major agreements between associations and institutional organisations:
Among these, of particular importance was the fifth cooperation agreement between the Intesa Sanpaolo Group and Piccola Industria Confindustria, “Una crescita possibile – A possible growth”. The partnership envisages the allocation of a further 10 billion euro credit line, in addition to the 35 billion euro allocated under the previous agreements, as well as a programme focusing on measures targeting growth, innovation and start-ups, exports and internationalisation, supported by the services and business opportunities that Intesa Sanpaolo, as Official Global Banking Partner to Expo 2015, can offer participating enterprises for the entire duration of the event.
The Italian Banking Association (ABI) Credit Agreement, aiming to guarantee the availability of sufficient funds to SMEs which, despite reporting liquidity tensions, indicate positive prospects for development or going concern, was extended to 31 December 2014. The agreement allowed access to various benefits including the suspension and extension of loans and two targeted credit lines: “Progetti Investimenti Italia” (Investments Projects in Italy) dedicated to SMEs which, despite the economic crisis, have continued to make new investments, and “Crediti alla Pubblica Amministrazione” (Credit to Public Administration), through which participating banks made specific credit lines available for the provision of advance or discounting transactions.
In 2014 the transactions suspended numbered almost 8,000 for a total residual debt of over 2.5 billion euro and 338 million euro in deferred debt. The number of extension applications accepted was over 1,000 for a total residual/deferred debt of more than 360 million euro, whereas 28 recapitalisation loans were granted for a total of about 7 million euro.
With regard to youth employment and support for innovative start-ups, Intesa Sanpaolo signed a major agreement with the EIB. The transaction makes a total of 240 million euro available and meets the request of the European Council in Brussels in June 2013 to implement “without delay” all possible measures to mitigate the growing phenomenon of unemployment, especially among the young. It envisages a credit line for 120 million euro to create new jobs for young people between the ages of 15 and 29 in SMEs and Mid Caps, and to support the launch and development of innovative start-ups. Another 120 million euro credit line was allocated to finance investments by small and medium enterprises in the social sector (healthcare, education and urban renewal).
Intesa Sanpaolo also adopted another important memorandum of understanding signed by ABI (Italian Banking Association), the Equal Opportunities Department of the Prime Minister’s Office, the Ministry of Economic Development and the major industrial and trade associations (Confindustria, Confapi, Rete Imprese Italia, Alleanza delle Cooperative Italiane) which offers a framework of action to facilitate access to credit for businesses operated by women in the various phases of a company's lifecycle or the working life of freelance professionals. As party to this agreement, with a range of services known as “Business Gemma”, Intesa Sanpaolo allocated a total of 600 million euro credit line – available until 31 December 2015 – for businesses run by women and for women freelance workers. In 2014 the first 16 loans were granted for an overall amount of 365,800 euro. This new loan also offers the chance to benefit from the special segment guarantee of the “SMEs Guarantee Fund” dedicated to businesses operated by women and to request, during the repayment period, up to twelve-month suspension of the instalment repayment of the loan principal amount in the event of maternity leave, serious illness (also of the spouse and children) or disabling illness of a parent, blood relative or relative by marriage up to the third degree who lives with the applicant. Business Gemma services also include an insurance policy with coverage and support services that aim to provide a real solution to the difficulties of finding a balance between personal and professional lives. The areas of action are maternity, welfare, assistance and legal protection at difficult times, and health. More than 1,400 policies were in place at the end of 2014, with 37 new contracts taken out during the year.

As regards support for innovation, in 2014 Intesa Sanpaolo set up a structure, reporting directly to the Managing Director, with the task of researching and analysing innovative solutions available on the Italian and international markets with a view to identifying development opportunities for the Group and for customers by leveraging the Bank’s functions.
Consolidated activities continued during the year in favour of customers and innovative start-ups, in the strong belief that support for business research and development can lead to a competitive repositioning of companies on the global market and represents one of the key forms of leverage in generating growth and new jobs.
The “Nova+” financing programme continued to provide support to Italian businesses investing in innovation and research. Nova+ supplements the traditional credit rating analysis with a technical and business assessment of the investment plans, conducted by a team of engineers specialised in the various product sectors and with a deep knowledge of technology trends. In this context, Mediocredito Italiano continued its partnership with a number of leading Italian universities, making use of experts’ technical and scientific support in assessing the technological risk of the more complex and ambitious projects.
The relaunch of companies’ competitiveness can also make use of synergies offered by innovative business combination tools. Mediocredito Italiano – the business finance hub incorporating all the Group’s advisory services, targeted financing and leasing activities – plays a leading role in managing the products dedicated to business networks and activities designed to stimulate the network culture, developing the partnerships already in progress and facilitating new combinations. During the year, this activity led to the setup of 16 Business Networks, 11 of which agribusinesses.
The service model envisages a desk dedicated to business network development and has also seen the establishment of a “National Monitor”, through cooperation between the Intesa Sanpaolo Research Department, Mediocredito Italiano and the Business Marketing Department, which aims to assess the positive effects of the network system on business performance and, in general, on competitiveness in Italian production. The studies conducted are distributed throughout the country with the setup of Regional Laboratories involving local Associations and Institutions.
The most recent business networks launched in 2014 include “RIUSO-Rete Imprese Umido-Sostanza Organica”. This business network aims, individually and collectively, to increase the innovative capacity of the network members and make them more competitive on the Piedmont organic waste disposal market. Another recent launch is “Rete Politecna Restauro”, which brings together a group of business owners offering the best expertise in the country in the field of restoration of works of art, architecture and monuments, as well as in the private and public building sectors.
The range of Intesa Sanpaolo Group products is completed by the ethical funds made available by Eurizon Capital Sgr, the company specialising in asset management for retail and institutional customers, and by Banca Fideuram, which focuses on the high profile customers.

The ethical funds are mutual funds that invest in the financial instruments of issuers (businesses, supranational bodies and governments) with a strong social and environmental responsibility profile.
Since 1997 Eurizon Capital SGR has been Italy's leading operator offering ethical funds that envisage clear, specified positive and negative selection criteria for securities to be included in the portfolio (listed in the Prospectus and Fund Management Regulation), a Sustainability Committee (external and independent of the asset management company) and the donation of revenues. Experience gained in the management of these products has, over time, led to managers' fine-tuning their selection criteria and in 2002 adopting ethical benchmarks with a view to offering a financial and objective measurement of results.
The responsible investment solutions offered by the Fideuram Group integrate economic goals with financial sustainability and social value. The segment invests in government bonds with a special focus on social and environmental issues, in bonds of supranational bodies in support of emerging economies and in the units of funds specialising in microcredit financing, in fair trade funds and in equity funds and shares with a positive impact at social and/or environmental level.
An Ethics Committee, with members from managerial professions and persons from different professional environments with proven experience in the field of social, economic, environmental and financial sustainability, and qualified experts from the academic field, has the task of verifying coherence between the actual composition of the segment's portfolio and the ethics principles on which it was founded, thus expressing - where appropriate - its opinions on the ethical nature of the investments.

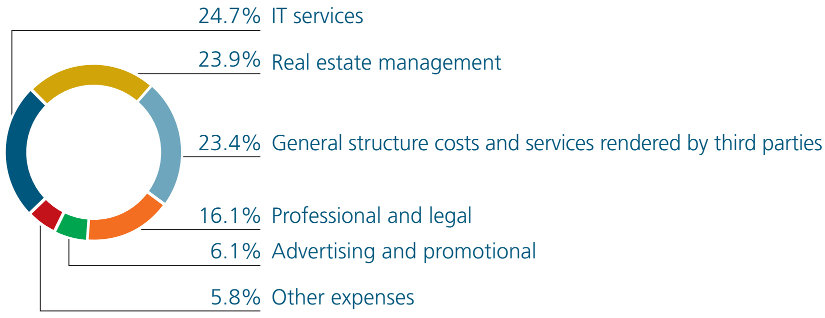
Shareholders

During 2014, in a still very difficult economic scenario, communications with the financial community continued to focus on sustainable profitability and the Group's solidity as a safe point of reference for stakeholders. To guarantee access to all, again in 2014 this information was made available quickly, easily and affordably through a number of channels: Internet, conference calls via a toll-free number and the free distribution of financial statements on request. The Investor Relations section of the website has a well-organised content and thematic updates providing stakeholders with extensive, systematic information. In order to contribute to the creation of long-term sustainable value, regular and frequent meetings were held with the financial community that consolidated lasting relationships based on mutual trust.
Intesa Sanpaolo is included in several sustainability indices, which are characterised by their assessment of companies not only from an economic performance point of view but also according to environmental, social and governance criteria. In particular, Intesa Sanpaolo's presence was reconfirmed in the Dow Jones Sustainability Index (World and Europe indices), the FTSE4Good index series (Global and Europe indices) and the Euronext Vigeo 120 index (Europe and Eurozone indices). Intesa Sanpaolo was also included in the global index "The A List: the CDP Climate Performance Leadership Index 2014". It is also featured on the Ethibel Excellence Investment Register, the UN Global Compact 100 Stock Index, the MSCI Global Sustainability index and the MSCI Low Carbon index, as well as the ECPI indices and Standard Ethics (Italian Banks and Italian Index).

Suppliers

In 2014 the overall expenses incurred by the Intesa Sanpaolo Group for purchases totalled over 2.6 billion euro, with breakdown as follows:

BREAKDOWN OF 2014 ADMINISTRATIVE EXPENSES BY CATEGORY



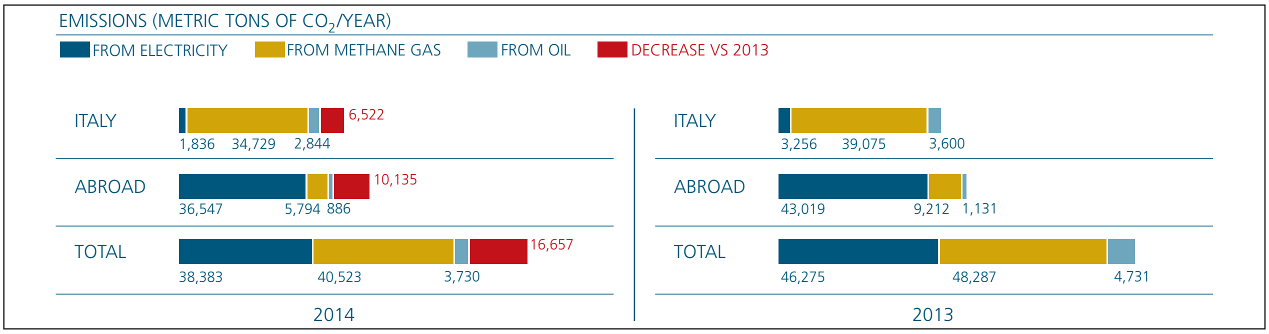
The project for the centralisation of Group Procurement, launched in 2013 and designed mainly to standardise the procurement rules and processes and to apply a standard model in Intesa Sanpaolo, also continued throughout 2014 with the inclusion of new Italian banks/companies and the Group's International Subsidiary Banks.
Extension of the scope of centralisation, which will be advanced even further in 2015, will increase the number of players that will follow not only the standard sourcing process, but also the guidelines on social and environmental responsibility criteria to be adopted in relations with suppliers. In this context, in fact, the Group Procurement Guidelines and related implementing rules were issued in 2013, transversally integrating social and environmental responsibility criteria.
The Parent Company's relations with its suppliers followed transparency and fairness principles again in 2014. For this reason, supervision of the Suppliers' Portal and continuous enhancement of its functions are particularly important. The portal offers an online bidding system: those who apply are required to register online, where, if invited to take part in a tender, they can follow all the stages of the process in a transparent manner. In fact, through a special section every supplier can interact with the related procurement manager and view the available documents or enter bids. The constant increase in the number of online tenders has improved communications and raised the level of transparency of the relations.

In the registration stage, candidates have to confirm they have read the Organisational, Management and Control Model (Legislative Decree 231/2001), the Group's Internal Code of Conduct and Intesa Sanpaolo's Code of Ethics: Then if the candidates become our suppliers, the contractual clauses they have to sign include the commitment to comply with the principles of the aforementioned documents.
The registration requires that, in addition to personal and company details, the supplier also completes the section dedicated to social and environmental responsibility. At the end of 2014 approximately 6,400 suppliers were registered on the Portal. Of these, over 3,500 completed the registration process. An in-depth analysis of answers on social and environmental responsibility showed the following: 11% declare publication of a social and environmental report, 3% hold SA 8000 certification, 19% have a code of ethics or policies describing their social commitment, 12% hold environmental certifications and 8% have an environmental policy.
The assessment of suppliers registering on the Portal formed the basis for an approach increasingly oriented towards mitigating the risk deriving from supply chain management. In 2014, in fact, the Procurement Department launched a partnership with EcoVadis, an international company specialised in assessing the performance of social and environmental responsibility in the supply chain, with a view – based on the analysis results – to initiating a virtuous process resulting in the identification of risk mitigation action and corrective measures in the pursuit of constant improvement. The EcoVadis platform screens suppliers based on 21 criteria relating to environment, corporate, fair trading practice and supply chain issues. The assessments are based on globally-recognised standards such as the Global Reporting Initiative and the UN Global Compact, with supplier scores determined by combining the answers to questionnaires completed, support documents, third-party information and risk factors according to the business sector and country concerned.
The pilot project, which began at the end of 2014 and will close at the end of February 2015, involved around 50 suppliers from different product categories. The response was already very good at the end of December.
For suppliers who at the end of the test earn a poor score, the action to be taken will be decided. Use of the platform will become fully operational from 2015 and will include a broader panel of suppliers.
With regard to payment times monitoring, maintenance and monitoring continued on the Portal module dedicated to accounting communications, which allows suppliers full visibility of their own orders, payments and invoices.
The activities of Intesa Sanpaolo's Prevention and Protection Department refer not only to employee protection but also to the protection of suppliers conducting their activities on Bank premises. The activities consist in sharing current Health and Safety rules with these suppliers, ensuring that their employees operate according to suitable standards and guaranteeing that no risks arise from interference between the activities of the various suppliers and those of Bank staff. The Bank's commitment to reducing risks to the health and safety of employees working under contract continued through the working environment upgrading programme, and in particular with a new site visit campaign which in the first half of 2015 will involve approximately 400 properties associated with credit impairment and recognised as held until their permanent disposal.

Environment

The Intesa Sanpaolo Group has for some time been committed to the prevention, management and reduction of environmental impact generated by either its own activities (direct impact) or that of customers and suppliers (indirect impact), through application of its Environmental and Energy Policy.
The Group's commitment in this sector revolves around the almost exclusive use of renewable source energy, the achievement of energy savings and gradual improvement in terms of energy efficiency, with a subsequent decrease in CO_2 emissions. The monitoring of such activities is performed by a dedicated Environmental Sustainability office, coordinated by the Energy Manager in liaison with the Mobility Manager, who is in turn supported by ten Area Mobility Delegates.
2014 saw a further extension of the sample of operating units involved in the Environmental and Energy Management System (SGAE) pursuant to UNI EN ISO 14001:2004 and UNI CEI EN ISO 50001:2011 standards, respectively governing the monitoring of environmental aspects and significant energy use. Certification of these sites' greenhouse gas emissions also continued in accordance with the international standard UNI EN ISO 14064:2012.
This process not only captures the spirit of constant improvement underlying the System itself, but also confirms the Bank's willingness to remain up to date by constantly seizing upon new opportunities and pursuing the optimisation of its environmental and energy performances. In this respect, a study was launched in 2014 to assess the transport carbon footprint and the end-of-life treatment of special waste produced by Intesa Sanpaolo Group offices, and the emissions deriving from the LCA of office equipment purchased by the Bank, in order to calculate Scope 3 as required by the major international sustainability indices.
The Group's electricity consumption in 2014 in Italy accounts for over 16% of the banking and insurance sector, confirming essential alignment with the previous year's figure.

Energy consumption by source (million kWh)	2014			2013		
	Italy	**Abroad**	**Total**	**Italy**	**Abroad**	**Total**
Heat energy	179	51	230	203	65	268
Electricity	374	95	469	401	105	506
of which from renewable sources	*357*	*6*	*363*	*381*	*3*	*384*
of which from cogeneration	*12*	*-*	*12*	*12*	*-*	*12*
of which from traditional sources	*5*	*89*	*94*	*8*	*102*	*110*



The Intesa Sanpaolo Group continues to use electricity guaranteed to be energy from renewable sources on all possible sites in Italy, which - also through photovoltaic production - corresponds to approximately 95% of its total electricity consumption.

2014 saw the continued installation of new photovoltaic plants: those of Oristano and Civitavecchia were added, with a total capacity of approximately 38 kWp and expected production of around 51 MWh per year. The total production of the eleven photovoltaic plants currently installed in Intesa Sanpaolo in Italy is 885 MWh per year. The government incentive disbursed from "Conto Energia" (Feed-in scheme) for our three largest photovoltaic plants and the non-purchase of electricity in these sites has generated economic benefits from 2012 to date of around 750,000 euro. As a result of the additional installations and the purchase of electricity from renewable sources, it is estimated that in 2014 around 140,000 metric tons of CO_2 emissions were avoided. A further 1,800 metric tons per year of CO_2 emissions were avoided by self-generation of energy from renewable sources through heat pumps.

In Italy the overall savings in electricity consumption - the energy most used in the Group due to the high level of automation and widespread use of heat pumps - amounted to 6.8% compared to 2013, potentially corresponding to around 10,000 metric tons of CO2 emissions avoided.
These results were achieved through a number of initiatives targeting improved overall energy efficiency, including for example:

– greater use of energy consumption dataloggers managed via web, which allow the activation of switch on/switch off programming of the lighting and air conditioning systems. In 2014 around 500 dataloggers were installed with estimated cost savings of approximately 170,000 euro per year;
– replacement of traditional boilers with condensation boilers, heat pumps, high-yield cooling units and modernisation of the electrical systems;
– remote switch-off of PCs and the gradual replacement of office equipment with more energy-efficient models.

A major contribution to reducing electricity consumption in 2014 also came from the "BYOD (Bring your own device)" project launched in 2013 which, by modifying the workstations made available to consultants operating at Intesa Sanpaolo Group premises, has in the last two years led to achieving energy savings of approximately 340 MWh, corresponding to over 130 metric tons of CO_2 equivalent not released into the atmosphere and around 74,000 euro in energy savings.
Heat consumption also diminished. The application of the Building Heat Check-up (CTE) procedure in buildings and branches covered by the SGAE system allowed significant savings to be achieved: in the last three winter seasons the application sites achieved overall heat energy savings of approximately 20%, corresponding to around 840,000 euro.
In addition, in line with the contents of the internal policy on sustainable branches, renovated or newly-built sites were fitted out in accordance with criteria for improving energy efficiency and management. As a result of the action taken in recent years, especially in relation to the replacement of systems and of windows with low-E glass, the Group was able to claim tax deductions leading to savings from 2009 to 2014 of approximately 20 million euro.

In Italy, procurement of environment-friendly paper has now reached a high percentage (around 93%) of the total purchased; as also required by the sustainability policy for the procurement and use of paper, preference is given to post-consumption recycled, high-fibre content products followed by a large quantity of certified paper (FSC and/or ECF/TCF).
Intesa Sanpaolo's commitment to replace, wherever possible, printed communications with equivalent electronic reporting has allowed the consolidation of objectives achieved in recent years regarding reduced paper consumption, with subsequent decrease in CO_2 emissions.
The dematerialisation of various printing stages (electronic bank receipts – Ri.ba., credit transfer statements, receipts for loan payments by standing order and data sheets for the operational units and offices) has led to avoiding the use of 700 metric tons of paper, with over 1,400 metric tons of CO_2 emissions avoided. The consolidation of subscriptions to the Online Reporting service by Bank's customers has also helped to further reduce paper consumption by over 500 metric tons, avoiding over 1,100 metric tons of CO_2 emissions.
Obtaining digital signatures for the main transactions performed at branches has now become a custom appreciated by the Bank's customers. In 2014 the option of signing forms in this way was extended to include: deposits, withdrawals, purchase/sale of foreign currency, cheque encashment, single ordinary credit transfers, fund transfers, purchase of event tickets/subscriptions, and the execution and ordering of payments by notice (MAV), payment of fines/taxes by notice (RAV), electronic bank receipts (Ri.ba.) and Freccia notices. The printouts avoided led to a saving of 300 metric tons of paper (equal to around 600 metric tons of CO_2 emissions avoided).
In 2014 the quantity of waste produced in Italy increased by 8% compared to 2013. This increase is associated on the one hand with rationalisation of the branch network and, on the other, with the centralisation of head office activities at certain locations in Milan and Turin, with subsequent release of the original properties used.
The disposal of office equipment that began in 2013, on which a special preservation order was in place in relation to investigations by the US Government, also continued.

The overall costs incurred for environmental protection in Italy remained essentially stable, with slight fluctuations also due to normal physiological changes in the area concerned. As regards compliance with environmental regulations, there have been no reports of damage to the environment from the Bank's operations or significant fines.
In terms of biodiversity protection, 2014 saw the three-year renewal of the agreement signed in 2010 by Intesa Sanpaolo and the municipal authority of Piossasco, Piedmont, in support of activities undertaken in Monte S. Giorgio Park (around 400 hectares spanning an area between 300 and 837 metres above sea level). The Park includes a nursery that hosts indigenous plants for forestry use and for non-forestry use such as tree lines and gardens. The project has two aims: the reforestation of areas affected by a lack of vegetation and the promotion of an environmental culture through cultural, educational and scientific activities.
As regards employee training, the "Ambientiamo" e-learning platform in 2014 underwent a complete overhaul with updating of the contents due to terminate in 2015 with a new platform and new training modules dedicated in particular to Climate Change.
Intesa Sanpaolo takes part each year in many awareness initiatives, for example Radio2 Rai broadcast "M'illumino di meno", "World Environment Day" and "European Week for Waste Reduction" with communication campaigns that target all customers through the use of IT tools available on the ATM machines, the website and at Branches.

The Mobility Management Department is responsible for defining the strategies and guidelines on sustainable mobility, and their coordination at Group level in line with social responsibility and environmental policies. Updated reports on the Home-to-Work Travel Plans, submitted to the Municipal Authorities of the 11 areas involved (Milano, Napoli, Parma, Roma, Torino, Moncalieri, Vicenza, Padova, Firenze, Venezia and Bologna), illustrated the results and the implementation status of the key initiatives planned for last year, giving tangible proof of the solutions and projects adopted at corporate level on mobility issues. The most important initiatives included: expansion of the network of arrangements with public transport operators and introduction of the option of purchasing annual subscriptions by instalments; in synergy with the Associazione Lavoratori Intesa Sanpaolo, the chance to subscribe to arrangements with the local car-sharing service, where available; monitoring of the use of shuttle buses, a tool that is fundamental in keeping actual shuttle bus usage data under control, and subsequent assessment of initiatives to promote their use or, otherwise, to review the routes and times; further study of the results analysis of online questionnaires on home-work travel habits completed last year; constant monitoring of data relating to the Corporate Mobility reporting model for environmental sustainability indicators, for Italy and abroad; constant monitoring of an Integrated Business Travel system that promotes responsible conduct and an active approach to reducing economic and environmental impact. Among the main projects planned for this year, the Mobility Management Department proposes in particular to: continue the special arrangements with public transport operators; also thanks to agreements reached with the Trade Unions, introduce innovative elements to managing the balancing of employees' private lives with company organisational needs by launching a trial period for Flexible Work; continue the commitment to analysing data from mobility indicator processing as a starting point for monitoring impact associated with our travel habits; continue to be an important listener for mobility-related requests expressed at local level, focusing on the specific features of the area and the habits and expectations of our employees.

From the latest ABI Report on Banks and Green Economy it emerges that from 2007 to 2013 the banking system has financed projects associated with renewable energy production and oriented towards energy efficiency for approximately 27 billion euro, to which the Intesa Sanpaolo Group contributed around 11 billion euro.
Despite the reduction in incentives, the offer of loans targeting the corporate, small business and individual customer segments wishing to invest in energy savings and renewable sources continued throughout the year.
In terms of personal loans to individuals, in 2014 almost 500 "Prestito Multiplo esigenze ecologiche" loans to meet ecological needs were allocated for a total of over 12 million euro.

With reference to professionals and businesses, medium/long-term loans continued during the year in support of projects associated with the use of photovoltaic panels, biomass plants, hydroelectric plants and energy efficiency works. In May, action began on simplifying and streamlining environmental loan products for small business and professional customers. In fact, following withdrawal of the incentive scheme and the operating methods based on lending to the GSE, the Energia Business loan was eliminated, merging the management of photovoltaic loans into the Sostenibilità Business catalogue product, which also includes loans benefiting from the incentive through Conto Termico (Heating & Cooling).
In addition, the Energy Desk of Mediocredito Italiano – the Intesa Sanpaolo Group Bank that combines medium/long-term loans, leasing, factoring and agribusiness into a single entity – continues to focus on energy efficiency, also by participating in work groups to discuss the issue with competent institutional authorities and structuring partnerships on dedicated financial proposals with leading Italian operators. Mediocredito's medium/long-term loans for renewable energies are always preceded by an appraisal of the project which at the same time provides advice to customers and support for the bank's credit assessment. Amongst other things, this appraisal estimates environmental impact in terms of CO_2 emissions avoided through the project. In the leasing segment, the weighting of the Energy product recorded a marked decline as a result of the regulatory uncertainties about photovoltaic issues and in line with the energy segment in Italy, which recorded a net decrease in new contracts signed. Mediocredito Italiano brings ad hoc financial solutions and specialist services for businesses investing in renewable energy production plants or energy efficiency processes under the Sustainable Energy and Leasenergy programme. From this year the operating lease product for financing purposes is also available to support investments in public and private lighting.
Activities continued to develop products relating to existing agreements with the regional entities Finpiemonte, Finlombardia and Veneto Sviluppo as part of investment programmes implemented by SMEs operating in the industry, energy and innovation/environment sectors. Approximately 40 million euro were disbursed during the year. In addition, in May 2014 the Intesa Sanpaolo Group and Lombardy Energy Cluster, an association representing a network of over 90 companies based in the Lombardy region involved in the generation, transmission and distribution of energy, signed an agreement to bring together common technological expertise, scientific skills, specialist advisory services and financial resources with the joint aim of fostering the execution of research, innovation and internationalisation projects in the energy sector.
For non-profit organisations, Banca Prossima grants loans for energy efficiency projects through solutions that help customers to optimise the cash flows generated from the investment and reduce the borrowing costs. The financial solutions proposed by Banca Prossima offer extensive customisation options to customers: based on its energy savings plan, the organisation can choose a loan in which the loan repayment instalment, the entire "energy savings", becomes positive cash flow for the customer.

The loans have a maximum duration of 10 years and offer customers up to 80% of the project costs to cover not only fixed investments, but also intangible investments. The interest rate will immediately recognise the benefits from the efficiency works: in fact, the investment makes the non-profit organisation more sustainable, reducing its level of risk and cost of access to credit. Again in 2014, the Intesa Sanpaolo Start Up Initiative proposed initiatives dedicated to the Cleantech, Transport and Building sectors with a particular focus on environmental sustainability technologies.

In a particularly difficult economic context in which the funds available to individual countries for infrastructure and social works are constantly dwindling, the availability of Structural Funds has taken on an increasingly strategic importance and their prompt, efficient use has become an ever greater challenge. Among the Group companies accepting this challenge, for a number of years now, is EQUITER, which in addition to committing its own risk capital in the environmental, infrastructure and utilities sectors, manages three closed-end funds with assets amounting to around 190 million euro recognised by the European Regional Development Fund and dedicated to financing urban development and energy redevelopment projects. As part of the Jessica initiative, set up with support from the European Investment Bank and the regional authorities of Sicily, Sardinia and Campania, EQUITER selects projects capable of repaying the capital financed by helping to overcome market inefficiencies and failures that inhibit access to sufficient funding. The projects can cover a wide range of works: urban redevelopment, revitalisation of disused or deteriorated areas, enhancement of mobility systems, creation of urban parks and social centres or energy efficiency improvement. However, it is important that these are implemented in strict compliance with the values that characterise EU measures: social inclusion, sustainable growth, environmental protection, dissemination of legal and safety-conscious actions.
All the company departments involved in environmental issues meet regularly at the "Green Table", an interdepartmental work group coordinated by the CSR Unit which discusses current topics and offers the opportunity to share new regulatory measures and internal best practices.

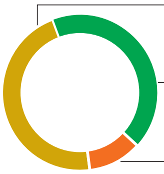
As part of the environmental and social risk monitoring process in project financing, on 1 January 2014 the obligations required under the new version of the Equator Principles (EPIII), launched in June 2013, mandatorily entered into force for all members of the Association. With a view to adapting to the new requirements, in 2013 a work group was set up which - based on existing internal rules – drafted a new Operating Guide published in company regulations in 2014. In order to guarantee access to the Operating Guide and to all the support documents by the Bank's departments in Italy and abroad, Italian and English versions of all the documents are available. So as to also ensure their correct use by all players, a well-defined training plan, in terms of training methods and the selection of participants, was launched towards the end of the year and is due for completion in the first half of 2015.
The consolidation of internal regulations of the Parent Company is a fundamental prerequisite to continue involving the International Subsidiary Banks. In 2014 the groundwork was laid for the new Rules, which will need to be reviewed on the basis of the Intesa Sanpaolo Operating Guide and be adapted to the individual entities in order to be effectively applied.
Adopting the Equator Principles also means taking part in association activities and in the international debate promoted by the EP Association. Again in 2014, Intesa Sanpaolo participated in the annual events dedicated to members and in meetings organised not only with other member banks, but also with other stakeholders, primarily the IFC, Non-Government Organisations and business associations of the sector.

Community

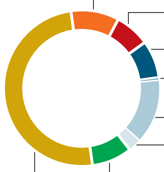
Intesa Sanpaolo aims to play a role in social cohesion and support for the community in which it operates, and this has led, inter alia, to numerous microcredit programmes and initiatives to prevent usury, in partnership with shareholders' foundations and local Onlus associations. In this context, participation continued in "Prestito della Speranza", the major national initiative promoted by the Italian Episcopal Conference (CEI) which made a guarantee fund of 30 million euro available to cover loans disbursed by the bank: "social credit" for individuals in difficulty, for amounts not exceeding 6,000 euro, and "business microcredit" for the start-up of craft and business initiatives, for a maximum amount of 25,000 euro.
Among the partnerships already in place are that with Fondazione Lombarda Antiusura, which since 1997 has taken action to protect individuals and small businesses from usury risk, and the Fondazione Welfare Ambrosiano, financed by the Municipality of Milan and including the Fondazione Antiusura among its members, active since 2011 and promoting microcredit initiatives of a "social" and "business" nature in the Milan area in particular. Important initiatives continued during the year, such as the agreement with San Patrignano Foundation, which envisages microcredit activities for the introduction of young people from the San Patrignano Community to the job market. Thanks to a guarantee fund of 250,000 euro, established by the San Patrignano Foundation and assigned to Banca Prossima, Intesa Sanpaolo has allocated a maximum of 750,000 euro loans in favour of residents of the Community who, after completing their stay, want to start up their own businesses. The project involves training with support from Bocconi University and tutoring in their initial business experience by 250 "Credit Angels" from the VoBIS Association. The support work of the VoBIS volunteers' network is crucial: an association made up of former bankers who use their expertise to help citizens and non-profit organisations.
Another important project is the "Fondo Famiglia Lavoro" of the Archdiocese of Milano, involving microcredit activities in support of business activities through action by the San Bernardino Foundation and based on specific agreements with the participating banks. The "Fondo Famiglia Lavoro" action also envisages a focus on households that have lost their main source of income as employees or self-employed, but still have income - albeit modest - from at least one of the family members. The San Bernardino Foundation, which manages the guarantee fund on behalf of the Diocese, assesses the applications and grants said guarantees, allowing the Bank to disburse subsidised loans.
Banca Prossima, the Group bank dedicated to the Non-Profit sector, creates social impact mainly through its lending activities. Its more substantial, more targeted and more low-cost credit has supported the Non-Profit sector as regards their inflows-outflows, their creation of jobs and their capacity to reach the ultimate beneficiaries. The Bank has achieved significant results in recent years: at the end of 2014 it had over 51,800 customers, with approximately 6.7 billion euro deposits (of which 2.5 billion euro direct) and around 1.5 billion euro loans. These are major milestones that demonstrate the ability to monitor a socially important segment, above all in the current context where Public Administration has partially decreased its involvement in welfare matters. Banca Prossima has over the years launched a series of initiatives designed to provide subsidised loans to the non-profit

sector, made sustainable for the Bank through a number of low-rate funding methods. In 2014 this mechanism was adopted in three areas: use of loans from the European Investment Bank, fundraising through the Terzo Valore crowdfunding portal, and issue of "Serie Speciale Banca Prossima" bonds.
As regards contributions to the community, measured according to the London Benchmarking Group model, in 2014 Intesa Sanpaolo deposited a total of 60.2 million euro in contributions to the community (up 3.6% compared to last year), which represent 1.75% of the income before tax from continuing operations[4]. Most of the contributions are paid in cash, which in 2014 totalled 55.1 million euro. Of this amount, 46% was made up of commercial initiatives (mainly sponsorships) targeting the community, whilst around 43% referred to investments in the community – contributions characterised by long-term plans and/or strategic partnerships and/or of a significant amount. The remaining 11% comprised non-recurring donations of a one-off nature and for lower amounts.

MONETARY DISBURSEMENTS TO THE COMMUNITY
(breakdown by type)



MONETARY DISBURSEMENTS TO THE COMMUNITY
(breakdown by allocation sector)



(thousands of euro)

Total contributions to the Community by type	Total
Monetary contributions to the community	55,116
Goods and services donated to the community	3
Time contributions	1,522
Operating costs	3,603
TOTAL	**60,244**

The trend of making donations from the Intesa Sanpaolo Charity Fund derives directly from the disbursement plan approved every year by the Supervisory Board. Both in terms of quality and quantity, the Plan defines the areas of action and the priority donations, whether non-recurring or classified as investments in the community.
The Plan is founded on solidarity and coordination with the non-profit sector (non-profit operators, foundations, local public entities, religious entities) for the promotion of projects that are most effective in meeting the basic needs of individuals. Specifically, for 2014 the Plan focused again on the most fragile and disadvantaged people, who benefited from 85% of the central disbursements at national level (83% in 2013 and 77% in 2012). Included among these projects, for example, was the contribution to a rehabilitation project for children affected by complex neurological disorders (TOG Foundation), support for the ill and the elderly (Vidas, Fondazione Opera Immacolata Concezione of Padova and LILT Biella), support for people in need (Fondazione Banco Alimentare - the Italian Food Bank Network).
A strong focus is placed on local donations managed autonomously by the Regional Governance Centres, which allow branches of Intesa Sanpaolo and banks in the Banca dei Territori Division without their own charity fund (or with a fund characterised by insufficient resources) to integrate the traditional role of "territorial bank" with a considerable philanthropic, social and cultural commitment. The local donations consolidated their focus on support for the most fragile people, who in 2014 benefited from 60% of the local contributions.
Among the donations classified as investments in the community, 2014 saw the conclusion – after 9 years - of the international partnership in the Project Malawi. Launched in 2005 as an Intesa Sanpaolo-Fondazione Cariplo initiative, its main aim was to create a barrier against AIDS, starting with preventing transmission of the virus from mother to child and working alongside the healthcare action in order to limit the impact of AIDS on the population and relaunch the country's economy. The integrated approach saw the involvement of four partners in different areas: health (Sant'Egidio Community with the DREAM Protocol), local development and microfinance (CISP), assistance to orphans and children at risk (Save the Children) and education and prevention (Malawi MAGGA-SAM scouts). In the last three years, strongly stimulated by the Bank and Fondazione Cariplo, the associations have worked to intensify the involvement of the communities and local authorities in order to ensure complete implementation of the project by the Malawi population and to encourage continuation of the initiative autonomously after termination of the partnership. Important among the main results achieved by the initiative in recent years were: the opening of 4 medical laboratories and 9 specialist clinics to which 7 maternity units are annexed; over 7,600 children born healthy from HIV-positive mothers; over 18,000 pregnant women that were examined and tested for HIV (of which more than 8,500 testing positive coming under the care of the health centres); over 16,600 patients in care and more than 24,700 undergoing antiretroviral treatment.
In addition to donations, "Progetto Cultura" continues to be one of the key projects among the investments in the community as it is a strategic reference framework containing the multi-year planning of the Group's cultural initiatives.

[4] The income before tax from continuing operations totals 3,435 million euro, recognised in the reclassified income statement of the Intesa Sanpaolo Group.

The promotion of the artistic heritage, which aims to encourage its enjoyment by an increasingly wider public, is one of the key spheres of activity of "Progetto Cultura" which is implemented along various lines: a scientific study and cataloguing of the works; restoration activity; museum projects creating permanent displays of part of the collections; planning and organisation of temporary exhibitions; the loan of works to temporary exhibitions.

In 2014, "Gallerie di Italia" - a network of museums owned by the Bank, including the Piazza Scala Galleries in Milan, Palazzo Leoni Montanari in Vicenza and Palazzo Zevallos Stigliano in Naples – offered numerous exhibitions to the public, welcoming around 251,600 visitors during the year. Numerous initiatives promoted the participation of an increasingly wide-ranging spectrum of the public: educational courses free of charge for schools, initiatives targeting households, activities for children at summer camps and drawing and art courses. To ease social fragility and disability, various initiatives were implemented: receptions, guided visits, participation in art therapy workshops and sessions for immigrants, the visually-impaired and the blind, elderly people in rest homes, Alzheimer's patients, visitors with cognitive and sensory disabilities, persons with mental and physical disabilities.

With regard to activities to protect and promote Italy's artistic and cultural heritage, the XVII edition of the "Restituzioni" project opened. This decades-long restoration programme for works of art is promoted and organised by Intesa Sanpaolo in partnership with the Italian archaeological, art history and architectural heritage protection inspectorates (Sopraintendenze). For the first time, Restituzioni extended its boundaries to include International Subsidiary Bank countries, involving a series of works from the Slovak Republic.

The publishing and music initiatives promoted by Intesa Sanpaolo in 2014 concerned the publication of a new edition of the multimedia series Vox Imago, dedicated to Verdi's Nabucco, Volume III on the stone sculptures of Castello Sforzesco and, as part of the series on the architecture of the buildings used as the Group's historic offices, a new guide on the Palazzo in via Stabile, Palermo. As regards education, special courses were organised for disabled children and teenagers and study meetings open to the public. The ongoing, wide circulation of free publications to public reading rooms, libraries and cultural associations continued.

The Historical Archive continued activities to increase access to sources in storage. In 2014, on start-up of the new iconographic section, the inventories publication website was enriched with over 53,000 new sheets with digitized attachments. The activities of the two study halls in Milano and Roma-Acilia also continued, regularly opened to the public with the opportunity to access the Archive's display areas, with guided visits catering to the specific needs of its reference audience (students, academics, local visitors and employees). Lastly, professional lectures and seminars were held again, specifically targeting university students and professors of cultural heritage and computer sciences. The preservation of historical sources was consolidated in 2014 with the acquisition of 267 thousand documents and around 20,000 photographs to increase the archives heritage under direct management.

In 2014 the Savings Museum worked on developing and consolidating a network of relations with other entities operating at national and international level in the financial education sector, developing joint initiatives. Learning products for children, teenagers and for all types of schools in general was also expanded, with the planning of new workshops and events for high school students (such as the "Un libro nella Borsa" seminar).

In terms of sponsorships, Group activities aimed mainly to pursue the following objectives:

- safeguarding and enhancing Italy's cultural heritage, promoting the Group's artistic heritage and sharing this with the public, supporting major cultural and musical initiatives to be made accessible to a wide and varied audience. These activities include, for example, partnerships with theatres and cultural festivals – including the MiTo international music festival and the "I Luoghi del Cuore" ("places of the heart") project undertaken with FAI-Fondo per l'Ambiente Italiano;
- encouraging education opportunities for young people, for example through the "Cultura finanziaria a scuola" ("financial education at school") project implemented in almost 1,300 Italian high schools, and the partnerships for master degree courses and study grants with Italy's main universities and with the Intercultura Foundation;
- supporting research to promote new economic and social development opportunities through partnerships with leading foundations and institutes, such as Istituto Toniolo with Rapporto Giovani 2014 and Centro Einaudi;
- promoting sustainability as a value for businesses and a confidence factor for customers through participation in Corporate Ethics and Social Responsibility initiatives;
- disseminating the values of sport, especially among young people, and emphasising adoption of the universal values it represents, such as dedication, commitment and overcoming your own limits. Of note in 2014 were the partnership with Armani Basket Milano's Junior Project, activities with CUS Torino and official sponsorship of the FIVB Volleyball Women's World Championship.

Economic value generated and distributed

In 2014 the economic value generated by the Intesa Sanpaolo Group[5] was 13.9 billion euro. This amount expresses the value of the wealth produced, most of which distributed among the stakeholders with which the Group interacts in various ways on a day-to-day basis. In particular: employees and collaborators benefited from around 42% of the economic value generated, for a total of 5.8 billion euro. This includes 105 million euro (gross of the tax effect) relating to personnel exit incentives, of which 85 referred to the exit of managers in accordance with the agreement signed with the trade unions.

In addition to staff pay, the total also includes payments to the network of financial advisors;

- suppliers received approximately 19% of the economic value generated, for a total of 2.6 billion euro in payment for goods and services;
- the Government, Organisations and Institutions recorded a total flow of funds of 2.5 billion euro, around 18% of the economic value generated and for the most part referring to taxes on income from continuing operations. In addition to the specific income allocation by the Parent Company and certain Group companies to Charity Funds as well as to donations and gifts (13 million euro in total), there were numerous social and cultural initiatives and measures taken through Charity Funds and social and cultural donations set up by the Parent Company in past years;
- 9% of the economic value generated was allocated to Shareholders and Minority interests, largely in terms of the proposed dividend, for a total of 1.2 billion euro;

[5] The economic value generated is calculated in accordance with ABI instructions and consistent with international reference standards. The calculation is made by reclassifying consolidated income statement items recorded in the financial statements, as required under Bank of Italy Circular n° 262.

– the remaining amount, about 1.7 billion euro, was withheld by the corporate system. This refers to deferred tax assets and liabilities, amortisation, and provisions for risks and charges. Self-financing is considered an investment that other stakeholder categories make each year to maintain efficiency and allow development of the Bank as a whole.

Economic value	millions of euro	%
Economic value generated	**13,876**	**100.0%**
Economic value distributed	**-12,173**	**87.8%**
Employees and collaborators (*)	-5,836	42.1%
Suppliers	-2,619	18.9%
Government, Organisations and Institutions, Community	-2,474	17.8%
Shareholders and Minority interests	-1,244	9.0%
Economic value retained	**1,703**	**12.2%**

(*) The caption includes charges for exit incentives of 105 million euro.

ECONOMIC VALUE IN 2014

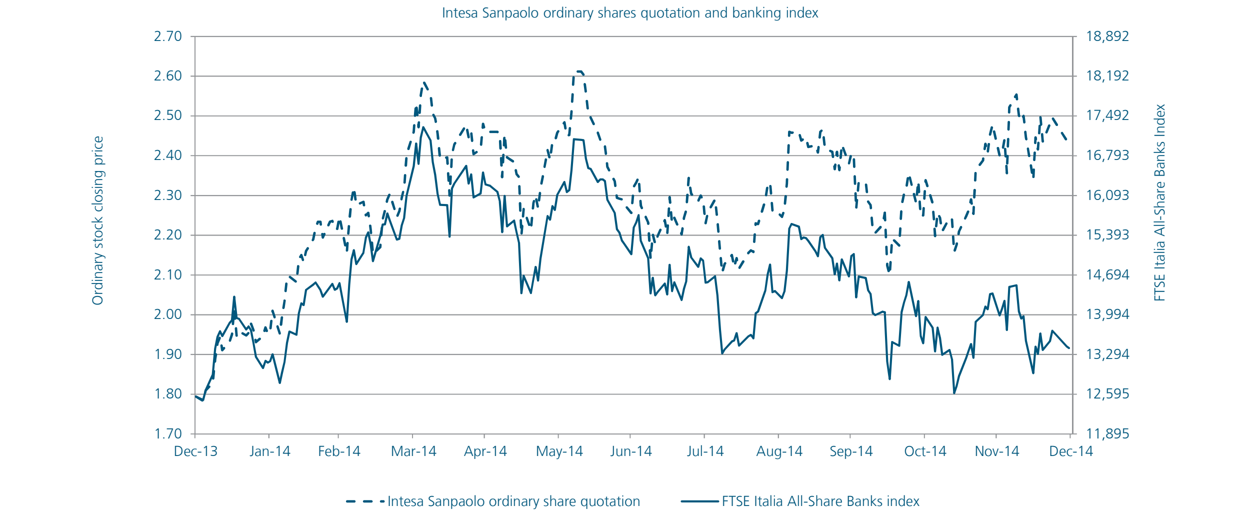
Intesa Sanpaolo stock

Intesa Sanpaolo stock

Stock price performance

After the first quarter characterised by an increased risk appetite amongst investors, which allowed indices to reach highs for the year in early April, the markets were then affected by renewed geopolitical risk (the crisis in Ukraine and the tensions in the Middle East) and conflicting signals on economic recovery. In 2014, the European banking index fell 4.9%, less than the 6.1% loss posted by the Euro Stoxx 50 index.
In the first half of 2014, the Italian banking sector index benefited from a significant reduction of sovereign risk, as well as the first signs of an economic recovery, and touched a high for the period in April and June (+38% compared to the end of the previous year). Subsequently, the resurgence of growth concerns generated a decline from those highs for the year, leading the index to increase 6.8% compared to the previous year and outperform its European counterpart by 11.7%.

In 2014, the performance of Intesa Sanpaolo ordinary shares mirrored the performance of banking sector indices: a strong uptrend in the first quarter, a fluctuation in April, a downtrend in the first half of May, a recovery in the first ten days of June, when the peak was reached, and then a decline until mid-August a recovery until the end of September, a decline in the first half of October and, finally, a recovery that after being interrupted by a drop in the first half of November. It brought the stock to close with a 35% increase compared to the end of 2013. The price of Intesa Sanpaolo savings shares increased 40.8% at the end of 2014 compared to the end of 2013. The discount of ordinary shares decreased to approximately 15% at the end of 2014 from approximately 18% at the end of 2013.
Intesa Sanpaolo's capitalisation rose to 40.3 billion euro at the end of 2014, from 29.2 billion euro at the end of 2013.



Earnings per share

Intesa Sanpaolo's share capital consists of ordinary and savings shares with different rights for the allocation of net income, which have been taken into account for the determination of the portion of net income attributable to each category of share. Net income attributable to ordinary shares and savings shares was determined considering the most recent dividends proposed for each type of share and then allocating the residual portion of net income, in the hypothetical assumption of its total distribution, in equal weight to all shares outstanding. The Earnings per share (EPS) indicator is presented both in the "basic" and in the "diluted" formulation: basic EPS is calculated by dividing income theoretically attributable to holders of different categories of shares by the weighted average number of the shares outstanding; diluted EPS takes into account the effect of any future issues of ordinary shares.

	31.12.2014		31.12.2013	
	Ordinary shares	Savings shares	Ordinary shares	Savings shares
Weighted average number of shares	15,511,213,093	932,490,561	15,482,226,826	932,139,199
Income attributable to the various categories of shares *(millions of euro)*	1,172	79	-4,302	-248
Basic EPS (*euro*)	0.08	0.08	-0.28	-0.27
Diluted EPS (*euro*)	0.08	0.08	-0.28	-0.27

Price/book value

The index reflects the value attributed by the market to the share capital of a listed company, and hence indirectly to the company's overall assets. The index, while measuring the confidence, which financial analysts and the financial community have in the company's income prospects and capital strength, is affected significantly by the external factors that influence stock prices. Also for the Intesa Sanpaolo Group, the performance of the index – for 2014 indicated in relation to both average figures and year-end figures – was significantly impacted by the dynamics of the market.

(millions of euro)

	31.12.2014	2014	2013	2012	2011	2010
Market capitalisation	40,300	38,096	24,026	20,066	27,006	31,209
Group's shareholders' equity	44,683	44,599	46,918	48,327	50,287	53,107
Price / book value	**0.90**	**0.85**	**0.51**	**0.42**	**0.54**	**0.59**

Pay-out ratio

The index expresses the ratio between net income and the portion paid out as dividends. In 2013, given the net loss for the year, it was decided - as in 2011 - to submit for the approval of the Shareholders' Meeting the distribution of a total of 822 million euro from the extraordinary reserve, as described in detail in the chapter Proposals to the Shareholders' Meeting of the Intesa Sanpaolo financial statements for that year.

(millions of euro)

	2014	2013	2012	2011	2010
Net income	1,251	-4,550	1,605	-8,190	2,705
Dividends (*)	1,185	-	832	-	1,033
Pay-out ratio	**95%**	**-**	**52%**	**-**	**38%**

(*) For 2013 and 2011 the amounts allocated are from reserves (822 million euro for each financial year).

Dividend yield

This indicator measures percentage return on the share, calculated as the ratio between dividends for the year and market price in the reference year. This return, determined on the basis of average annual stock prices, maintained sustainable levels over time, also taking into account the dynamics of financial market.

(in euro)

	2014	2013	2012	2011	2010
Ordinary share					
Dividend per share	0.070	0.050	0.050	0.050	0.080
Average stock price	2.288	1.476	1.233	1.658	2.479
Dividend yield	3.06%	3.39%	4.06%	3.02%	3.23%
Savings share					
Dividend per share	0.081	0.050	0.061	0.050	0.091
Average stock price	1.973	1.229	1.022	1.399	1.967
Dividend yield	4.11%	4.07%	5.97%	3.57%	4.63%

Rating

On 18 February 2014 Moody's confirmed the long and short-term ratings of Intesa Sanpaolo at "Baa2/P-2" and improved the outlook on the long-term rating from negative to stable, following a similar change of Italy's rating on 14 February 2014. On 8 April 2014, the agency confirmed its long- and short-term ratings at "Baa2/P-2" and the Bank's individual rating at "D+/baa3" while improving its outlook on the individual rating from negative to "stable". Moody's ratings for the Bank all have a stable outlook. On 29 May 2014, Moody's once again confirmed its long-term rating at "Baa2" with a stable outlook for Intesa Sanpaolo.
On 13 May 2014, Fitch confirmed Intesa Sanpaolo's long- and short-term ratings of the bank at "BBB+/F2", with an improvement in outlook from negative to stable. The agency also confirmed its viability rating at "bbb+". The decision followed the improvement of its outlook for Italy from negative to stable on 25 April 2014.
On 17 June 2014, S&P confirmed its long- and short-term ratings at "BBB/A-2" and negative outlook for Intesa Sanpaolo, in line with that for Italy. Following the similar action on the long-term and short-term ratings on Italy, on 18 December 2014 the agency then lowered Intesa Sanpaolo's long-term rating to "BBB-", with a stable outlook, and its short-term rating to "A-3". The ratings and outlooks remain in line with those of Italy, whereas the SACP (Stand Alone Credit Profile) was confirmed at "bbb" rating, a higher level than the long-term rating.
On 23 October 2014, DBRS confirmed its long-term rating of A (low) and short-term rating of R-1 (low), with a negative trend in the long term and stable trend in the short term, in line with Italy's ratings and trend.

	RATING AGENCY			
	DBRS	**Fitch**	**Moody's**	**Standard & Poor's**
Short-term debt	R-1 (low) (*)	F2	P-2	A-3
Long-term debt	A (low)	BBB+	Baa2	BBB-
Outlook / Trend	Negative	Stable	Stable	Stable
Viability	-	bbb+	-	-

(*) Stable trend.

Other information

Other information

With regard to information included in the annual report as required by specific provisions note that:

- the list of Group companies and subsidiaries as at 31 December 2014 is provided in the Notes to the consolidated financial statements (Part A and Part B - Assets - Section 10), in accordance with the provisions of the Bank of Italy;
- the Notes to the consolidated financial statements also contain (Part E – Information on risks and the relative hedging policies – Section 1) information concerning obligations under Art. 36 of the Market Regulation with respect to subsidiaries established and regulated under the laws of non-EU countries;
- information on compensation and transactions with related parties carried out by the Bank or by the Group is provided in Part H of the Notes to the consolidated financial statements;
- information on the Corporate Governance system and the ownership structure of Intesa Sanpaolo, pursuant to Art. 123 bis of the Consolidated Law on Finance and information on the remuneration paid to Supervisory and Management Board Members, General Managers and Key Managers and on the Parent Company's shares, pursuant to Art 123 ter of the Consolidated Law on Finance, is provided in a specific chapter of this Report and in the separate "Report on Corporate Governance and Ownership Structures - Report on Remuneration", published together with these financial statements and available for consultation from the "Governance" section of the Bank's website at: www.group.intesasanpaolo.com
- the public disclosure as at 31 December 2014 concerning Basel 3 Pillar 3 ("Pillar 3") contained in a special separate file, is available on the Bank's website at the address indicated above.

Forecast for 2015

2015 is expected to be another year of moderate economic expansion for the global economy. The sharp decline in the price of oil, appreciation of the dollar and possible increase in US interest rates will enlarge growth divergence among countries. Currently, in the Eurozone, various factors (energy prices, exchange rates, fiscal policies and financial conditions) stimulate a faster growth. Italy should also get benefits from these factors and it is expected to achieve a moderate recovery. Monetary policy will maintain exceptionally low short- and long-term interest rates in Europe, whereas the improvement in economic outlook and the government bond-purchasing programme announced by the ECB in early 2015 should reduce risk premiums on Italian debts, if European electoral cycles do not prove overly destabilising.

The growth prospects of emerging economies in 2015 appear to be uneven. According to the IMF's latest forecasts, growth is expected to reach 4.3% overall, substantially in line with the growth rate reported in 2014 (4.4%), but decreases considerably compared to the forecast (4.8%) published in October of last year. The stimulus that oil-importing countries will derive from lower crude oil prices (most of the largest emerging economies, and in particular China, India, Brazil and South Africa, amongst the BRICs) is expected to be counterbalanced by the parallel loss of oil-exporting economies and weak investments, a result of more guarded expectations concerning the growth prospects of emerging countries in the medium/long term. Finally, geopolitical tensions could have a depressive effect in CIS countries.

In further detail, GDP growth in the emerging economies of Asia and Latin America is expected to be in line with the 2014 levels. In Asia, the Chinese slowdown is expected to be offset by the faster growth in India and a robust performance of the ASEAN-5 countries. In Latin America, growth prospects, supported by Mexico, will be adversely affected by the persistent weakness of the economic cycle in Brazil and the further contraction of GDP in Argentina and Venezuela. The decline of hydrocarbon prices will have adverse consequences for some of sub-Saharan Africa's major economies, such as Angola, Nigeria and Ghana, as well as for certain Gulf countries. However, the latter will be able to respond the unfavourable oil cycle due to the accumulation of extensive sovereign funds, used for stabilisation, and due to momentums from non-hydrocarbon segments of the economy.

Turning to countries with ISP subsidiaries, in 2015, according to the most recent EBRD forecasts, GDP growth is expected to increase in SEE countries to 1.7% from 1.1% (the estimate for 2014), driven by Romania and the recovery of Bosnia, Albania and Croatia. Conversely, GDP growth is expected to decelerate in the CEE area (to 2.2% from 2.9%), due to the slowdown in Hungary and Slovenia, following an especially strong performance in 2014. Forecasts of the economic performance of the CIS countries in 2015 are negative, due to geopolitical tensions, the prolonged Western sanctions and, in the case of Russia, the adverse impact of falling oil prices. In Egypt, companies' renewed confidence in the Government's economic policies, financial support from friendly countries, and plans for significant infrastructure development (such as the expansion of the Suez Channel) may foster a further increase in the growth rate.

In regard of Italian banking system, also 2015 will be characterised by weak lending operations. At the annual average level, total volumes are expected to continue to decline slightly and only to rise modestly near the end of the year, lagging the economic recovery by several quarters behind. In addition, stricter individual capital requirements related to the results of the Asset Quality Review, along with continuing high levels of non-performing loans, will presumably decelerate the recovery of lending Despite the credit recovery supported by monetary conditions, the ongoing weak demand must be taken into consideration, since it continued to justify the prospect of weakness in the credit market.

In terms of funding, deposits are expected to continuously have a moderate growth rate, while the overall performance will be affected by the households' portfolio reallocation process, which in favour of asset management. On the other hand, the need of banks' funding should remain limited, given the weakness of loans and the extensive refinancing from the ECB. These factors will favour the reduction of customer deposit costs. Within a scenario of unchanged money market rates and closely monitored credit access conditions, loan interest rates are expected to remain substantially in line with the levels reached following the decline witnessed in 2014.

In 2015, the Intesa Sanpaolo Group is expected to achieve an improvement in operating income, driven by net fees and commissions, as well as in operating margin and income before tax from continuing operations, with a decline in the cost of risk. The commitment to distribute cash dividends of two billion euro for 2015, as indicated in the 2014-2017 Business Plan is confirmed.

The Management Board

Milan, 3 March 2015

Intesa Sanpaolo Group
Consolidated financial statements

Consolidated financial statements

Consolidated balance sheet

(millions of euro)

Assets		31.12.2014	31.12.2013	CHANGES amount	CHANGES %
10.	Cash and cash equivalents	6,631	6,525	106	1.6
20.	Financial assets held for trading	53,741	49,000	4,741	9.7
30.	Financial assets designated at fair value through profit and loss	43,863	35,761	8,102	22.7
40.	Financial assets available for sale	124,150	115,302	8,848	7.7
50.	Investments held to maturity	1,471	2,051	-580	-28.3
60.	Due from banks	31,372	26,481	4,891	18.5
70.	Loans to customers	339,105	344,023	-4,918	-1.4
80.	Hedging derivatives	9,210	7,534	1,676	22.2
90.	Fair value change of financial assets in hedged portfolios (+/-)	59	69	-10	-14.5
100.	Investments in associates and companies subject to joint control	1,944	1,991	-47	-2.4
110.	Technical insurance reserves reassured with third parties	27	14	13	92.9
120.	Property and equipment	4,884	5,056	-172	-3.4
130.	Intangible assets	7,243	7,471	-228	-3.1
	of which				
	- goodwill	*3,899*	*3,899*	*-*	*-*
140.	Tax assets	14,431	14,921	-490	-3.3
	a) current	*3,021*	*3,942*	*-921*	*-23.4*
	b) deferred	*11,410*	*10,979*	*431*	*3.9*
	- of which convertible into tax credit (Law no. 214/2011)	*8,824*	*8,644*	*180*	*2.1*
150.	Non-current assets held for sale and discontinued operations	229	108	121	
160.	Other assets	8,067	7,872	195	2.5
Total Assets		**646,427**	**624,179**	**22,248**	**3.6**

Consolidated balance sheet

(millions of euro)

Liabilities and Shareholders' Equity		31.12.2014	31.12.2013	CHANGES amount	%
10.	Due to banks	51,495	52,244	-749	-1.4
20.	Due to customers	230,738	229,057	1,681	0.7
30.	Securities issued	123,768	138,197	-14,429	-10.4
40.	Financial liabilities held for trading	46,376	39,219	7,157	18.2
50.	Financial liabilities designated at fair value through profit and loss	37,622	30,733	6,889	22.4
60.	Hedging derivatives	10,300	7,590	2,710	35.7
70.	Fair value change of financial liabilities in hedged portfolios (+/-)	1,449	1,048	401	38.3
80.	Tax liabilities	2,323	2,236	87	3.9
	a) current	*662*	*897*	*-235*	*-26.2*
	b) deferred	*1,661*	*1,339*	*322*	*24.0*
90.	Liabilities associated with non-current assets held for sale and discontinued operations	201	-	201	
100.	Other liabilities	12,119	12,317	-198	-1.6
110.	Employee termination indemnities	1,480	1,341	139	10.4
120.	Allowances for risks and charges	3,793	2,898	895	30.9
	a) post employment benefits	*1,167*	*738*	*429*	*58.1*
	b) other allowances	*2,626*	*2,160*	*466*	*21.6*
130.	Technical reserves	79,701	62,236	17,465	28.1
140.	Valuation reserves	-1,622	-1,074	548	51.0
150.	Redeemable shares	-	-	-	
160.	Equity instruments	-	-	-	
170.	Reserves	9,054	10,721	-1,667	-15.5
180.	Share premium reserve	27,349	30,934	-3,585	-11.6
190.	Share capital	8,725	8,546	179	2.1
200.	Treasury shares (-)	-74	-57	17	29.8
210.	Minority interests (+/-)	379	543	-164	-30.2
220.	Net income (loss)	1,251	-4,550	5,801	
Total Liabilities and Shareholders' Equity		**646,427**	**624,179**	**22,248**	**3.6**

Consolidated income statement

(millions of euro)

	2014	2013	CHANGES amount	CHANGES %
10. Interest and similar income	15,933	17,076	-1,143	-6.7
20. Interest and similar expense	-6,116	-7,496	-1,380	-18.4
30. Interest margin	**9,817**	**9,580**	**237**	**2.5**
40. Fee and commission income	8,058	7,524	534	7.1
50. Fee and commission expense	-1,591	-1,604	-13	-0.8
60. Net fee and commission income	**6,467**	**5,920**	**547**	**9.2**
70. Dividend and similar income	315	216	99	45.8
80. Profits (Losses) on trading	210	591	-381	-64.5
90. Fair value adjustments in hedge accounting	-139	-28	111	
100. Profits (Losses) on disposal or repurchase of	1,074	728	346	47.5
a) loans	*86*	*1*	*85*	
b) financial assets available for sale	*1,271*	*739*	*532*	*72.0*
c) investments held to maturity	*-*	*-2*	*-2*	
d) financial liabilities	*-283*	*-10*	*273*	
110. Profits (Losses) on financial assets and liabilities designated at fair value	971	727	244	33.6
120. Net interest and other banking income	**18,715**	**17,734**	**981**	**5.5**
130. Net losses / recoveries on impairment	-4,314	-7,004	-2,690	-38.4
a) loans	*-4,102*	*-6,596*	*-2,494*	*-37.8*
b) financial assets available for sale	*-187*	*-296*	*-109*	*-36.8*
c) investments held to maturity	*1*	*-*	*1*	
d) other financial activities	*-26*	*-112*	*-86*	*-76.8*
140. Net income from banking activities	**14,401**	**10,730**	**3,671**	**34.2**
150. Net insurance premiums	16,600	11,921	4,679	39.3
160. Other net insurance income (expense)	-18,805	-13,759	5,046	36.7
170. Net income from banking and insurance activities	**12,196**	**8,892**	**3,304**	**37.2**
180. Administrative expenses	-8,842	-8,458	384	4.5
a) personnel expenses	*-5,268*	*-4,951*	*317*	*6.4*
b) other administrative expenses	*-3,574*	*-3,507*	*67*	*1.9*
190. Net provisions for risks and charges	-546	-319	227	71.2
200. Net adjustments to / recoveries on property and equipment	-342	-378	-36	-9.5
210. Net adjustments to / recoveries on intangible assets	-631	-2,834	-2,203	-77.7
220. Other operating expenses (income)	720	643	77	12.0
230. Operating expenses	**-9,641**	**-11,346**	**-1,705**	**-15.0**
240. Profits (Losses) on investments in associates and companies subject to joint control	340	2,326	-1,986	-85.4
250. Valuation differences on property, equipment and intangible assets measured at fair value	-	-	-	
260. Goodwill impairment	-	-4,676	-4,676	
270. Profits (Losses) on disposal of investments	114	15	99	
280. Income (Loss) before tax from continuing operations	**3,009**	**-4,789**	**7,798**	
290. Taxes on income from continuing operations	-1,651	263	-1,914	
300. Income (Loss) after tax from continuing operations	**1,358**	**-4,526**	**5,884**	
310. Income (Loss) after tax from discontinued operations	-48	-31	17	54.8
320. Net income (loss)	**1,310**	**-4,557**	**5,867**	
330. Minority interests	-59	7	-66	
340. Parent Company's net income (loss)	**1,251**	**-4,550**	**5,801**	
Basic EPS - Euro	**0.08**	**-0.28**		
Diluted EPS - Euro	**0.08**	**-0.28**		

Statement of consolidated comprehensive income

(millions of euro)

		2014	2013	Changes amount	%
10.	**NET INCOME (LOSS)**	**1,310**	**-4,557**	**5,867**	
	Other comprehensive income (net of tax) that may not be reclassified to the income statement	**-398**	**-84**	**314**	
20.	Property and equipment	-	-	-	
30.	Intangible assets	-	-	-	
40.	Defined benefit plans	-398	-84	314	
50.	Non-current assets held for sale	-	-	-	
60.	Share of valuation reserves connected with investments carried at equity	-	-	-	
	Other comprehensive income (net of tax) that may be reclassified to the income statement	**-132**	**688**	**-820**	
70.	Hedges of foreign investments	-	-	-	
80.	Foreign exchange differences	-177	-158	19	12.0
90.	Cash flow hedges	-492	420	-912	
100.	Financial assets available for sale	465	423	42	9.9
110.	Non-current assets held for sale	-	-	-	
120.	Share of valuation reserves connected with investments carried at equity	72	3	69	
130.	**Total other comprehensive income (net of tax)**	**-530**	**604**	**-1,134**	
140.	**TOTAL COMPREHENSIVE INCOME (CAPTIONS 10 +110)**	**780**	**-3,953**	**4,733**	
150.	**Total consolidated comprehensive income pertaining to minority interests**	**67**	**-21**	**88**	
160.	**Total consolidated comprehensive income pertaining to the Parent Company**	**713**	**-3,932**	**4,645**	

Statement of changes in consolidated shareholders’ equity as at 31 December 2014

(millions of euro)

	31.12.2014											
	Share capital		Share premium reserve	Reserves		Valuation reserves	Equity instruments	Treasury shares	Net income (loss)	Shareholders' equity	*Group shareholders' equity*	*Minority interests*
	ordinary shares	savings shares		retained earnings	other							
AMOUNTS AS AT 1.1.2014	**8,427**	**488**	**30,989**	**10,357**	**510**	**-1,091**	**-**	**-60**	**-4,557**	**45,063**	*44,520*	*543*
ALLOCATION OF NET INCOME OF THE PREVIOUS YEAR [(a)]												
Reserves			**-3,913**	**-680**					**4,593**	**-**	*-*	*-*
Dividends and other allocations									**-36**	**-36**	*-*	*-36*
CHANGES IN THE PERIOD												
Changes in reserves [(b)]			**-37**							**-37**	*-37*	*-*
Operations on shareholders' equity												
Issue of new shares [(c)]	179		365					106		**650**	*650*	*-*
Purchase of treasury shares								-123		**-123**	*-123*	*-*
Extraordinary dividends				-822						**-822**	*-822*	*-*
Changes in equity instruments										**-**	*-*	*-*
Derivatives on treasury shares										**-**	*-*	*-*
Stock options										**-**	*-*	*-*
Changes in equity investmens	-96		-27	-94						**-217**	*-46*	*-171*
Other			-8	-178		-10				**-196**	*-172*	*-24*
Total comprehensive income for the period						**-530**			**1,310**	**780**	*713*	*67*
SHAREHOLDERS’ EQUITY AS AT 31.12.2014	**8,510**	**488**	**27,369**	**8,583**	**510**	**-1,631**	**-**	**-77**	**1,310**	**45,062**	*44,683*	*379*
- Group	**8,240**	**485**	**27,349**	**8,544**	**510**	**-1,622**	**-**	**-74**	**1,251**	**44,683**		
- minority interests	**270**	**3**	**20**	**39**	**-**	**-9**	**-**	**-3**	**59**	**379**		

[(a)] Includes dividends and amounts allocated to the charity fund of the Parent Company, as well as those relating to consolidated companies, pertaining to minorities.

[(b)] Includes effects of the free capital increase linked to the Lecoip.

[(c)] Includes mainly effects of the capital increase linked to the Lecoip and the assignment of shares to employees.

Statement of changes in consolidated shareholders’ equity as at 31 December 2013

(millions of euro)

	31.12.2013											
	Share capital		Share premium reserve	Reserves		Valuation reserves	Equity instruments	Treasury shares	Net income (loss)	Shareholders' equity	*Group shareholders' equity*	*Minority interests*
	ordinary shares	savings shares		retained earnings	other							
AMOUNTS AS AT 1.1.2013	**8,375**	**488**	**30,989**	**9,599**	**510**	**-1,695**	**-**	**-14**	**1,654**	**49,906**	*49,320*	*586*
ALLOCATION OF NET INCOME OF THE PREVIOUS YEAR [(a)]												
Reserves			**-**	**753**					**-753**	**-**	*-*	*-*
Dividends and other allocations									**-901**	**-901**	*-832*	*-69*
CHANGES IN THE PERIOD												
Changes in reserves				**-**						**-**	*-*	*-*
Operations on shareholders' equity										**-**		
Issue of new shares										**-**	*-*	*-*
Purchase of treasury shares								-46		**-46**	*-43*	*-3*
Extraordinary dividends				-						**-**	*-*	*-*
Changes in equity instruments										**-**	*-*	*-*
Derivatives on treasury shares										**-**	*-*	*-*
Stock options										**-**	*-*	*-*
Changes in equity investmens	24		-	-2						**22**	*-*	*22*
Other	28		-	7						**35**	*7*	*28*
Total comprehensive income for the period						**604**			**-4,557**	**-3,953**	*-3,932*	*-21*
SHAREHOLDERS’ EQUITY AS AT 31.12.2013	**8,427**	**488**	**30,989**	**10,357**	**510**	**-1,091**	**-**	**-60**	**-4,557**	**45,063**	*44,520*	*543*
- Group	**8,061**	**485**	**30,934**	**10,211**	**510**	**-1,074**	**-**	**-57**	**-4,550**	**44,520**		
- minority interests	**366**	**3**	**55**	**146**	**-**	**-17**	**-**	**-3**	**-7**	**543**		

[(a)] The caption includes dividends and the amounts attributable to the Allowances for charitable contributions, as well as the dividends and charitable provisions of consolidated companies attributable to minority interests.

Consolidated statement of cash flows

(millions of euro)

	31.12.2014	31.12.2013
A. OPERATING ACTIVITIES		
1. Cash flow from operations	**16,227**	**11,524**
- net income (loss) (+/-)	1,310	-4,557
- gains/losses on financial assets held for trading and on assets/liabilities designated at fair value through profit and loss (-/+)	54	3,156
- gains/losses on hedging activities (-/+)	139	28
- net losses/recoveries on impairment (+/-)	5,125	12,395
- adjustments to/net recoveries on property, equipment and intangible assets (+/-)	973	3,212
- net provisions for risks and charges and other costs/revenues (+/-)	748	480
- net insurance premiums to be collected (-)	2	-15
- other insurance revenues/charges to be collected (-/+)	11,708	6,897
- taxes, duties and tax credits to be paid/collected(+/-)	-604	-1,952
- net adjustments to/recoveries on discontinued operations net of tax effect (-/+)	-	-
- other adjustments (+/-)	-3,228	-8,120
2. Cash flow from / used in financial assets	**-21,865**	**41,944**
- financial assets held for trading	-4,466	15,240
- financial assets designated at fair value through profit and loss	-5,145	861
- financial assets available for sale	-6,658	-13,449
- due from banks: repayable on demand	-4,735	3,570
- due from banks: other	-155	6,291
- loans to customers	-164	25,490
- other assets	-542	3,941
3. Cash flow from / used in financial liabilities	**5,866**	**-50,455**
- due to banks: repayable on demand	1,111	-1,285
- due to banks: other	-1,888	-19,860
- due to customers	1,934	10,944
- securities issued	-14,713	-21,266
- financial liabilities held for trading	7,092	-12,932
- financial liabilities designated at fair value through profit and loss	4,903	2,784
- other liabilities	7,427	-8,840
Net cash flow from (used in) operating activities	**228**	**3,013**
B. INVESTING ACTIVITIES		
1. Cash flow from	**1,005**	**124**
- sales of investments in associates and companies subject to joint control	424	-
- dividends collected on investments in associates and companies subject to joint control	-	29
- sales/reimbursements of investments held to maturity	581	95
- sales of property and equipment	-	-
- sales of intangible assets	-	-
- sales of subsidiaries and business branches	-	-
2. Cash flow used in	**-671**	**-944**
- purchases of investments in associates and companies subject to joint control	-	-247
- purchases of investments held to maturity	-	-
- purchases of property and equipment	-80	-329
- purchases of intangible assets	-423	-368
- purchases of subsidiaries and business branches	-168	-
Net cash flow from (used in) investing activities	**334**	**-820**
C. FINANCING ACTIVITIES		
- issues/purchases of treasury shares	-64	-43
- share capital increases	503	-
- dividend distribution and other	-858	-901
Net cash flow from (used in) financing activities	**-419**	**-944**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**143**	**1,249**
RECONCILIATION		
Cash and cash equivalents at beginning of period	6,525	5,301
Net increase (decrease) in cash and cash equivalents	143	1,249
Cash and cash equivalents: foreign exchange effect	-37	-25
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**6,631**	**6,525**

LEGEND: (+) from (–) used in

Notes to the consolidated financial statements

Part A – Accounting policies

A.1 – GENERAL CRITERIA

SECTION 1 – DECLARATION OF COMPLIANCE WITH INTERNATIONAL ACCOUNTING STANDARDS

As set forth by Legislative Decree 38 of 28 February 2005, the Intesa Sanpaolo Group's Consolidated financial statements have been prepared in compliance with the accounting principles issued by the International Accounting Standards Board (IASB) and the relative interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and endorsed by the European Commission as provided for by Community Regulation 1606 of 19 July 2002.
The Consolidated financial statements as at 31 December 2014 have been prepared based on the "Instructions for the preparation of the separate and consolidated financial statements of banks and financial companies, which are parent companies of banking groups" issued by the Bank of Italy, in the exercise of powers set forth by Art. 9 of Legislative Decree 38/2005, with Regulation of 22 December 2005, which issued Circular 262/05, and with the subsequent updates of 18 November 2009, 21 January 2014 and 22 December 2014.
These Instructions set out compulsory financial statement forms, as well as the contents of the Notes to the financial statements.
The Consolidated financial statements have been prepared using the International Accounting Standards in force as at 31 December 2014 (including the SIC and IFRIC interpretation documents) as listed in the attachments to these financial statements.
The table below shows the new standards or amendments to existing ones, together with the related EU endorsement regulations, which came into force in 2014.

IFRS endorsed as at 31.12.2014 in force since 2014

Regulation endorsement	Title	Effective date
1254/2012	IFRS 10 Consolidated Financial Statements IFRS 11 Joint Arrangements IFRS 12 Disclosure of Interests in Other Entities IAS 27 Separate Financial Statements IAS 28 Investments in Associates and Joint Ventures	01/01/2014 First financial year starting on or after 01/01/2014
1256/2012	Amendments to IAS 32 Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities (*)	01/01/2014 First financial year starting on or after 01/01/2014
313/2013	Amendments to IFRS 10 Consolidated Financial Statements Amendments to IFRS 11 Joint Arrangements Amendments to IFRS 12 Disclosure of Interests in Other Entities	01/01/2014 First financial year starting on or after 01/01/2014
1174/2013	Amendments to IFRS 10 Consolidated Financial Statements Amendments to IFRS 12 Disclosure of Interests in Other Entities Amendments to IAS 27 Separate Financial Statements	01/01/2014 First financial year starting on or after 01/01/2014
1374/2013	Amendments to IAS 36 Impairment of Assets	01/01/2014 First financial year starting on or after 01/01/2014
1375/2013	Amendments to IAS 39 Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting	01/01/2014 First financial year starting on or after 01/01/2014

(*) With the same Regulation, also amendments to IFRS 7 Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities, applicable starting from 2013, were introduced.

Given the relevance of the regulatory changes, the following is a brief discussion of the contents of certain of the Regulations indicated in the table.

Regulation no. 1254/2012 - effective from 2014 - introduced various changes in the area of consolidation through the endorsement of certain accounting standards (IFRS 10, IFRS 11 and IFRS 12) and the ensuing introduction of amendments to existing standards (IAS 27 and IAS 28). The objective of IFRS 10 is to provide a single consolidation model that identifies control or "de facto control" as the basis for consolidation for all types of entities. The standard provides a precise definition of the case in which an investor controls a company. In fact, according to IFRS 10, control exists if and only if the investor:

- has the power to direct the investee's activities;
- is exposed to the variability of the returns of the investee in which it has invested; and
- has the ability to influence the investee's future returns, by using the power at its disposal.

IFRS 10 establishes that in order to have control of a company, an investor must have the ability, deriving from a legal right or even from a mere de facto situation, to affect the type of management strategies to be assumed with regard to the subsidiary's relevant activities and to be exposed to the variability of returns.
IFRS 11 instead defines the principles of financial reporting by entities that are parties to arrangements that establish "joint control", which may take the form of a joint venture (an entity in which the parties have rights to their share of net assets) or a joint operation (an operation whereby the parties that have joint control have rights to the assets and obligations for the liabilities).
Finally, IFRS 12 combines, strengthens and supersedes disclosure obligations for subsidiaries, joint arrangements and associates and unconsolidated structured entities. This standard was developed with the aim of consolidating and improving, including by introducing certain changes in terms of required disclosures, the disclosure requirements envisaged by the previous IAS 27, 28 and 31.
On the issue of consolidation, worthy of note is Regulation no. 1174/2013, which under IFRS 10 introduced the definition of investment entity, certain exceptions in terms of consolidation and the disclosure requirements (amendments to IFRS 12). Intesa Sanpaolo Group's scope of consolidation has not been affected materially or significantly by these standards. Restatement of the balance sheet figures as at 31 December 2013 led to a decrease of approximately 2.1 billion euro in consolidated assets, with income statement data remaining substantially unchanged.

In more general terms, in addition to the two regulations mentioned above, the EU regulations which came into force in 2014 have been implemented as follows:

- Regulation 313/2013 which provides some clarifications and simplifications on the first application of the provisions of IFRS 10 regarding consolidation;
- Regulation 1374/2013 which introduces some limited modifications to IAS 36 – Impairment of Assets;
- Regulation 1375/2013 which introduces some limited modifications to IAS 39 – Financial Instruments – in relation to the novation of hedging derivatives without being required to discontinue hedge accounting.

Finally, in Regulation no. 1256/2012, the European Commission endorsed the amendments to IFRS 7 - Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities, to be applied compulsorily from 1 January 2013, also amendments to IAS 32 - Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities, that apply from 1 January 2014.
Through the amendments to IAS 32, the IASB aimed to improve the application guidelines in order to eliminate inconsistencies in the application of the standard and to better specify the requirements already outlined in paragraph 42 of IAS 32, to define when financial assets and liabilities are subject to offsetting in the Balance Sheet.
None of these last Regulations has material impact on the Intesa Sanpaolo Group Financial Statements.

The table below shows the new standards or amendments to existing ones, together with the related EU endorsement regulations, which will become mandatory - for financial statements reflecting the calendar year - on or after 1 January 2015.

IFRS endorsed as at 31.12.2014 applicable subsequent to 31.12.2014

Regulation endorsement	Title	Effective date
634/2014	Interpretation IFRIC 21 Levies	01/01/2015 First financial year starting on or after 17/06/2014
1361/2014	Amendments to IFRS 3 Business combinations Amendments to IFRS 13 Fair value measurement Amendments to IAS 40 Investment property	01/01/2015 First financial year starting on or after 01/01/2015

It is also noted that in 2014 the IASB issued the new IFRS 15 - Revenue from Contracts with Customers and amended several existing IAS/IFRS. Of the (as yet unendorsed) documents issued by the IASB amending international accounting standards, the most noteworthy was the publication of IFRS 9 - Financial Instruments - during the month of July 2014. With the exception of macro-hedging, this defines the principles governing the accounting of financial instruments and it will come into force on 1 January 2018, subject to endorsement by the European Commission. The following table presents the main accounting standards affected by the amendments, with a specification of the scope or subject matter of the changes. As the European Commission has not yet endorsed these updates, none of them is relevant for the purposes of the Intesa Sanpaolo Group 2014 financial statements.

IFRS not endorsed as at 31 December 2014

Standard/ Interpretation	Title	Date of issue
IFRS 9	Financial Instruments	24/07/2014
IFRS 14	Regulatory Deferral Accounts	30/01/2014
IFRS 15	Revenue from Contracts with customers	28/05/2014
Standard/ Interpretation	**Amendments**	**Date of issue**
IAS 19	Defined benefit plans: Employee contributions	21/11/2013
IFRS 2	Improvements to IFRSs (2010-2012 cycle)	12/12/2013
IFRS 3	Improvements to IFRSs (2010-2012 cycle)	12/12/2013
IFRS 8	Improvements to IFRSs (2010-2012 cycle)	12/12/2013
IAS 16	Improvements to IFRSs (2010-2012 cycle)	12/12/2013
IAS 24	Improvements to IFRSs (2010-2012 cycle)	12/12/2013
IAS 37	Improvements to IFRSs (2010-2012 cycle)	12/12/2013
IAS 38	Improvements to IFRSs (2010-2012 cycle)	12/12/2013
IFRS 11	Accounting for Acquisitions of Interests in Joint Operations	06/05/2014
IAS 16	Clarification of Acceptable Methods of Depreciation and Amortisation	12/05/2014
IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation	12/05/2014
IAS 16	Agriculture: Bearer Plants	30/06/2014
IAS 41	Agriculture: Bearer Plants	30/06/2014
IAS 27	Equity Method in Separate Financial Statements	12/08/2014
IFRS 10	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	11/09/2014
IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	11/09/2014
IFRS 5	Improvements to IFRSs (2012-2014 cycle)	25/09/2014
IFRS 7	Improvements to IFRSs (2012-2014 cycle)	25/09/2014
IAS 19	Improvements to IFRSs (2012-2014 cycle)	25/09/2014
IAS 34	Improvements to IFRSs (2012-2014 cycle)	25/09/2014
IAS 1	Disclosure Initiative	18/12/2014
IFRS 10	Investment Entities: Applying the Consolidation Exception	18/12/2014
IFRS 12	Investment Entities: Applying the Consolidation Exception	18/12/2014
IAS 28	Investment Entities: Applying the Consolidation Exception	18/12/2014

SECTION 2 – GENERAL PREPARATION PRINCIPLES

The Consolidated financial statements are made up of the Balance sheet, the Income statement, the Statement of comprehensive income, the Changes in shareholders' equity, the Statement of cash flows, the Notes to the consolidated financial statements and the related comparative information; the Report on operations, on the economic results achieved and on the Intesa Sanpaolo Group's balance sheet and financial position has also been included. In compliance with the provisions of Art. 5 of Legislative Decree 38/2005, the financial statements have been drawn up in euro as functional currency.
The amounts indicated in the Consolidated financial statements and in the Notes to the consolidated financial statements as well as those in the Report on operations are expressed in millions of euro, unless otherwise specified.
The financial statements are prepared with the application of the general principles set out by IAS 1 and the specific accounting principles endorsed by the European Commission and illustrated in Part A.2 of these Notes to the Consolidated financial statements, as well as in compliance with the general assumptions set forth by the Framework for the Preparation and Presentation of Financial Statements issued by IASB.
No exceptions to the application of IAS/IFRS have been made.
The Report on operations and the Notes to the consolidated financial statements contain all information required by international accounting standards, by current regulations, by the Bank of Italy and by Consob (Italian Securities and Exchange Commission), in addition to other information which is not compulsory but is nonetheless deemed to be necessary in order to give a true and fair presentation of the Group's situation.
As stipulated by IFRS 5, the balance sheet and income statement as at 31 December 2014, and the Notes relating to them, include the balance sheet and income statement figures for Ukrainian subsidiary Pravex Bank under discontinued operations.

The financial statement forms and the Notes to the consolidated financial statements show, in addition to the figures for the reference period, the comparative figures as at 31 December 2013. For the previous year, the income statement and Notes relating to it have been restated in accordance with IFRS 5 to take into account the economic impact of the subsidiary Pravex Bank which is held for sale; in addition, the balance sheet data have been restated in accordance with IFRS 10 - Consolidated Financial Statements.
The Attachments include the reconciliation statements to the balance sheet and income statement originally published in the 2013 financial statements, together with specific reconciliations between the 2013 financial statements and the reclassified statements included in the Report on operations accompanying these financial statements.

Contents of financial statement forms

Balance sheet and income statement

The compulsory forms of the balance sheet and income statement are made up of captions, subcaptions and further detailed information (specified as the "of which" items in the captions and subcaptions). For the purposes of completeness with respect to the compulsory forms defined by the Bank of Italy, captions which do not present amounts for 2014 and for 2013 are in any case included. In the income statement revenues are indicated without sign, whereas costs are preceded by the minus sign.

Statement of comprehensive income

The Statement of comprehensive income shows, starting from the income/(loss) for the year, the income components recognised as a balancing entry in valuation reserves, net of the tax effect, in compliance with international accounting standards.
Consolidated comprehensive income is represented by providing separate recognition of the income components that will not be reversed to the income statement in the future and those which, conversely, could later be reclassified to income/(loss) for the year under specific conditions. The statement also distinguishes between the portion of income pertaining to the Parent Company and that pertaining to minority interests. Similarly to the balance sheet and the income statement, with respect to the compulsory forms defined by the Bank of Italy, captions which do not present amounts for 2014 and for 2013 are in any case included. Negative amounts are preceded by the minus sign.

Changes in shareholders' equity

Changes in shareholders' equity are presented by inverting the lines and the columns with respect to the same form provided for by the updating of Bank of Italy Circular 262/2005. The table presents shareholders' equity accounts and changes which occurred in the reference year and in the previous year, broken down in share capital (ordinary and savings shares), reserves, reserves from retained earnings, valuation reserves and net income. Treasury shares are deducted from shareholders' equity. Intesa Sanpaolo has not issued equity instruments other than ordinary and savings shares.

Statement of cash flows

The statement of cash flows registered in the reference year and in the previous year is prepared using the indirect method, on the basis of which cash flows from operating activities are represented by net income adjusted for the effects of non-cash transactions.
Cash flows are broken down into flows from operating activities, from investing activities and from financing activities.
In the form, cash flows generated in the year are indicated without sign, whereas cash flows absorbed are preceded by the minus sign.

Contents of the Notes to the consolidated financial statements

The Notes to the consolidated financial statements include the information provided for by International Financial Reporting Standards and Circular 262 issued by the Bank of Italy on 22 December 2005 and subsequently amended.

SECTION 3 – SCOPE OF CONSOLIDATION AND CONSOLIDATION METHODS

Scope of consolidation

The Consolidated financial statements include Intesa Sanpaolo and the companies that it directly and indirectly controls and consider in the scope of consolidation – as specifically set out by IAS/IFRS – also the companies operating in dissimilar sectors from the Parent Company as well as private equity investments. Similarly, structured entities are included when the requisite of effective control recurs, even if there is no stake in the company.
Companies are considered subsidiaries where Intesa Sanpaolo is exposed to, or has rights to, variable returns from its involvement with them, and has the ability to affect those returns by exercising its own power over the entity in question.
Control only exists if all of the following conditions are met:

- the power to direct the relevant activities of the subsidiary;
- the exposure, or rights, to variable returns from its involvement with the investee;
- the ability to use its power over the investee to affect the amount of the investor’s returns.

Companies are considered as subject to joint controls if control is directly or indirectly contractually shared by the parent company with one or more other parties, or where the decisions about the relevant activities require the unanimous consent of all the parties sharing control.

Companies are considered associates, that is subject to significant influence, when Intesa Sanpaolo, directly or indirectly, holds at 20% or more of the voting rights (including “potential” voting rights) or when the Parent Company – despite a lower percentage of voting rights due to specific legal agreements such as the participation of voting syndicates – has the power of participating in the determination of the financial and operating policies of the company.
Certain companies in which the Parent Company holds an equity stake exceeding 20% of voting share capital, and in any case of limited absolute amount, are excluded from the scope of consolidation and are classified in Available for Sale category since Intesa Sanpaolo, directly or indirectly, exclusively holds rights on a portion of the rewards of the investment, does not have access to management policies and may exercise limited governance rights to safeguard its economic interests.
Equity investments held, directly or through funds, in companies involved in the venture capital business are also excluded from the line-by-line scope of consolidation. These equity investments are included in the category of instruments measured at fair value.
Companies for which the shares have been received as pledges with voting rights exceeding 20% are not consolidated, in consideration of the substance underlying the pledge, which has the purpose of guaranteeing loans and not of exercising control and direction over financial and economic policies in order to benefit from the economic return on the shares.

It should be noted that, compared with 31 December 2013, Intesa Sanpaolo Re.o.co, which was incorporated during 2014, entered the scope of consolidation while a number of UCIs underlying insurance policies left following the application of IFRS 10. Re.Consult Infrastrutture was reclassified under investments in companies subject to joint control.
Several extraordinary intragroup transactions were carried out during the year, which had no effects on the Consolidated financial statements; they consisted in transfers of business lines between Intesa Sanpaolo Group companies or business combinations (under common control). Since the transfers were carried out for reorganisation purposes only, in accordance with the Group’s accounting policy, these transactions were simply recorded in the individual financial statements of the companies involved, using the continuing values method, without recognition of any economic effect.
In this context, the most important transactions were: the merger by incorporation of Neos Finance into Centro Leasing, the merger by incorporation of Centro Leasing into Intesa Sanpaolo, the contribution of a business line (the leasing business received from Centro Leasing, less certain assets and liabilities) from Intesa Sanpaolo to Leasint, the merger by incorporation of Leasint into Mediocredito Italiano, the merger by incorporation of Mediofactoring into Intesa Sanpaolo, the contribution of a business line (the factoring business received from Mediofactoring, less certain assets and liabilities) from Intesa Sanpaolo to Mediocredito Italiano, the contribution of a business line (the management of activities relating to the pensions business) from Intesa Sanpaolo Previdenza to Intesa Sanpaolo Vita and the subsequent merger by incorporation of Intesa Sanpaolo Previdenza into Intesa Sanpaolo, the merger by incorporation of Cassa di Risparmio di Venezia into Intesa Sanpaolo, the contribution of business lines (relating to no-profit activities) from Intesa Sanpaolo and Banco di Napoli to Banca Prossima, and the merger by incorporation of Banca di Credito Sardo into Intesa Sanpaolo.
For the full details of the transactions under common control (UCC) finalised during the year, see Part G of these Notes to the consolidated financial statements.

The following table lists the investments in subsidiaries that are included in the line-by-line scope of consolidation of the Consolidated financial statements as at 31 December 2014.

1. Consolidated companies

	Name	Operating office	Registered office	Type of relationship (a)	INVESTMENT direct ownership	% held	Votes available % (b)
1	Adriano Lease Sec S.r.l. (c) Share capital Euro 10,000	Conegliano	Conegliano	4	Intesa Sanpaolo	5.00	
2	Banca dell'Adriatico S.p.A. Share capital Euro 70,755,020	Pesaro	Ascoli Piceno	1	Intesa Sanpaolo	100.00	
3	Banca di Trento e Bolzano S.p.A. Share capital Euro 65,915,704.40	Trento	Trento	1	Intesa Sanpaolo	90.45	
4	Banca Fideuram S.p.A. Share capital Euro 186,255,207.16	Roma	Roma	1	Intesa Sanpaolo	100.00	
5	Banca IMI S.p.A. Share capital Euro 962,464,000	Milano	Milano	1	Intesa Sanpaolo	100.00	
6	Banca Imi Securities Corp Share capital Usd 44,500,000	New York	New York	1	Imi Capital Markets USA Corp.	100.00	
7	Banca Intesa a.d., Beograd (e) Share capital RSD 21,315,900,000	Novi Beograd	Novi Beograd	1	Intesa Sanpaolo Holding International Intesa Sanpaolo	77.79 15.21 93.00	
8	Banca Intesa Zao Share capital RUB 10,820,180,800	Moscow	Moscow	1	Intesa Sanpaolo Holding International Intesa Sanpaolo	53.02 46.98 100.00	
9	Banca Monte Parma S.p.A. Share capital Euro 147,359,895.03	Parma	Parma	1	Intesa Sanpaolo	98.62	
10	Banca Prossima S.p.A. (k) Share capital Euro 81,999,999.64	Milano	Milano	1	Intesa Sanpaolo Banco di Napoli S.p.A.	74.46 5.70 80.16	
11	Banco di Napoli S.p.A. Share capital Euro 1,000,000,000	Napoli	Napoli	1	Intesa Sanpaolo	100.00	
12	Bank of Alexandria S.A.E. (f) Share capital EGP 800,000,000	Cairo	Cairo	1	Intesa Sanpaolo	80.00	70.25
13	Banka Koper d.d. (g) Share capital Euro 22,173,218.16	Koper	Koper	1	Intesa Sanpaolo	97.69	
14	Brivon Hungary Zrt Share capital HUF 15,000,000	Budapest	Budapest	1	Recovery Property Utilisation and Services	100.00	
15	Cassa dei Risparmi di Forlì e della Romagna S.p.A. Share capital Euro 214,428,465	Forlì	Forlì	1	Intesa Sanpaolo	82.30	
16	Cassa di Risparmio del Friuli Venezia Giulia S.p.A. Share capital Euro 210,263,000	Udine	Gorizia	1	Intesa Sanpaolo	100.00	
17	Cassa di Risparmio del Veneto S.p.A. Share capital Euro 781,169,000	Padova	Padova	1	Intesa Sanpaolo	100.00	
18	Cassa di Risparmio della Provincia di Viterbo S.p.A. Share capital Euro 49,407,056.31	Viterbo	Viterbo	1	Cassa di Risparmio di Firenze Intesa Sanpaolo	75.81 11.09 86.90	82.02 12.05 94.07
19	Cassa di Risparmio di Civitavecchia S.p.A. Share capital Euro 34,505,380	Civitavecchia	Civitavecchia	1	Cassa di Risparmio di Firenze Intesa Sanpaolo	51.00 49.00 100.00	
20	Cassa di Risparmio di Firenze S.p.A. (h) Share capital Euro 831,364,347	Firenze	Firenze	1	Intesa Sanpaolo	89.74	
21	Cassa di Risparmio di Pistoia e della Lucchesia S.p.A. (i) Share capital Euro 171,846,279.99	Pistoia	Pistoia	1	Cassa di Risparmio di Firenze Intesa Sanpaolo	74.88 8.11 82.99	
22	Cassa di Risparmio di Rieti S.p.A. Share capital Euro 47,339,291	Rieti	Rieti	1	Cassa di Risparmio di Firenze Intesa Sanpaolo	85.00 15.00 100.00	
23	Cassa di Risparmio in Bologna S.p.A. Share capital Euro 703,692,000	Bologna	Bologna	1	Intesa Sanpaolo	100.00	
24	Casse di Risparmio dell'Umbria S.p.A. Share capital Euro 187,657,326	Terni	Terni	1	Cassa di Risparmio di Firenze Intesa Sanpaolo	87.86 10.85 98.71	
25	Cib Bank Ltd Share capital HUF 145,000,000,008	Budapest	Budapest	1	Intesa Sanpaolo Holding International Intesa Sanpaolo	67.69 32.31 100.00	
26	CIB Car Trading Ltd Share capital HUF 10,000,000	Budapest	Budapest	1	Recovery Property Utilisation and Services	100.00	
27	CIB Factor Financial Services Ltd Share capital HUF 103,500,000	Budapest	Budapest	1	Cib Bank	100.00	
28	CIB Insurance Broker Ltd Share capital HUF 10,000,000	Budapest	Budapest	1	CIB Bank	100.00	
29	CIB Investment Fund Management Ltd Share capital HUF 600,000,000	Budapest	Budapest	1	Vub Asset Management Spravcovska Spolocnost	100.00	
30	CIB Leasing Holding Limited Liability Company in Voluntary Dissolution (former CIB Leasing Holding LLC) Share capital HUF 1,000,000	Budapest	Budapest	1	Cib Bank	100.00	

	Name	Operating office	Registered office	Type of relation-ship (a)	INVESTMENT direct ownership	% held	Votes available % (b)
31	CIB Leasing Ltd Share capital HUF 53,000,000	Budapest	Budapest	1	CIB Leasing Holding Cib Bank	98.23 1.77 100.00	
32	CIB Real Estate Ltd Share capital HUF 52,000,000	Budapest	Budapest	1	Cib Bank	100.00	
33	CIB Rent Operative Leasing Ltd Share capital HUF 800,000,000	Budapest	Budapest	1	Cib Bank	100.00	
34	Compagnia Italiana Finanziaria - CIF S.r.l. Share capital Euro 138,864,869.00	Milano	Milano	1	IN.FRA - Investire nelle Infrastrutture	63.78	
35	Consumer Finance Holding a.s. Share capital Euro 53,110,277	Kezmarok	Kezmarok	1	Vseobecna Uverova Banka	100.00	
36	Duomo Funding Plc (j)	Dublin	Dublin	4	Intesa Sanpaolo	-	
37	Epsilon Associati SGR S.p.A. Share capital Euro 5,200,000	Milano	Milano	1	Eurizon Capital SGR Banca IMI	51.00 49.00 100.00	
38	Equiter S.p.A. Share capital Euro 150,000,000	Torino	Torino	1	Intesa Sanpaolo	100.00	
39	Eurizon Capital S.A. Share capital Euro 7,557,200	Luxembourg	Luxembourg	1	Eurizon Capital SGR	100.00	
40	Eurizon Capital SGR S.p.A. Share capital Euro 95,010,000	Milano	Milano	1	Intesa Sanpaolo	100.00	
41	Euro-Tresorerie S.A. Share capital Euro 250,038,322.20	Paris	Paris	1	Financière Fideuram	100.00	
42	Fideuram Asset Management (Ireland) Ltd Share capital Euro 1,000,000	Dublin	Dublin	1	Banca Fideuram	100.00	
43	Fideuram Bank Luxembourg S.A. Share capital Euro 30,000,000	Luxembourg	Luxembourg	1	Banca Fideuram	100.00	
44	Fideuram Fiduciaria S.p.A. Share capital Euro 1,551,000	Torino	Torino	1	Banca Fideuram	100.00	
45	Fideuram Gestions S.A. Share capital Euro 10,000,000	Luxembourg	Luxembourg	1	Banca Fideuram	100.00	
46	Fideuram Investimenti S.G.R. S.p.A. Share capital Euro 25,850,000	Milano	Milano	1	Banca Fideuram	99.50	
47	Fideuram Vita S.p.A. Share capital Euro 356,946,836	Roma	Roma	1	Intesa Sanpaolo Banca Fideuram	80.01 19.99 100.00	
48	Financière Fideuram S.A. Share capital Euro 346,761,600	Paris	Paris	1	Banca Fideuram	100.00	
49	Finor Leasing d.o.o. Share capital Euro 2,044,700	Koper	Koper	1	Banka Koper	100.00	
50	IMI Capital Markets USA Corp. Share capital USD 5,000	New York	New York	1	IMI Investments	100.00	
51	IMI Finance Luxembourg S.A. Share capital Euro 100,000	Luxembourg	Luxembourg	1	IMI Investments	100.00	
52	IMI Fondi Chiusi S.G.R. S.p.A. Share capital Euro 2,000,000	Bologna	Bologna	1	IMI Investimenti	100.00	
53	IMI Investimenti S.p.A. Share capital Euro 579,184,200	Bologna	Bologna	1	Intesa Sanpaolo	100.00	
54	IMI Investments S.A. Share capital Euro 21,660,000	Luxembourg	Luxembourg	1	Banca IMI	100.00	
55	IN.FRA - Investire nelle Infrastrutture S.p.A. Share capital Euro 117,342,245.47	Milano	Milano	1	Intesa Sanpaolo	100.00	
56	Infogroup S.c.p.A. Share capital Euro 4,352,000	Firenze	Firenze	1	Cassa di Risparmio di Firenze Intesa Sanpaolo Cassa di Risparmio di Pistoia e della Lucchesia Cassa di Risparmio di Civitavecchia Intesa Sanpaolo Group Services Casse di Risparmio dell'Umbria other minority interests	65.45 31.07 2.76 0.69 0.01 0.01 0.01 100.00	
57	Iniziative Logistiche S.r.l. Share capital Euro 81,120,724.80	Milano	Milano	1	IN.FRA - Investire nelle Infrastrutture	60.02	
58	Intesa Funding LLC Share capital USD 25,000	New York	Wilmington	1	Intesa Sanpaolo	100.00	
59	Intesa Leasing (Closed Joint-Stock Company) Share capital RUB 3,000,000	Moscow	Moscow	1	Banca Intesa Zao	100.00	
60	Intesa Leasing d.o.o. Beograd Share capital RSD 960,374,301	Beograd	Beograd	1	Banca Intesa Beograd	100.00	
61	Intesa Sanpaolo Assicura S.p.A. Share capital Euro 27,912,258	Torino	Torino	1	Intesa Sanpaolo Vita	100.00	
62	Intesa Sanpaolo Bank Albania Sh.A. Share capital ALL 5,562,517,674	Tirana	Tirana	1	Intesa Sanpaolo	100.00	100.00
63	Intesa Sanpaolo Bank Ireland Plc Share capital Euro 400,500,000	Dublin	Dublin	1	Intesa Sanpaolo	100.00	

Name		Operating office	Registered office	Type of relationship (a)	INVESTMENT direct ownership	% held	Votes available % (b)
64	Intesa Sanpaolo Banka d.d. Bosna I Hercegovina Share capital BAM 44,782,000	Sarajevo	Sarajevo	1	Intesa Sanpaolo Holding International	94.92	
65	Intesa Sanpaolo Card BH D.O.O. Share capital BAM 3,649,126.50	Sarajevo	Sarajevo	1	Intesa Sanpaolo Card Zagreb	100.00	
66	Intesa Sanpaolo Card d.o.o. - Ljubljana Share capital Euro 5,618,760.80	Ljubljana	Ljubljana	1	Intesa Sanpaolo Card Zagreb	100.00	
67	Intesa Sanpaolo Card d.o.o. - Zagreb Share capital HRK 30,863,400	Zagreb	Zagreb	1	Intesa Sanpaolo Holding International	51.32	
					Privredna Banka Zagreb	33.34	
					Banka Koper	15.34	
						100.00	
68	Intesa Sanpaolo Group Services S.c.p.A. Share capital Euro 272,157,000	Torino	Torino	1	Intesa Sanpaolo	99.89	
					Banca Fideuram	0.01	
					Cassa di Risparmio del Veneto	0.01	
					Cassa di Risparmio di Firenze	0.01	
					Banco di Napoli	0.01	
					Banca Imi	0.01	
					Eurizon Capital SGR	0.01	
					Intesa Sanpaolo Vita	0.01	
					Casse di Risparmio dell'Umbria	0.01	
					Banca dell'Adriatico	0.01	
					altre quote minori	0.02	
						100.00	
69	Intesa Sanpaolo Holding International S.A. Share capital Euro 2,200,087,440	Luxembourg	Luxembourg	1	Intesa Sanpaolo	100.00	
70	Intesa Sanpaolo Immobilière S.A. Share capital Euro 350,000	Luxembourg	Luxembourg	1	Intesa Sanpaolo Holding International	100.00	
71	Intesa Sanpaolo Leasing Romania IFN S.A. Share capital RON 1,080,000	Bucharest	Bucharest	1	Intesa Sanpaolo Romania	99.70	
					CIB Leasing	0.30	
						100.00	
72	Intesa Sanpaolo Life Ltd Share capital Euro 625,000	Dublin	Dublin	1	Intesa Sanpaolo Vita	100.00	
73	Intesa Sanpaolo Personal Finance S.p.A. Share capital Euro 176,611,670	Bologna	Bologna	1	Intesa Sanpaolo	100.00	
74	Intesa Sanpaolo Private Bank (Suisse) S.A. Share capital CHF 20,000,000	Lugano	Lugano	1	Intesa Sanpaolo Holding International	100.00	
75	Intesa Sanpaolo Private Banking S.p.A. Share capital Euro 105,497,424	Milano	Milano	1	Intesa Sanpaolo	100.00	
76	Intesa Sanpaolo Provis S.r.l. Share capital Euro 4,625,000	Roma	Roma	1	Intesa Sanpaolo	100.00	
77	INTESA SANPAOLO RE.O.CO. S.P.A. Share capital Euro 8,000,000.00	Milano	Milano	1	Intesa Sanpaolo	100.00	
78	Intesa Sanpaolo Real Estate S.A. Share capital Euro 2,940,476	Luxembourg	Luxembourg	1	Intesa Sanpaolo Holding International	100.00	
79	Intesa Sanpaolo Romania S.A. Commercial Bank Share capital Ron 886,639,410	Bucharest	Arad	1	Intesa Sanpaolo	91.47	
					Cassa di Risparmio di Firenze	8.18	
					Intesa Sanpaolo Holding International	0.35	
						100.00	
80	Intesa Sanpaolo Sec S.A. Share capital Euro 31,000	Luxembourg	Luxembourg	1	Intesa Sanpaolo	100.00	
81	Intesa Sanpaolo Securitisation Vehicle S.r.l. Share capital Euro 60,000	Milano	Milano	1	Intesa Sanpaolo	100.00	
82	Intesa Sanpaolo Servitia S.A. Share capital Euro 1,500,000	Luxembourg	Luxembourg	1	Intesa Sanpaolo Holding International	100.00	
83	Intesa Sanpaolo Vita S.p.A. Share capital Euro 320,422,508.53	Milano	Torino	1	Intesa Sanpaolo	99.99	
84	Intesa Sec. 3 S.r.l. Share capital Euro 70,000	Milano	Milano	1	Intesa Sanpaolo	60.00	
85	Intesa Sec. Npl S.p.A. Share capital Euro 129,000	Milano	Milano	1	Intesa Sanpaolo	60.00	
86	Intesa Sec. S.p.A. Share capital Euro 100,000	Milano	Milano	1	Intesa Sanpaolo	60.00	
87	Inversiones Mobiliarias S.A.- IMSA Share capital PEN 7,893,263.67	Lima	Lima	1	Intesa Sanpaolo	100.00	
88	ISP CB Ipotecario S.r.l. Share capital Euro 120,000	Milano	Milano	1	Intesa Sanpaolo	60.00	
89	ISP CB Pubbico S.r.l. Share capital Euro 120,000	Milano	Milano	1	Intesa Sanpaolo	60.00	
90	ISP OBG S.r.l. Share capital Euro 42,038	Milano	Milano	1	Intesa Sanpaolo	60.00	

	Name	Operating office	Registered office	Type of relation-ship (a)	INVESTMENT direct ownership	% held	Votes available % (b)
91	Lima Sudameris Holding S.A. in liquidation Share capital PEN 172,384,709.03	Lima	Lima	1	Intesa Sanpaolo IMSA	52.87 47.13 100.00	
92	Lunar Funding V Plc (J)	Dublin	Dublin	4	Intesa Sanpaolo	-	
93	Lux Gest Asset Management S.A. Share capital Euro 200,000	Luxembourg	Luxembourg	1	Société Européenne de Banque	100.00	
94	Mediocredito Italiano S.p.A. Share capital Euro 992,043,495.00	Milano	Milano	1	Intesa Sanpaolo	100.00	
95	PBZ Card d.o.o. Share capital HRK 43,422,200	Zagreb	Zagreb	1	Privredna Banka Zagreb	100.00	
96	PBZ Invest d.o.o. Share capital HRK 5,000,000	Zagreb	Zagreb	1	Vub Asset Management Spravcovska Spolocnost	100.00	
97	PBZ Leasing d.o.o. za poslove leasinga Share capital HRK 15,000,000	Zagreb	Zagreb	1	Privredna Banka Zagreb	100.00	
98	PBZ Nekretnine d.o.o. Share capital HRK 3,000,000	Zagreb	Zagreb	1	Privredna Banka Zagreb	100.00	
99	PBZ Stambena Stedionica d.d. Share capital HRK 115,000,000	Zagreb	Zagreb	1	Privredna Banka Zagreb	100.00	
100	Pravex Bank Public Joint-Stock Company Commercial Bank (m) Share capital UAH 949,170,000	Kiev	Kiev	1	Intesa Sanpaolo	100.00	
101	Private Equity International S.A. Share capital Euro 101,000,000	Luxembourg	Luxembourg	1	Intesa Sanpaolo IMI Investimenti	90.90 9.10 100.00	
102	Privredna Banka Zagreb d.d. (l) Share capital HRK 1,907,476,900	Zagreb	Zagreb	1	Intesa Sanpaolo Holding International	76.59	
103	Recovery Property Utilisation and Services ZRT. Share capital HUF 15,000,000.00	Budapest	Budapest	1	Cib Bank	100.00	
104	Romulus Funding Corporation (J)	Delaware	Delaware	4	Intesa Sanpaolo	-	
105	Sanpaolo Invest SIM S.p.A. Share capital Euro 15,264,760	Roma	Roma	1	Banca Fideuram	100.00	
106	Setefi S.p.A. Share capital Euro 8,450,000	Milano	Milano	1	Intesa Sanpaolo	100.00	
107	Società Italiana di Revisione e Fiduciaria – S.I.RE.F. S.p.A. Share capital Euro 2,600,000	Milano	Milano	1	Intesa Sanpaolo	100.00	
108	Société Européenne de Banque S.A. Share capital Euro 535,091,520	Luxembourg	Luxembourg	1	Intesa Sanpaolo Holding International	100.00	
109	T T 1 Lux S.A. Share capital Euro 44,571,000	Luxembourg	Luxembourg	1	IMI Investimenti	50.00	
110	Trade Receivables Investment Vehicle Sarl (d)	Luxembourg	Luxembourg	4	Banca IMI/Duomo Funding	100.00	
111	Vseobecna Uverova Banka a.s. Share capital Euro 430,819,063.81	Bratislava	Bratislava	1	Intesa Sanpaolo Holding International	97.02	
112	VUB Asset Management Sprav. Spol a.s. Share capital Euro 4,093,560	Bratislava	Bratislava	1	Vseobecna Uverova Banka Eurizon Capital Privredna Banka Zagreb	40.55 50.12 9.33 100.00	
113	VUB Factoring a.s. Share capital Euro 2,232,334	Bratislava	Bratislava	1	Vseobecna Uverova Banka	100.00	
114	VUB Leasing a.s. Share capital Euro 16,600,000	Bratislava	Bratislava	1	Vseobecna Uverova Banka	100.00	

(a) Type of relationship:
1 - majority of voting rights at Ordinary Shareholders' Meeting;
2 - dominant influence at Ordinary Shareholders' Meeting;
3 - agreements with other shareholders;
4 - other forms of control;
5 - unitary management as defined in Art. 26.1 of "Legislative Decree 87/92";
6 - unitary management as defined in Art. 26.2 of "Legislative Decree 87/92".

(b) Available voting rights at Ordinary Shareholders' Meeting, with indication of effective and potential rights.

(c) Company controlled pursuant to IFRS 10.

(d) Collective investment entity consolidated pursuant to IFRS 10.

(e) Please note that there is a put option sold/call option purchased from minority shareholders on 7% of share capital.

(f) In March 2009, 9.75% of the share capital of Bank of Alexandria (BOA) was sold to International Finance Corporation (IFC) with the concurrent signing by the parties of a Put&Call Agreement covering the portion sold by Intesa Sanpaolo. It should be noted that, based on the contractual clauses underlying the transaction and failing to meet IFRS derecognition criteria, the percentage of equity investment includes the portion sold, while voting rights were transferred to the buyer.

(g) Minority shareholders are subject to a legal commitment to purchase the remaining 2.31% of share capital.

(h) Please note that there is a put option sold to minority shareholders on 10.26% of share capital.

(i) Please note that there is a put option sold/call option purchased from minority shareholders on 16.52% of ordinary shares and savings shares.

(j) Company controlled pursuant to IFRS 10, although the Group does not hold any equity stake in the share capital.

(k) Please note that there is a put option sold/call option purchased from minority shareholders on 19.84% of share capital.

(l) Please note that there is a put option sold/call option purchased from minority shareholders on 21.22% of share capital.

(m) Company included among discontinued operations.

2. Significant evaluations and assumptions in determining the scope of consolidation.

As stated above, companies are considered subsidiaries where Intesa Sanpaolo is exposed to, or has rights to, variable returns from its involvement with them, and has the ability to affect those returns by exercising its own power over the entity in question. Control only exists if all of the following conditions are met:

- the power to direct the relevant activities of the subsidiary;
- the exposure, or rights, to variable returns from the involvement with the investee;
- the ability to use the power over the investee to affect the amount of the investor's returns.

In particular, the Group considers the following factors in evaluating the existence of control:

- the purpose and the structure of the investee in order to identify its aims and relevant activities, or the activities that significantly affect the investee's returns, and how those activities are governed;
- power, in order to understand whether the Group has the contractual right to manage the relevant activities;
- the exposure to variable returns from the investee in order to evaluate whether the return recognised by the Group is subject to variations depending on the investee's returns.

Furthermore, in order to evaluate the existence of control, potential principal-agent relationships are taken into consideration. In order to evaluate whether the investee is acting as a principal or an agent, the Group takes account of the following factors:

- the decision-making power on the relevant activities of the subsidiary;
- the rights of other parties;
- the payments to which the Group is entitled;
- the Group's exposure to variable returns resulting from any investment in the investee.

IFRS 10 identifies relevant activities as activities of the investee that significantly affect the investee's returns.
In general terms, when the relevant activities are managed through voting rights, the following factors determine evidence of control:

- direct ownership, or indirect ownership through its subsidiaries, of more than half the voting rights of an entity, unless in exceptional circumstances it can be clearly demonstrated that such ownership does not constitute control;
- ownership of half, or less, of the votes which can be cast at the shareholders' meeting, and the practical ability unilaterally to govern the relevant activities through:
  - the control of more than half the voting rights as enshrined in an agreement with other investors;
  - the power to determine the financial and operational policies of the entity, as conferred by the Articles of Association or by contract;
  - the power to nominate or remove the majority of the members of the Board of Directors or of the equivalent corporate governance body;
  - the power to cast the majority of the votes at meetings of the Board of Directors or of the equivalent corporate governance body.

In order to exercise power, it is necessary for the rights that the Group has over the investee to be substantive; to be substantive, the Group must have the ability to use its rights when decisions relating to relevant activities are taken.
The existence and the effect of potential voting rights, where material, are taken into consideration in evaluating whether power exists to shape the managerial and financial policies of another entity.

Sometimes the Group has "de facto" control over certain entities when it possesses rights to determine unilaterally the relevant activities of the investee, even though it does not have the majority of the voting rights.

Subsidiaries can also include "structured entities" in which the voting rights are not the dominant factor in deciding who control the entity; this includes special purpose vehicles (SPEs/SPVs) and investment funds. Structured entities are considered to be controlled where:

- the Group has powers enshrined in contractual rights allowing it to govern the relevant activities; and
- the Group is exposed to the variable returns deriving from such activities.

3. Investments in subsidiaries with significant minority interests

3.1 Minority interests, minority voting rights and dividends distributed to minorities

	Companies	Minority interests %	Minority voting rights % (1)	Dividends distributed to minority shareholders
1	Banca di Trento e Bolzano S.p.A.	9.55	9.55	-
2	Banca Intesa A.D. - Beograd	7.00	7.00	-
3	Banca Monte Parma S.P.A.	1.38	1.38	-
4	Banca Prossima S.p.A.	19.84	19.84	-
5	Banka Koper D.D.	2.31	2.31	-
6	Bank of Alexandria S.A.E. (2)	20.00	29.75	17
7	Cassa Dei Risparmi di Forlì e Della Romagna S.p.A.	17.70	17.70	-
8	Cassa Di Risparmio Della Provincia di Viterbo S.p.A.	13.10	5.93	-
9	Cassa Di Risparmio Di Firenze S.p.A.	10.26	10.26	-
10	Cassa Di Risparmio Di Pistoia e Della Lucchesia S.p.A.	17.01	17.01	-
11	Casse Di Risparmio Dell'Umbria S.p.A.	1.29	1.29	1
12	Compagnia Italiana Finanziaria - CIF S.r.l.	36.22	36.22	-
13	Fideuram Investimenti - Società di Gestione del Risparmio S.p.A.	0.50	0.50	-
14	Iniziative Logistiche S.r.l.	39.98	39.98	-
15	Intesa Sanpaolo Banka D.D. Bosna I Hercegovina	5.08	5.08	-
16	Intesa Sanpaolo Vita S.p.A.	0.01	0.01	-
17	Intesa Sec. 3 S.r.l.	40.00	40.00	-
18	Intesa Sec. NPL S.p.A.	40.00	40.00	-
19	Intesa Sec. S.p.A.	40.00	40.00	-
20	Isp CB Ipotecario S.r.l.	40.00	40.00	-
21	Isp CB Pubblico S.r.l.	40.00	40.00	-
22	Isp OBG S.r.l.	40.00	40.00	-
23	Privredna Banka Zagreb D.D.	23.41	23.41	15
24	T T 1 Lux S.A.	50.00	50.00	-
25	Vseobecna Uverova Banka A.S.	2.98	2.98	3

(1) Available voting rights at Ordinary Shareholders' Meeting.

(2) In March 2009, 9.75% of the share capital of Bank of Alexandria (BOA) was sold to International Finance Corporation (IFC) with the concurrent signing by the parties of a Put&Call Agreement covering the portion sold by Intesa Sanpaolo. It should be noted that, based on the contractual clauses underlying the transaction and failing to meet IFRS derecognition criteria, the percentage of equity investment includes the portion sold, while voting rights were transferred to the buyer.

3.2 Investments in companies with significant minority interests: financial highlights

(millions of euro)

	Companies	Total assets	Cash and cash equivalents	Financial assets	Property, equipment and intangible assets	Financial liabilities	Shareholders' equity	Interest margin	Net interest and other banking income	Operating expenses	Income (loss) before tax from continuing operations	Income (loss) after tax from continuing operations	Income (loss) after tax from discontinued operations	Net income (loss) (1)	Other comprehensive income (net of tax) (2)	Consolidated comprehensive income (3) = (1) + (2)
1	Bank of Alexandria S.A.E.	5,152	106	4,925	71	4,258	540	242	303	-163	112	75	-	75	-11	64
2	Cassa Dei Risparmi di Forlì e Della Romagna S.p.A.	4,402	45	4,158	74	3,944	301	105	161	-89	12	4	-	4	-2	2
3	Compagnia Italaina Finanziaria - CIF S.r.l.	157	-	-	-	-	156	-	-	-	-	-	-	-	-	-
4	Iniziative Logistiche S.r.l.	81	-	-	-	-	81	-	-	-	-	-	-	-	-	-
5	Privredna Banka Zagreb D.D.	8,995	194	8,616	102	7,364	1,522	279	380	-193	108	84	-	84	-	84
6	T T 1 Lux S.A.	58	-	-	-	-	58	-	-	-	5	5	-	5	-	5
7	Vseobecna Uverova Banka A.S.	11,032	95	10,625	149	9,622	1,286	344	434	-241	144	110	-	110	-13	97

4. Significant restrictions

The following are significant restrictions on the transfer of resources within the Intesa Sanpaolo Group.
In connection with the controlling interest in Banca Prossima, a company operating in the non-profit sector, the shareholders have undertaken to renounce the distribution of profits until 2017. Such profits shall be allocated to the Fund for the development of social business.
With regard to the Egyptian subsidiary, Bank of Alexandria, currency export restrictions have been in place since 2012 on the repatriation of funds denominated in Egyptian pounds; specifically, the dividend denominated in Egyptian pounds is paid to Intesa Sanpaolo in US dollars in staggered transactions that are authorised by the Egyptian central bank on a daily basis.

5. Other information

In preparing the Intesa Sanpaolo consolidated financial statements, the financial statements of all controlled subsidiaries have the same financial year-end.

Consolidation methods

Full consolidation

This method involves the "line by line" aggregation of the individual amounts reported in the balance sheets and income statements of the subsidiary companies concerned. Following the allocation to minority shareholders of their interests, in a specific caption, in equity and in the result for the period, the residual value is eliminated against the book value of the subsidiaries concerned.
Any positive differences arising on consolidation, after the allocation to the assets and liabilities of the consolidated subsidiary, are recorded under Intangible assets as goodwill or other intangible assets. Negative differences are recognised in the income statement.
Assets, liabilities, income and expenses between consolidated companies are totally eliminated.
Business combinations must be accounted for using the "acquisition method" in accordance with IFRS 3, as modified by Regulation 495/2009, whereby identifiable assets acquired or liabilities assumed (including contingent liabilities) are recognised at their fair value at the acquisition date. Moreover, for each business combination, any minority interest in the acquired company can be recognised at fair value or in proportion to the minority investment in the net identifiable assets of the acquired company. Any excess of the consideration transferred (being the fair value of the assets sold, the liabilities incurred and the equity instruments issued) over the fair value recognition of minority interests with respect to the fair value of the assets acquired and the liabilities assumed is recognised as goodwill. If the consideration is lower, the difference is taken to the income statement.
The "acquisition method" is applied starting from the acquisition date, that is from the moment in which control of the acquired company is obtained. Therefore, the economic results of a subsidiary acquired in the reference period are included in the Consolidated financial statements starting from the acquisition date. Likewise, economic results of a subsidiary sold are included in the Consolidated financial statements until the date in which control ceased.
The difference between sale price and book value at the date of disposal (including foreign exchange differences recorded in shareholders' equity on consolidation, over time) is accounted for in the income statement.
The financial statements of the Parent Company and of other companies used to prepare the Consolidated financial statements refer to the same date. In certain cases, for subsidiaries which are not material, the last approved financial statements (annual or interim) are used.
Where necessary – and without prejudice to absolutely marginal cases – the financial statements of companies which are drawn up using different accounting criteria are restated to be compliant with the standards used by the Group.

Measurement using the equity method

Associates and companies subject to joint control are consolidated with the equity method.
The equity method requires the initial recognition of the equity investment at cost and its subsequent value adjustment based on the stake in shareholders' equity of the company.
Any difference between the value of the equity investment and the shareholders' equity of the company involved is recorded in the book value of the company.
The valuation of the portion of shareholders' equity does not consider any potential voting rights.
The portion of the company's results for the period pertaining to the Group is recorded in a specific caption of the consolidated income statement.
If there is evidence of impairment, the recoverable amount of the investment is estimated, considering the present value of the future cash flows that may be generated by the investment, including the final disposal value. If the recoverable amount is under book value the relative difference is recorded in the income statement.
For consolidation of companies subject to joint control and investments in associates, the most recent approved (annual or interim) figures have been used. In certain marginal cases, the companies do not apply IAS/IFRS and, therefore, for such companies it was verified that the adoption of IAS/IFRS would not have produced significant effects on the Intesa Sanpaolo Group's Consolidated financial statements.

Conversion of financial statements in currencies other than euro

The financial statements of the companies that do not operate in the eurozone are translated into euro applying to the assets and liabilities in the balance sheet the spot exchange rate at period-end and to the income statement the average exchange rate.
Foreign exchange differences from the conversion of the financial statements of such companies, deriving from the application of different foreign exchange rates to assets and liabilities and the income statement, are recorded in Valuation reserves under shareholders' equity. Foreign exchange differences on the shareholders' equity of the subsidiaries are also recorded in Valuation reserves.
All foreign exchange differences are reversed to the income statement of the year in which the foreign operation is sold.

SECTION 4 – SIGNIFICANT EVENTS SUBSEQUENT TO FINANCIAL STATEMENT DATE

Subsequent to the financial statement date, no significant events have occurred, except for those already referred to in the discussions on specific subjects.
The only matter of note was the final communication to Intesa Sanpaolo from the ECB on 25 February 2015, regarding capital requirements at consolidated level. The directors of the Parent Company do not recognise any difficulties relating to the Intesa Sanpaolo's existing or future ability to respect these requirements, which amount to a Common Equity Tier 1 ratio of 9% and a Total Capital ratio of 11.5%.

SECTION 5 - OTHER ASPECTS

Option for the national fiscal consolidation provisions

Intesa Sanpaolo and the Group’s Italian companies have adopted the "national fiscal consolidation", set forth by articles 117-129 of the Combined Tax Regulations, introduced by Legislative Decree 344/2003. It provides an option, based on which the total net income or fiscal loss of every controlled subsidiary taking part in the fiscal consolidation procedure – together with withholding tax, tax deductions and tax credits – is transferred to the parent company, which determines a single taxable income or loss carried forward (that is the result of the sum of its own income/loss and of the income/loss of the participating subsidiaries) and, consequently, a sole tax debit/credit. Based on this option, Group companies that opted for the “national fiscal consolidation” determine the tax charge pertaining to them and the corresponding taxable income is transferred to the Parent Company.

Other aspects

KPMG S.p.A. audited the Consolidated financial statements as at 31 December 2014, in execution of the resolution of the Shareholders' Meeting of 10 May 2011, which appointed the company as independent auditor for the years from 2012 to 2020, included.

A.2 – MAIN FINANCIAL STATEMENT CAPTIONS

1. Financial assets held for trading

Classification criteria
This category includes financial assets held for trading, essentially represented by debt securities and equities and the positive value of derivative contracts held for trading. Derivative contracts also include those embedded in combined financial instruments which are subject to separate accounting when:
- their economic characteristics and risks are not closely related to the characteristics of the host contract;
- embedded instruments, even though separate, fully meet the definition of derivative;
- combined instruments are not measured at fair value with changes in fair value recognised through profit and loss.

Derivatives are stated as assets if their fair value is positive and as liabilities if their fair value is negative. The positive and negative current values arising from transactions with the same counterparty may be offset only when the legal right to offset amounts recognised for accounting purposes currently exists and the net settlement of positions subject to offsetting is carried out.
The reclassifications to other categories of financial assets are not permitted unless there is an event that is unusual and highly unlikely to recur in the near term.
In such cases debt securities and equities not held for trading may be reclassified into other categories established by IAS 39 if the conditions for their recognition apply (Investments held to maturity, Financial assets available for sale, Loans). The transfer value is the fair value at the time of the reclassification. On reclassification, the presence of any embedded derivative contracts, that have to be separated, is assessed.

Recognition criteria
Initial recognition of financial assets occurs at settlement date, for debt securities and equities and at trade date for derivative contracts.
On initial recognition, financial assets held for trading are recorded at fair value, without considering transaction costs or revenues directly attributable to the instrument.
Any embedded derivatives in combined financial instruments not directly connected to the latter and with the characteristics to meet the definition of derivative are recorded separately from the host contract at fair value.

Measurement criteria
After initial recognition financial assets held for trading are recorded at fair value. The effects of the application of this measurement criterion are recorded in the income statement.
For the determination of the fair value of financial instruments quoted on active markets, market quotations are used. If the market for a financial instrument is not active, standard practice estimation methods and valuation techniques are used which consider all the risk factors correlated to the instruments and that are based on market elements such as: valuation of quoted instruments with the same characteristics, calculation of discounted cash flows, option pricing models, recent comparable transactions, etc. Equities, quotas of UCI and derivative instruments which have equities as underlying assets, which are not quoted on an active market, for which it is not possible to determine a reliable fair value according to the guidelines listed above, are maintained at cost.

Derecognition criteria
Financial assets are derecognised solely if the sale leads to the substantial transfer of all the risks and rewards connected to the assets. Conversely, if a significant part of the risks and rewards relative to the sold financial assets is maintained, they continue to be recorded in assets, even though their title has been transferred.
When it is not possible to ascertain the substantial transfer of risks and rewards, the financial assets are derecognised where no control over the assets has been maintained. If this is not the case, when control, even partial, is maintained, the assets continue to be recognised for the entity’s continuing involvement, measured by the exposure to changes in value of assets sold and to variations in the relevant cash flows.
Lastly, financial assets sold are derecognised if the entity retains the contractual rights to receive the cash flows of the asset, but signs a simultaneous obligation to pay such cash flows, and only such cash flows, to third parties.

2. Financial assets available for sale

Classification criteria
This category includes the financial assets that do not fall within any of the other categories such as Loans, Financial assets held for trading, Investments held to maturity or Financial assets designated at fair value through profit and loss. In particular, this caption is made up of i) bonds which are not held for trading and which are not included in Loans and Receivables, in Investments held to maturity or designated at fair value through profit and loss, ii) equity investments which are not held for trading and do not qualify as investments in subsidiaries, associates or entities subject to joint control, including private equity investments and private equity funds as well as iii) the portions of syndicated loans that, from inception, are destined for sale.
In the cases provided for by the accounting standards, reclassifications are only permitted towards the category Investments held to maturity. Moreover, debt securities may be reclassified into the category Investments held to maturity as well as under Loans, when there is the intention to hold them in the foreseeable future and when the recognition criteria are met. The transfer value is the fair value at the time of the reclassification.

Recognition criteria
Initial recognition of the financial asset occurs at settlement date for debt securities and equities and at disbursement date for loans.
On initial recognition, assets are recorded at fair value, including transaction costs and revenues directly attributable to the instrument.
If, in the cases provided for by the accounting standards, recognition occurs following the reclassification from Investments held to maturity or, in rare circumstances, from Financial assets held for trading, the recognition value is the fair value as at the time of transfer.

Measurement criteria
After initial recognition, Financial assets available for sale are measured at fair value, through the registration in the income statement of the value corresponding to amortised cost, while gains or losses deriving from a change in fair value are recorded in a specific reserve in shareholders' equity, until the financial asset is derecognised or a permanent loss occurs. On the total or partial sale of the financial asset or on recognition of a loss, the cumulated profit or loss must be reversed, all or in part, to the income statement.
Fair value is determined on the basis of the criteria already illustrated for financial assets held for trading.
Equities included in this category and quotas of UCI which have equities as underlying assets, which are not quoted on an active market, for which it is not possible to determine a reliable fair value, are maintained at cost.
Financial assets available for sale are assessed to identify if they show objective evidence of an impairment loss.
If such evidence exists, the loss is measured as the difference between the carrying value of the asset and its fair value.
Should the reasons for impairment cease to exist, following an event occurred after the registration of the impairment, value recoveries are posted through the income statement in the case of loans or debt securities, and through shareholders' equity in the case of equities. The size of the recovery must not lead the carrying amount of the financial asset to exceed the amortised cost had no impairment losses been recognised in previous periods.

Derecognition criteria
Financial assets are derecognised solely if the sale leads to the substantial transfer of all the risks and rewards connected to the assets. Conversely, if a significant part of the risks and rewards relative to the sold financial assets is maintained, they continue to be recorded in assets, even though their title has been transferred.
When it is not possible to ascertain the substantial transfer of risks and rewards, the financial assets are derecognised where no control over the assets has been maintained. If this is not the case, when control, even partial, is maintained, the assets continue to be recognised for the entity's continuing involvement, measured by the exposure to changes in value of assets sold and to variations in the relevant cash flows.
Lastly, financial assets sold are derecognised if the entity retains the contractual rights to receive the cash flows of the asset, but signs a simultaneous obligation to pay such cash flows, and only such cash flows, to third parties.

3. Investments held to maturity

Classification criteria
Quoted debt securities with fixed or determinable payments and fixed maturity, which the entity has the positive intention and ability to hold to maturity, are classified in this category.
In the cases provided for by the accounting standards, reclassifications are only permitted towards the category Financial assets available for sale. If during a year, prior to expiry, more than an insignificant amount classified under this category is sold or reclassified, the remaining investments held to maturity are reclassified as Financial assets available for sale and the portfolio in question may not be used for the next two years, unless the sales and reclassifications:
– are so close to maturity or the financial asset's call date that changes in the market rate of interest would not have a significant effect on the financial asset's fair value;
– occur after the entity has collected substantially all of the financial asset's original principal through scheduled payments or prepayments; or
– are attributable to an isolated event that is beyond the entity's control, is non-recurring and could not have been reasonably anticipated by the entity.

Recognition criteria
Initial recognition of financial assets occurs at settlement date.
On initial recognition, financial assets classified in this category are recorded at fair value, inclusive of any costs and revenues directly attributable to the asset.
If inclusion in this category occurs following reclassification from Financial assets available for sale or, in rare circumstances, from Financial assets held for trading, the fair value of the asset as at the date of reclassification is used as the new amortised cost of the asset.

Measurement criteria
After the initial recognition, Investments held to maturity are valued at amortised cost, using the effective interest method.
Profits or losses referred to investments held to maturity are recorded in the income statement when assets are derecognised or impaired, and through the amortisation process of the difference between book value and the value reimbursable at maturity.
Investments held to maturity are assessed to identify if they show objective evidence of an impairment loss.
If such evidence exists, the loss is measured as the difference between the carrying value of the asset and the present value of the estimated future cash flows, discounted at the original effective interest rate. The loss is recorded in the income statement.
If the reasons for impairment are no longer applicable following an event subsequent to the registration of impairment, recoveries are recorded in the income statement. The size of the recovery must not lead the carrying amount of the financial asset to exceed the amortised cost had no impairment losses been recognised in previous periods.

Derecognition criteria
Financial assets are derecognised solely if the sale leads to the substantial transfer of all the risks and rewards connected to the assets. Conversely, if a significant part of the risks and rewards relative to the sold financial assets is maintained, they continue to be recorded in assets, even though their title has been transferred.
When it is not possible to ascertain the substantial transfer of risks and rewards, the financial assets are derecognised where no control over the assets has been maintained. If this is not the case, when control, even partial, is maintained, the assets continue to be recognised for the entity's continuing involvement, measured by the exposure to changes in value of assets sold and to variations in the relevant cash flows.
Lastly, financial assets sold are derecognised if the entity retains the contractual rights to receive the cash flows of the asset, but signs a simultaneous obligation to pay such cash flows, and only such cash flows, to third parties.

4. Loans

Classification criteria
Loans include loans to customers and due from banks, both disbursed directly and acquired by third parties, which entail fixed or in any case determinable payments, which are not quoted on an active market and which are not classified at inception in Financial assets available for sale.
The caption Loans to customers also includes commercial loans, repurchase agreements with the obligation to resell at a later date, and securities underwritten at issue or via private placements, with determined or determinable payments, not quoted in active markets.
Reclassifications to the other categories of financial assets established in IAS 39 are not permitted.

Recognition criteria
Initial recognition of a loan occurs at the date of subscription of the contract that normally coincides with the disbursement date. Should this not be the case, a commitment to disburse funds is made along the subscription of the contract, which will cease to exist upon disbursement of the loan. The loan is recognised based on its fair value, equal to the amount disbursed or subscription price, inclusive of the costs/revenues directly attributable to the single loan and determinable from inception, even when settled at a later date. Costs that, even with the aforementioned characteristics, are reimbursed by the borrower or are classifiable as normal internal administrative costs are excluded.
If, in rare circumstances, the inclusion in this category occurs following reclassification from Financial assets available for sale or from Financial assets held for trading, the fair value of the asset as at the date of reclassification is used as the new amortised cost of the asset.

Measurement criteria
After initial recognition, loans are measured at amortised cost, equal to initial value increased/decreased by principal repayments, adjustments/recoveries and amortisation – calculated applying the effective interest method – of the difference between amount disbursed and amount to be reimbursed at maturity, typically attributable to the costs/revenues directly connected to the single loan. The effective interest rate is the rate that exactly discounts estimated future cash payments of the loan, for principal and interest, to the amount disbursed inclusive of the costs/revenues attributable to the loan. This measurement method uses a financial approach and allows distribution of the economic effect of the costs/revenues through the expected residual maturity of the loan.
The amortised cost method is not used for loans whose short maturity implies that the application of the discounting approach leads to immaterial effects. Such loans are recorded at historical cost. An analogous measurement criterion is applied to loans with unspecified maturity or with notice period.
Loans are reassessed for the purpose of identifying those which, due to events occurred after initial recognition, show objective evidence of possible impairment. These include doubtful loans, substandard, restructured or past due loans according to the rules issued by the Bank of Italy, consistent with IAS/IFRS regulations.
Three different cases of restructuring of credit exposures may be identified:
– proper restructurings (as defined in Bank of Italy Circular 272);
– renegotiations;
– the discharge of debt through substitution of the debtor or debt-for-equity swap.
In accordance with the Bank of Italy regulations, debt (credit exposure) restructuring is defined as a transaction whereby the bank, for economic reasons, makes a concession to the debtor, in consideration of the financial difficulties experienced by the debtor, which concession the bank otherwise would not have made and which results in a loss for the creditor. The bank's concession essentially consists of a waiver of certain of its contractually defined rights, which translates into an immediate or deferred benefit for the debtor, which derives an advantage from such waiver, and in a corresponding loss for the bank. The effects of such waiver are measured by the decrease (increase) in the economic value of the loan (debt) compared to the carrying amount of the loan (debt) prior to restructuring.
Relationships that fall into this category are classified among non-performing loans.
The renegotiation of credit exposures granted by the Bank with respect to performing loans to customers is substantially similar to the opening of a new position, when it is due to commercial reasons other than the deterioration in the borrower's financial situation, provided that the interest rate applied is a market rate at the renegotiation date.
As an alternative to the scenarios outlined above (restructurings and renegotiations), the bank and debtor may agree on the discharge of the original debt through:
– novation or assumption by another debtor (assignment with release);
– substantial modification of the nature of the contract involving a debt-equity swap.
Such events, since they entail a substantial modification of the contractual terms, from an accounting standpoint result in the extinguishment of the previous relationship and the ensuing recognition of the new relationship at fair value, with the recognition in the income statement of a gain or loss equal to the difference between the book value of the former loan and the fair value of the assets received.

Non-performing loans undergo an individual measurement process, or the calculation of the expected loss for homogeneous categories and analytical allocation to each position, and the amount of the adjustment of each loan is the difference between its carrying value at the time of measurement (amortised cost) and the present value of expected future cash flows, discounted using the original effective interest rate.
Expected cash flows consider forecast recovery periods, presumed realisable value of guarantees as well as the costs sustained for the recovery of credit exposure.
The original effective rate of each loan remains unchanged over time even though the relationship has been restructured with a variation of the contractual interest rate and even though the relationship, in practice, no longer bears contractual interest.
The adjustment is recorded in the income statement.
The original value of loans is reinstated in subsequent periods to the extent that the reasons which had led to the impairment cease to exist, provided that such valuation is objectively attributed to an event which occurred subsequent to the impairment. The recovery is recorded in the income statement and must not lead the carrying amount of the loan to exceed the amortised cost had no impairment losses been recognised in previous periods.
Recoveries on impairment include time value effects.
Loans for which no objective evidence of loss has emerged from individual measurement are subject to collective measurement. Collective measurement occurs for homogeneous loan categories in terms of credit risk and the relative loss percentages are estimated considering past time-series and other objective elements observable at measurement date, which enable the latent loss to be estimated for each loan category. Measurement also considers the risk connected to the borrower's country of residence.
Collective adjustments are recorded in the income statement.

Derecognition criteria
Loans sold are derecognised solely if the sale leads to the substantial transfer of all the risks and rewards connected to the loans. Conversely, if a significant part of the risks and rewards relative to the sold loans is maintained, they continue to be recorded in assets, even though their title has been transferred.
When it is not possible to ascertain the substantial transfer of risks and rewards, the loans are derecognised where no control over the loans has been maintained. If this is not the case, when control, even partial, is maintained, then the loans continue to be recognised for the entity's continuing involvement, measured by the exposure to changes in value of loans sold and to variations in the relevant cash flows.
Lastly, loans sold are derecognised if the entity retains the contractual rights to receive the cash flows of the loan, but signs a simultaneous obligation to pay such cash flows, and only such cash flows, to third parties.

5. Financial assets designated at fair value through profit and loss

Classification criteria
IAS/IFRS endorsed by the European Commission enable the classification as financial instruments designated at fair value through profit and loss of any financial asset thus defined at the moment of acquisition, in compliance with the cases contemplated in the reference regulations.
Reclassifications to the other categories of financial assets are not permitted.
The Group has only classified in this category investments with respect to insurance policies and certain debt securities with incorporated derivatives or debt securities subject to financial hedging and equity investments held, directly or through funds, in companies involved in the venture capital business.

Recognition criteria
On initial recognition, financial assets are recognised at fair value, without considering transaction costs or revenues directly attributable to the instrument.

Measurement criteria
After initial recognition, the financial instruments in question are measured at fair value. The effects of the application of this measurement criterion are recorded in the income statement.

Derecognition criteria
Financial assets are derecognised solely if the sale leads to the substantial transfer of all the risks and rewards connected to the assets. Conversely, if a significant part of the risks and rewards relative to the sold financial assets is maintained, they continue to be recorded in assets, even though their title has been transferred.
When it is not possible to ascertain the substantial transfer of risks and rewards, the financial assets are derecognised where no control over the assets has been maintained. If this is not the case, when control, even partial, is maintained, the assets continue to be recognised for the entity's continuing involvement, measured by the exposure to changes in value of assets sold and to variations in the relevant cash flows.
Lastly, financial assets sold are derecognised if the entity retains the contractual rights to receive the cash flows of the asset, but signs a simultaneous obligation to pay such cash flows, and only such cash flows, to third parties.

6. Hedging transactions

Classification criteria: type of hedge
Hedging transactions are aimed at neutralising potential losses on a specific item or group of items, attributable to a certain risk, if such a risk should actually occur.
The following types of hedging transactions are used:
– fair value hedge: which has the objective of covering exposure to changes in the fair value (attributable to the different risk categories) of assets and liabilities in the balance sheet, or on a portion of these, of groups of assets/liabilities, of binding commitments and portfolios of financial assets and liabilities, including "core deposits", as permitted by IAS 39 endorsed by the European Commission;

– cash flow hedge: which has the objective of covering exposure to variability in future cash flows attributable to particular risks associated with balance sheet captions. This type of hedge is essentially used to stabilise the interest flow on floating rate funding to the extent that the latter finances fixed rate investments. In certain circumstances, similar transactions are carried out with respect to some types of floating rate investments;
– hedges of net investments in foreign currency: which refer to the coverage of the risks of net investments in foreign operations expressed in their original currency.

Only hedging transactions which involve counterparties outside the Group may qualify for hedge accounting.

Recognition criteria
Hedging derivative instruments, like all derivatives, are initially recognised and subsequently measured at fair value.

Measurement criteria
Hedging derivatives are measured at fair value. In particular:
– in the case of fair value hedges, the change in the fair value of the hedged item is offset by the change in fair value of the hedging instrument. Offsetting is recognised via the registration in the income statement of the gains and losses referred to both the hedged item (as concerns the variations produced by the underlying risk factor), and the hedging instrument. Any difference, which represents the partial ineffectiveness of the hedge, is therefore the net economic effect;
– in the case of cash flow hedges, changes in fair value of the derivative are recorded in equity, for the effective portion of the hedge, and these are registered in the income statement only when, with reference to the hedged item, there is a variation in the flows to be offset or if the hedge is ineffective;
– hedges of net investments in foreign currency are treated in the same way as cash flow hedges.

Derivatives are designated as hedging instruments if there is formal designation and documentation of the hedging relationship between the hedged item and the hedging instrument and if this is effective at inception and prospectively over the entire period of the hedge.
The effectiveness of the hedge depends on the extent to which changes in the fair value of the hedged item or the relating expected cash flows are offset by those of the hedging instrument. Therefore, effectiveness is appraised by comparing the aforementioned changes, considering the intent pursued by the entity at the time in which it entered the hedging transaction.
A hedge is effective when the variations in fair value (or cash flows) of the hedging financial instrument almost completely neutralise, that is within the 80-125% range, the changes in the fair value of the hedged item, for the type of risk being hedged.
Effectiveness is assessed at every close of annual or interim financial statements using:
– prospective tests, which justify the application of hedge accounting, since these prove the expected effectiveness of the hedge;
– retrospective tests, which demonstrate the effectiveness of the hedge for the reference period, or measures how much the effective results diverge from perfect coverage.

If such assessments do not confirm hedge effectiveness, from that moment hedge accounting is discontinued, the derivative is reclassified in instruments held for trading and the hedged item is measured on the basis of its classification in the balance sheet.

7. Investments in associates and companies subject to joint control

Recognition, classification and measurement criteria
The caption includes investments in companies subject to joint control and associates.
Entities are considered to be companies subject to joint control if control is contractually shared between the Group and one or more other parties, or where the decisions about the relevant activities require the unanimous consent from all parties sharing control.
Companies are considered subject to significant influence (associates), when the Group holds 20% or more of the voting rights (including "potential" voting rights) or if it – with a lower equity stake – has the power of participating in the determination of financial and management policies of the company based on specific juridical relations, such as the participation in voting syndicates. Certain companies in which the Group holds a stake exceeding 20% are not considered subject to significant influence since it solely has economic rights on a portion of the returns generated by the investment, but does not have access to management policies and may exercise governance rights limited to the safeguarding of its economic interests.
If there is evidence of impairment, the recoverable amount of the investment is estimated, considering the present value of the future cash flows which may be generated by the investment, including the final disposal value.
If the recoverable amount is lower than the carrying value, the difference is recorded in the income statement.
If the reasons for impairment are no longer applicable following an event subsequent to the registration of impairment, recoveries are recorded in the income statement.

Derecognition criteria
Equity investments are derecognised when the contractual rights to the cash flows from the assets expire or when the investment is sold, substantially transferring all the risks and rewards connected to the assets.

8. Property and equipment

Classification criteria
Property and equipment include land, buildings used in operations, investment property, technical plants, furniture and fittings and any type of equipment that are expected to be used during more than one period.
Property and equipment held for use in the production or supply of goods and services are classified as "Property and equipment used in operations", in accordance with IAS 16. Real estate owned for investment purposes (to obtain rental income or gains on the capital invested) is classified as "Investment property" based on IAS 40.
Property and equipment also include the goods used in financial lease contracts, even though the ownership remains in the books of the lessor.

Recognition criteria
Property and equipment are initially measured at cost which comprises in addition to their purchase price any costs directly attributable to the purchase and required for them to be operational.
Extraordinary maintenance expenses which lead to a rise in future economic benefits are attributed to increase the value of assets, while other ordinary maintenance costs are recorded in the income statement.

Measurement criteria
Property and equipment, including investment property, are measured at cost, net of depreciation and impairment losses.
Property and equipment are systematically depreciated, adopting the straight-line method over their useful life. The depreciable amount is the cost of the goods since the residual value at the end of the depreciation period is not deemed to be significant. Buildings are depreciated for a portion deemed to be suitable to represent their deterioration over time following their use, considering extraordinary maintenance expenses, which are recognised in the carrying value of the assets.
The following are not depreciated:
– land, irrespective of whether acquired individually or embedded in the value of buildings, since it has an indefinite useful life;
– works of art, since the useful life of a work of art cannot be estimated and its value is normally destined to increase over time.

If there is some evidence that an asset may have been impaired, the carrying value of the asset and its recoverable amount are compared. Any impairment losses are recorded in the income statement.
If the reasons for impairment cease to exist, a value recovery is recorded and may not exceed the value that the asset would have had, net of depreciation, determined in the absence of previous impairment losses.

Derecognition criteria
Property and equipment are derecognised from the balance sheet on disposal or when the asset is permanently withdrawn from use and no future economic benefits are expected from its disposal.

9. Intangible assets

Classification criteria
Intangible assets are recognised as such if they may be identified and stem from legal or contractual rights. Intangible assets include goodwill, which represents the positive difference between purchase price and fair value of assets and liabilities pertaining to the acquired company.

Recognition and measurement criteria
Intangible assets are recognised at cost, adjusted for any accessory charges only if it is probable that the future economic benefits attributable to the assets will be realised and if the cost of the asset may be reliably determined. If this is not the case the cost of the intangible asset is recorded in the income statement in the year in which it was sustained.
For assets with finite useful life, the cost is amortised on a straight-line basis or in decreasing portions determined on the basis of the economic benefits expected from the asset. Assets with indefinite useful life are not subject to systematic amortisation, but are periodically subjected to impairment testing.
If there is any indication that an asset may have suffered impairment losses, the asset's recoverable amount is estimated. The impairment loss, which is recorded in the income statement, is equal to the difference between the book value of the assets and the recoverable amount.
In particular, intangible assets include:
– technology related intangibles, such as software, which are amortised on the basis of their expected technological obsolescence and over a maximum period of seven years. The costs incurred internally for the development of software projects are considered as intangible assets and are recognised under assets only when all the following conditions are met: i) the cost attributable to the intangible asset during its development can be measured reliably, (ii) there is the intention, the availability of financial resources and the technical ability of making the intangible asset available for use or sale, (iii) the future economic benefits to be generated by the asset can be demonstrated. Software development capitalised costs only comprise the costs directly attributable to the development process. Capitalised software development costs are amortised systematically over the estimated useful life of the relevant product/service so as to reflect the pattern in which the asset's future economic benefits are expected to be consumed by the business from the beginning of production over the product's estimated life;
– customer related intangibles represented, in business combinations, by asset management, insurance and core deposits portfolios. Such assets, all with a finite life, are originally measured by the discounting, using a rate representing the time value of money and the asset's specific risks, of the income margins on the ongoing relations at the time of the business combination over a period which expresses their residual, contractual or estimated life. They are amortised on a straight-line basis over the period of greater significance of the expected economic benefits in case of relations which do not have a predetermined duration or in decreasing portions corresponding to the duration of the contract in case of relations with predetermined expiry. More specifically, asset management relations are amortised over a period of 7-10 years, core deposits in 18-24 years and relations from insurance contracts in decreasing portions corresponding to the residual maturity of the policies;
– marketing related intangibles represented by the measurement of the brand name which is also recorded at the time of business combinations. This asset is considered as having indefinite life since it is deemed to contribute for an indefinite period of time to the formation of income flows.

Lastly, intangible assets include goodwill.
With respect to business combinations, goodwill may be recorded when the positive difference between the consideration transferred and the fair value recognition, if any, of minority interests, and the fair value of shareholders' equity acquired is representative of the future income-generation potential of the equity investment.
If this difference should be negative (badwill) or if goodwill may not be attributed considering future income-generation potential of the equity investments, the same difference is directly recorded in the income statement.

Once a year (or every time that there is evidence of impairment losses), an impairment test is carried out for goodwill. This requires the identification of the cash-generating unit to which goodwill is allocated. The cash generating units of the Intesa Sanpaolo Group correspond to the operating divisions presented in segment reporting. Any impairment losses are determined on the basis of the difference between the recognition value of goodwill and its recoverable amount, if lower. The recoverable amount is equal to the higher between the fair value of the cash-generating unit, less any cost to sell, and the relative value in use. The consequent adjustments are posted in the income statement.

Derecognition criteria
Intangible assets are derecognised from the balance sheet on disposal and if no future economic benefits are expected.

10. Other assets
Apart from items awaiting classification and items not attributable to other captions of the balance sheet, other assets include property and other assets deriving from credit collection through the enforcement of guarantees or purchases at auction, in the event the property was acquired during normal operations of the credit business, with the intention to sell in the near future without carrying out any significant refurbishment works. Assets falling under this category (inventories, according to the definition of IAS 2) are included in caption 150 "Other assets".
These assets, classified in accordance with IAS 2, are measured at the lesser of cost and net realisable value, without prejudice to the comparison between the asset's carrying amount and its recoverable value where there is an indication that the asset may have been impaired. Any impairment losses are recorded in the income statement.

11. Non-current assets held for sale and discontinued operations and related liabilities
Non-current assets/liabilities for which a disposal process has commenced and for which disposal is deemed to be extremely probable are recorded in assets under Non-current assets held for sale and discontinued operations and in liabilities under Liabilities associated with non-current assets held for sale and discontinued operations. Such assets/liabilities are measured at the lower between the carrying amount and their fair value less costs to sell.
The income and charges (net of tax) attributable to non-current assets held for sale and discontinued operations or recorded as such in the year are recognised in the income statement in a separate caption.

12. Current and deferred tax
Income tax, calculated according to domestic tax regulations, is accounted for as a cost in compliance with the accruals concept, in line with the method followed to include, in the financial statements, the costs and income that generated it. Therefore, it represents the balance of current and deferred income taxes for the year. Current tax assets and liabilities include the tax balances of the Group companies due to the relevant Italian and foreign tax authorities. More specifically, these captions include the net balance of current tax liabilities for the year, calculated on the basis of a prudent estimate of the tax charges due for the year, assessed according to the tax regulations currently in force, and the current tax assets represented by advances paid and other tax credits for withholding taxes borne or tax credits of previous years that the Group companies claimed against taxes payable in future years.
Current tax assets also include tax credits in respect of which the Group has requested reimbursement from the applicable fiscal authorities, as well as the sums disbursed on a preliminary basis in the course of disputes with the Tax Department; the risk inherent in such proceedings and the risks inherent in proceedings where preliminary disbursements have not been requested, are evaluated in applying the principles contained in IAS 37 regarding the best estimate of the economic resources required.

Considering the Group’s adoption of the national fiscal consolidation provisions, tax positions which may be referred to the Bank and those originated by other Group companies are managed separately from an administrative standpoint.
Deferred taxation is calculated according to the balance sheet liability method, taking into account the tax effect of the temporary differences between the book value of the assets and liabilities and their value for taxation purposes, which will determine taxable income or deductible amounts in the future. To this end, “taxable temporary differences” are differences which will give rise to taxable income in future years while “deductible temporary differences” are those which will give rise to deductible amounts in future years.
Deferred tax liabilities are calculated by applying the tax rates currently in force to taxable temporary differences that are likely to generate a tax burden, and to the deductible temporary differences for which it is likely that there will be future taxable amounts at the time when the related tax deductibility occurs (so-called probability test). Deferred tax assets and liabilities related to the same tax and due in the same period are compensated.
If deferred tax assets and liabilities refer to items affecting the Income statement, the counterbalance is represented by income taxes.
Where deferred tax assets and liabilities relate to transactions that have been recorded in shareholders' equity without affecting earnings (such as adjustments on IAS/IFRS first-time adoption, evaluations of financial assets available for sale or of cash flow hedge derivative contracts), the balancing entry is made in shareholders' equity, under specific reserves where so provided (e.g. valuation reserves).
Deferred taxation on equity reserves that will become taxable "however used" is charged against shareholders’ equity. Deferred taxation relating to revaluations arising on conversion to the euro, credited directly to a specific reserve named “Reserve pursuant to Article 21 of Legislative Decree 213/98”, which qualify for deferred taxation, is charged directly against this reserve.
No provision is made for reserves subject to taxation only in the event of distribution, since the size of the available reserves which have already been taxed, leads to the belief that the Bank will not undertake any transactions which may cause taxation of the untaxed reserves.
Deferred tax liabilities referred to companies included in the fiscal consolidation are reported in their financial statements, in application of the matching principle and in consideration of the fact that the effects of fiscal consolidation are limited to the settlement of current tax positions.
Deferred taxation on shareholders' equity items of consolidated companies is not recorded in the financial statements if it is unlikely that any tax liability will actually arise, also bearing in mind the permanent nature of the investment.

13. Allowances for risks and charges

Post-employment benefits
Company post-employment benefits are based on agreements and qualify as defined benefit plans. Liabilities related to such plans and the relative cost of current service are determined on the basis of actuarial assumptions based on the Projected Unit Credit Method. This method sets out that future obligations are forecast using past time-series analyses and the demographic curve and that such future cash flows are discounted based on a market interest rate. The provisions made in each year of service are considered separately and give rise to an additional unit of benefit entitlement for the purposes of the final obligation. The discounting rate is determined on the basis of market returns, surveyed as at the date of measurement, on high-quality corporate bonds, taking account of the residual average life of the liability. The present value of the liability at the reference date of the financial statements is also adjusted by the fair value of any plan assets.
Actuarial profits and losses (namely the changes in the current value of the obligation resulting from changes in the actuarial assumptions and adjustments based on past experience) are recognised in the statement of comprehensive income.

Other allowances
Other allowances for risks and charges record provisions related to legal obligations or connected to labour relationships or to litigations, also of a fiscal nature, originating from a past event for which a disbursement will probably arise to settle the obligations, provided that the amount of the disbursement may be estimated reliably.
Consequently, a provision is recognised when, and only when:
– there is a present obligation (legal or constructive) as a result of a past event;
– it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
– a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the reference date of the financial statements and take into account the risks and uncertainties that inevitably surround many events and circumstances. Where time value is significant, provisions are discounted using current market rates. Provisions and increases due to time value are recorded in the income statement.

If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation or when the obligation is settled, the provision should be reversed.

The caption also includes long-term benefits to employees, whose charges are determined with the same actuarial criteria described for post-employment benefits. Actuarial profits and losses are all immediately recognised in the income statement.

14. Payables and securities issued

Classification criteria
Amounts Due to banks, Due to customers and Securities issued include various forms of funding on the interbank market and with customers, repurchase agreements with commitment to repurchase and funding via certificates of deposit, bonds issued and other funding instruments in circulation, net of any amounts repurchased.
It also includes the payables recorded by the entity in the capacity of lessee in financial lease transactions.

Recognition criteria
Initial recognition of these financial liabilities occurs at the date of subscription of the contract, which normally coincides with the time of collection of the sums deposited or the issue of debt securities.
Initial recognition is based on the fair value of the liabilities, normally equal to the amount collected or the issue price, increased by any additional charges/revenues directly attributable to the single funding or issuing transaction. Internal administrative costs are excluded.

Measurement criteria
After initial recognition, financial liabilities are measured at amortised cost with the effective interest method.
An exception is made for short-term liabilities, where time value is immaterial, which are stated at collected amount.

Derecognition criteria
Financial liabilities are derecognised from the balance sheet when they have expired or extinguished. Derecognition also occurs for repurchase of previously-issued bonds. The difference between book value of the liability and amount paid for repurchase is recorded in the income statement.
Placement of own securities, after their repurchase, is considered a new issue with recognition at the new placement price.

15. Financial liabilities held for trading

Recognition criteria
These financial instruments are recognised at the subscription or issue date at cost, which reflects the fair value of the instrument, without taking into account directly attributable transaction costs or revenues.
This liability category includes, specifically, the negative value of trading derivatives as well as the negative value of embedded derivatives in combined contracts but which are not closely correlated to the latter. It also includes liabilities determined by short selling generated by securities trading activities and certificates.

Measurement criteria
All financial liabilities held for trading are designated at fair value through profit and loss.

Derecognition criteria
Financial liabilities held for trading are derecognised when the contractual rights to the related cash flows expire or when the financial liability is sold with the substantial transfer of all the risks and rewards connected to it.

16. Financial liabilities designated at fair value through profit and loss

Classification criteria
Financial liabilities designated at fair value through profit and loss are recorded under this caption, on the basis of the fair value option given to companies by IAS 39, in compliance with the cases contemplated in the reference regulations.
The Group exercised the fair value option for liabilities, designating insurance products without a significant insurance risk and which are not included under separate management, and therefore do not envisage discretionary profit-sharing features. Investments relating to such forms of deposits, as already reported, were also designated at fair value, thereby eliminating or considerably reducing "accounting biases" that would otherwise have arisen from measuring assets and liabilities on the basis of different accounting criteria.

Recognition criteria
These liabilities are recorded at fair value as at the date of issue, including the value of any embedded derivatives, net of placement fees paid.

Measurement criteria
These liabilities are measured at fair value through profit and loss.

Derecognition criteria
The financial liabilities measured at fair value through profit and loss are derecognised when the contractual rights to the related cash flows expire or when the financial liability is sold with the substantial transfer of all the risks and rewards connected to it.

17. Foreign currency transactions

Initial recognition
Foreign currency transactions are recorded, on initial recognition, in the functional currency, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

Subsequent measurement
At every close of annual or interim financial statements, captions in foreign currency are measured as follows:
– foreign currency monetary items are translated using the closing rate;
– non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction;
– non-monetary items that are measured at fair value in a foreign currency are translated using the closing rates.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements are recognised through profit and loss in the period in which they arise.
When a gain or loss on a non-monetary item is recognised directly in equity, any exchange component of that gain or loss is recognised directly in equity. Conversely, when a gain or loss on a non-monetary item is recognised through profit and loss, any exchange component of that gain or loss is recognised through profit and loss.

18. Insurance assets and liabilities

Insurance products
Products for which insurance risk is deemed significant include: temporary first branch death policies and income and mixed policies with guaranteed fixed conversion rates at the time of issue, and certain types of unit-linked policies and damage cover. As regards these products, IAS/IFRS substantially confirm the national accounting standards concerning insurance. In brief, IFRS 4 sets forth:
– gross premiums are to be recorded in the income statement under income; they include all amounts matured during the year as a result of insurance contracts signed, net of cancellations; likewise, all premiums ceded to reinsurers are recorded under current year costs;
– with respect to gross premiums, the corresponding commitment towards the insured is accrued in technical reserves, such amount being calculated on a contract-by-contract basis in accordance with applicable local accounting principles. In accordance with IFRS 4, the Group assesses the adequacy of the carrying amount of recorded liabilities using the Liability Adequacy Test (LAT);
– the insurance products entered under separate management are valued by applying "shadow accounting," whereby the differences between the book value and the market value of securities classified as securities available for sale are allocated to technical reserves as regards the insured parties' portion and to shareholders' equity as regards the insurance companies' portion. If, on the other hand, the securities are recorded at fair value in the income statement, the difference between the book value and the market value is recorded in the income statement giving rise to a change in technical reserves equal to the amount of the insured parties' portion;

– in determining shadow accounting, the Group uses the retrocession average rate and the minimum guaranteed rate established in accordance with the contractual conditions of the various products associated with each portfolio management;
– liabilities related to products with discretionary participation features are given as a whole with no distinction between the guaranteed component and the discretionary participation feature.

Financial products included under separate management

Financial products included under separate management, despite their not being subject to significant insurance risk, and which therefore contain discretionary participation features, include the majority of life policies and mixed first branch policies, as well as fifth branch capitalisation policies. These are accounted for according to the principles set forth in IFRS 4. These principles may be summarised as:

– the products are shown in the financial statements according to principles that essentially reflect those locally in force on the subject, any premiums, payments and changes in technical reserves being recorded in the income statement;
– as stated in the previous paragraph, shadow accounting is applied to the insurance products entered under separate management which, therefore, have discretionary participation features;
– in determining shadow accounting, the Group uses the retrocession average rate and the minimum guaranteed rate established in accordance with the contractual conditions of the various products associated with each portfolio management;
– liabilities related to products with discretionary participation features are given as a whole with no distinction between the guaranteed component and the discretionary participation feature.

Financial products not included under separate management

Financial products without a significant insurance risk and which are not included under separate management, and therefore do not envisage discretionary participation features, are stated in the financial statements as financial liabilities and are valued at fair value, on the basis of the envisaged option (Fair Value Option), or at amortised cost. These financial products are essentially index-linked policies and part of the unit-linked ones, as well as policies with specific assets not included under separate management. These products are accounted for according to the principles set forth in IAS 39, as summarised below:

– the portion of index- and unit-linked policies that are considered investment contracts are measured at fair value, whereas the specific asset products not included under separate management are measured at amortised cost;
– the income statement does not reflect the premiums relating to these products, but just the revenue components, represented by charges and commissions, and the cost components, comprising provisions and other charges; it also reflects the costs or revenues represented by the changes in the fair value of the liabilities incurred against these contracts. More specifically, the international accounting standards, contained in IAS 39 and 18, provide that, for the liabilities designated at fair value, income and costs relating to the products in question be identified and classified under two headings: (i) origination, to be recorded in the income statement at the time the product is issued and (ii) investment and management services, to be amortised over the life of the product which depends on how the service is provided. In addition, as regards specific asset products not included under separate management, incremental cost and income items are included in the calculation of the amount to be amortised;
– the insurance component included in the index- and unit-linked products, where it can be unbundled, is independently valued and recorded.

19. Other information

Treasury shares

Any treasury shares held are directly deducted from equity. Similarly, their original cost and the profits or losses deriving from their subsequent sale are recorded in equity.

Accruals, prepayments and deferrals

Accruals, prepayments and deferrals for the year that include income and charges for the year, accrued on assets and liabilities, are shown in the financial statements as an increase or decrease of the assets and liabilities to which they are related.

Leasehold improvements

The costs sustained for restructuring property belonging to third parties are capitalised in consideration of the fact that for the duration of the rental contract the using company has control of the assets and may receive their future economic benefits. These costs, recorded in Other assets as provided for by the instructions of the Bank of Italy, are amortised over a period which must not exceed the duration of the rental contract.

Employee termination indemnities

Employee termination indemnities qualify as a “post-employment benefit” classified as:

– a “defined contribution plan” to the extent of the portions accruing from 1 January 2007 (the date the reform of the supplementary pension schemes came into force pursuant to Legislative Decree 252 of 5 December 2005) when the employee opted for the complementary pension scheme or decided to allocate such portions to the INPS (the Italian Social Security Institute) Treasury fund. Therefore, the amounts, recorded under personnel expenses, are determined on the basis of amounts due without the application of actuarial calculation;
– a “defined benefit plan”, therefore recognised in the financial statements on the basis of the actuarial value determined using the "Projected Unit Credit Method" to the extent of the portions accrued until 31 December 2006.

These amounts are recognised at their actuarial value determined using the “Projected Unit Credit Method”, without applying the pro-rata of the service rendered. Indeed, the current service cost of employee termination indemnities is almost entirely accrued and its revaluation in the years to come is not expected to generate significant benefits for employees.

For the purposes of discounting, the rate used is the market yield of high-quality corporate bonds taking into account the average remaining life of the liability, weighted based on the percentage amount paid and advanced, for each maturity, with respect to the total to be paid and advanced until the expiry of the entire obligation.

The plan's costs are recorded under personnel expenses, while actuarial profits and losses are recognised in the statement of comprehensive income.

Provisions for guarantees and commitments
Provisions made on an individual and collective basis, relative to estimated possible disbursements connected to credit risk relative to guarantees and commitments, determined applying the same criteria set out above with respect to loans, are recorded under Other liabilities, as set out by Bank of Italy instructions.

Share-based payments
Share-based payments are recorded in the income statement, with a corresponding increase in shareholders' equity, on the basis of the fair value of financial instruments attributed at assignment date, dividing the charge over the period set forth by the plan.
In the case of options, the fair value is calculated using a model which considers, in addition to information such as strike price and expiry date of the option, spot price of the shares and their expected volatility, expected dividends and the risk-free interest rate, as well as the specific characteristics of the plan. The pricing model values the option and the probability of realisation of the condition on the basis of which the options have been assigned. The combination of the two values supplies the fair value of the assigned instrument.
Any decrease in the number of financial instruments granted is accounted for as a cancellation of such instruments.

Recognition of revenues and costs
Revenues are recognised when they are collected or:
- in case of sale of goods or products, when it is probable that the economic benefits will be received and these benefits may be measured reliably;
- in the case of services, when these have been rendered.

In particular:
- interest is recognised on accrual on the basis of the contractual interest rate or the effective interest rate in the case of application of amortised cost. Interest income (or interest expense) includes differentials and positive (or negative) margins accrued until the reference date of the financial statements, relating to financial derivatives:
  a) hedging interest-generating assets and liabilities;
  b) classified in the balance sheet in the trading book, though related to financial assets and/or liabilities designated at fair value through profit and loss (fair value option) in management terms;
  c) related in management terms to assets and/or liabilities classified in the trading book and providing for the settlement of differentials or margins with different maturities;
- overdue interest, which may be provided for by the relevant contracts is recorded in the income statement solely at the time of collection;
- dividends are posted in the income statement in the financial year when their distribution is approved;
- commission income from services is recorded, on the basis of the existence of contractual agreements, in the period in which the services have been rendered. Commission income included in the amortised cost for the purposes of determining the effective interest rate are recognised under interest;
- costs and revenues from the sale of financial instruments, determined by the difference between transaction amount paid or received and the fair value of the instrument, are recognised in the income statement at the time of the transaction if the fair value is determinable with reference to effective market quotes, or assets and liabilities measured using valuation techniques based on market-observable parameters other than financial instruments quotes (levels 1 and 2 of the fair value hierarchy). When such reference parameters are not observable on the market (level 3), or the instruments present a reduced liquidity, the financial instrument is recognised at a value equal to the price of the transaction; the difference with respect to the fair value is recorded in the income statement during the life of the transaction;
- profits and losses from securities trading are recognised in the income statement at the date of sale, on the basis of the difference between the consideration paid or collected and the carrying value of such instruments;
- revenues deriving from the sale of non-financial assets are recorded at the date of sale, unless most of the risks and rewards related to the asset are maintained.

Costs are recorded in the income statement for the periods to which their income relates. If matching can only be attributed generally or indirectly, then the costs are allocated to more than one accounting period according to rational procedures and on a systematic basis.
Those costs that cannot be matched with the related revenues are immediately charged to the income statement.

Use of estimates and assumptions in preparing financial reports
The preparation of financial reports requires the use of estimates and assumptions that may have a significant effect on the amounts stated in the balance sheet and income statement, and on the potential assets and liabilities reported in the financial statements. Estimates are based on available information and subjective evaluations, often founded on past experience, which are used to formulate reasonable assumptions to be made in measuring operating events. Given their nature, the estimates and assumptions used may vary from year to year, and hence it cannot be excluded that current amounts carried in the financial statements may differ significantly in future financial years as a result of changes in the subjective evaluations made.

The main cases for which subjective evaluations are required to be made by corporate management include:
- the measurement of impairment losses on loans, investments, and, generally, other financial assets;
- the use of measurement models for determining the fair value of financial instruments not listed on active markets;
- the evaluation of the appropriateness of amounts stated for goodwill and other intangible assets;
- the measurement of personnel funds and provisions for risks and charges;
- the estimates and assumptions on the collectability of deferred tax assets;
- the demographic (linked to the estimated mortality of insured people) and financial (deriving from the possible trend in financial markets) suppositions used to structure insurance products and define the basis for calculating integrative reserves.

For some of the types listed above, the main factors subject to estimates by the Group and which determine the carrying value of assets and liabilities in the financial statements can be identified. The following are noted, by way of example:

- to determine the fair value of financial instruments not listed on active markets, if the use of parameters that cannot be obtained from the market is necessary, the main estimates regard, on one hand, development of future cash flows (or even income flows, in the case of equities), possibly conditional on future events and, on the other, the level of specific input parameters not listed on active markets;
- to determine the future cash flow estimates from non-performing loans, a number of items are considered: the expected recovery times, the presumed realisable value of guarantees and the costs to be sustained for the recovery of credit exposure. To determine the future cash flow estimates from loans for which no objective evidence of loss has emerged (collective measurement), past time-series and other objective elements observable at the measurement date are used, which enable the latent loss to be estimated for each loan category;
- to determine the value in use of intangible assets with an indefinite life (brand name and goodwill) with regard to the Cash Generating Units (CGU) comprising the Group, the future cash flows in the forecasting period of the analysis and the flows used to determine the terminal value, generated by the CGU, are subject to estimate, separately and appropriately discounted. Also the cost of capital is among the items subject to estimate;
- to determine the value in use of intangible assets with a finite life (asset management and insurance portfolios, core deposits) with regard to the Cash Generating Units comprising the Group, the useful life is subject to estimate, on the one hand, as well as the future cash flows arising from the asset, on the other. The cost of capital is subject to estimate in the case of intangible assets with a finite life as well;
- to measure post-employment benefits, the present value of the obligations is subject to estimate, taking into account the flows, appropriately discounted, arising from past time-series analyses and the demographic curve;
- to measure provisions for risks and charges, the amount of outflows necessary to fulfil the obligations is estimated, where possible, taking into account the effective probability of having to utilise resources;
- to determine the value of deferred tax items, the likelihood of an effective future tax burden is estimated (taxable temporary differences) and the level of reasonable certainty – if it exists – of future taxable amounts at the time when the tax deductibility occurs (deductible temporary differences).

Amortised cost measurement

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition net of any principal repayments, plus or minus cumulative amortisation, calculated using the effective interest rate method, of any difference between initial amount and amount at maturity and net of any reduction for impairment.

The effective interest rate is the rate that exactly discounts future cash payments or receipts through the expected life of the financial instrument or through the subsequent date for recalculation of the price to the present value of the financial asset or financial liability. In the calculation of the present value, the effective interest rate is applied to the flow of future cash receipts or payments through the entire useful life of the financial asset or liability or for a shorter period when certain conditions recur (for example review of market interest rates).

After initial recognition, amortised cost enables allocation of revenues and costs directly by decreasing or increasing the value of the instrument over its entire expected life via the amortisation process. The determination of amortised cost is different depending on the fact that financial assets/liabilities have fixed or variable rates and – in this last case – if the volatility of the rate is known or not beforehand. For instruments with fixed rate or fixed rate by time bands, future cash flows are quantified on the basis of the known interest rate (sole or variable) over the life of the loan. For financial assets/liabilities with a variable rate, for which the volatility is not known beforehand (for example because it is linked to an index), the determination of cash flows is carried out based on the last rate available. At every revision of the interest rate the amortisation plan and the effective interest rate for the entire life of the investment, that is, until maturity, are recalculated. Any changes are recorded in the income statement as income or loss.

Loans, investments held to maturity and financial assets available for sale, payables and securities issued are measured at amortised cost.

Financial assets and liabilities traded at market conditions are initially recognised at fair value, which normally corresponds to the amount disbursed or paid including, for instruments measured at amortised cost, transaction costs and any directly attributable fees.

Transaction costs include internal or external marginal costs and income attributable to the issue, the acquisition or the disposal of a financial instrument which are not debited to the customer. These commissions, which must be directly attributable to the single financial asset or liability, modify the original effective interest rate, thereby the effective interest rate associated to the transaction differs from contractual interest rate. Transaction costs do not include costs/income referred to more than one transaction and the components related to events which may occur during the life of the financial instrument, but which are not certain at the time of the initial agreement, such as for example: commissions for retrocession, for non-use, for advance termination. Furthermore, amortised cost does not include costs which would be sustained independently from the transaction (e.g. administrative and communication costs, stationery expenses), those, which though directly attributable to the transaction are part of standard practice for the management of the financing (e.g. activities related to the loan granting process), as well as commissions of services received following structured finance activities which would in any case have been received independently from the subsequent financing of the transaction (e.g. commissions for facility and arrangement) and, lastly, intragroup costs and income.

With reference to loans, the following costs are considered directly attributable to the financial instrument: fees paid to distribution networks, fees paid for the origination and/or the participation in syndicated loans and lastly, up-front fees correlated to loans disbursed at rates exceeding market rates. Income considered in the calculation of amortised cost includes: up-front fees correlated to loans disbursed at rates under market rates, income for the participation of syndicated loans and brokerage commissions received.

For securities not classified as held for trading, the following are considered transaction costs: commissions on contracts with brokers operating on the Italian stock exchange, commissions paid to dealers operating on the Italian and foreign stock and bond markets defined on the basis of the commission tables. Stamp duty is not considered in amortised cost since immaterial.

Regarding securities issued, amortised cost considers placement commissions on bond issues paid to third parties, amounts paid to Exchanges and remuneration paid to Independent auditors for the activities performed for each single issue, while amortised cost does not consider commissions paid to rating agencies, legal and advisory/review expenses for the annual update of prospectuses,

the costs for the use of indexes and commissions which originate during the life of the bond issue.
Amortised cost is also applied for the measurement of loss incurred by the financial instruments listed above as well as for the measurement of instruments issued or purchased at a value other than fair value. The latter are measured at fair value, instead of the amount collected or paid, by discounting expected future cash flows at a rate equal to the effective interest rate of similar instruments (in terms of credit rating, contractual expiry, currency, etc.), with the simultaneous registration in the income statement of a financial charge or income; after initial recognition, these are measured at amortised cost with the registration of higher or lower effective interest with respect to nominal interest. Lastly, also structured assets and liabilities which are not measured at fair value through profit and loss for which the embedded derivative has been separated from the financial instrument are measured at amortised cost.
The amortised cost measurement criterion is not applied to hedged financial assets/liabilities for which fair value changes related to the risk hedged are recorded through profit and loss. The financial instrument is again measured at amortised cost in the case of hedge termination; from that moment the fair value changes recorded before are amortised, calculating a new effective interest rate which considers the value of the loan adjusted by the fair value of the hedged part, until the natural expiry of the hedge. Furthermore, as already mentioned in the paragraph relative to measurement criteria of due to and from banks and customers and securities issued, measurement at amortised cost is not applied to short-term assets/liabilities for which the time value is deemed to be immaterial and to loans without a definite maturity or revocable.

Impairment of assets

Financial assets
At every balance sheet date the financial assets not classified under Financial assets held for trading or Financial assets designated at fair value through profit and loss are subject to an impairment test to assess whether there is objective evidence to consider that the carrying value of these assets is not fully recoverable.
A permanent loss occurs if there is objective evidence of a reduction in future cash flows with respect to those originally estimated, following specific events; the loss must be quantified in a reliable way and must be incurred and not merely expected.
The measurement of impairment is carried out on an individual basis for financial assets which present specific evidence of losses and collectively for financial assets for which individual measurement is not required or which do not lead to adjustments. Collective measurement is based on the identification of portfolios of financial assets with the same risk characteristics with respect to the borrower/issuer, the economic sector, the geographical area, the presence of any guarantees and other relevant factors.
With reference to loans to customers and due from banks, positions attributed the status of doubtful, substandard, restructured or past due according to the definitions of the Bank of Italy, consistent with IAS/IFRS, are subject to individual measurement.
These non-performing loans undergo an individual measurement process, or the calculation of the expected loss for homogeneous categories and analytical allocation to each position, and the amount of the adjustment of each loan is the difference between its carrying value at the time of measurement (amortised cost) and the present value of expected future cash flows, discounted using the original effective interest rate.
Expected cash flows consider forecast recovery periods, presumed realisable value of guarantees as well as the costs sustained for the recovery of credit exposure. Cash flows relative to loans which are deemed to be recovered in the short term are not discounted, since the time value is immaterial.
Loans for which no objective evidence of loss has emerged from individual measurement are subject to collective measurement. Collective measurement occurs for homogeneous loan categories in terms of credit risk and the relative loss percentages are estimated considering past time-series, founded on observable elements at measurement date, that enable to estimate the value of the latent loss in each loan category. Measurement also considers the risk connected to the borrower's country of residence.
The determination of provisions on performing loans is carried out by identifying the highest possible synergies (as permitted by the various legislations) with the supervisory approach contained in the regulations known as "Basel 3". In particular, the parameters of the calculation model set out in the supervisory provisions, namely Probability of Default (PD) and Loss Given Default (LGD), are used – where already available – also for the purposes of financial statement valuation. The relationship between the two aforementioned parameters represents the starting point for loan segmentation, since they summarise the relevant factors considered by IAS/IFRS for the determination of the homogeneous categories and for the calculation of provisions.
The time period of a year used for the determination of the probability of default is considered suitable to approximate the notion of incurred loss, that is, the loss based on current events but not yet included by the entity in the review of the risk of the specific customer, set forth by international accounting standards. This time period is reduced to six months for counterparties who are natural persons. This reduction is based on a statistically significant sample of mortgages that showed an average period of six months between the first missed payment and the classification as default. Conversely, for the Corporate and SME Retail segments, the time period of a year is increased by 10%. Lastly, the time period of a year is decreased by 30% for the factoring segment, in order to take into account certain specific characteristics related to the activity of acquiring short-term trade receivables.
The allocation also takes into account corrective factors such as the state of the economic cycle and the concentration of credit risks towards persons who have a significant exposure to the Group.
With reference to assets available for sale, the process of detection of any impairment involves the verification of the presence of impairment indicators and the determination of any write-down.
The impairment indicators are essentially divided into two categories: indicators deriving from internal factors relating to the company being valued, and therefore qualitative, and - for equities - external quantitative indicators deriving from the market values of the company.
Within the first category, the following indicators are considered significant: the generation of negative economic results or in any case a significant variance with respect to the targets budgeted or established in the multi-year plans disclosed to the market, the announcement/start-up of insolvency proceedings or restructuring plans, and the downgrading by more than two categories of the rating. With respect to the second category, a significant or prolonged reduction in fair value below the initial recognition value is particularly important. Specifically, in relation to the latter amount, a fair value reduction of over 30% is considered significant, and a reduction of over 24 months is considered a "prolonged" continuous reduction. If one of these thresholds is exceeded, impairment of the security is carried out. If these thresholds are not exceeded but other impairment indicators are

present, recognition of the impairment must also be corroborated by the result of specific analyses of the security and the investment.
The amount of the impairment is calculated with reference to the fair value of the financial asset.
For an illustration of the valuation techniques used to determine fair value, see the chapter A.4 – Information on fair value.

Equity investments
At each balance sheet date the equity investments in associates or companies subject to joint control are subjected to an impairment test to assess whether there is objective evidence to consider that the carrying value of such assets is not fully recoverable.
The process of detection of any impairment involves the verification of the presence of impairment indicators and the determination of any write-down. The impairment indicators are essentially divided into two categories: qualitative indicators, such as the generation of negative economic results or in any case a significant variance with respect to the targets budgeted or established in the multi-year plans disclosed to the market, the announcement/start-up of insolvency proceedings or restructuring plans, and the downgrading by more than two categories of the rating; quantitative indicators, represented by a reduction in fair value of over 30% below the carrying value or for a period of over 24 months, by market capitalisation lower than the company's net book value, in the case of securities listed on active markets or by a carrying value of the investment in the Parent Company's financial statements higher than the carrying value in the consolidated financial statements of the investee's net assets and goodwill or by distribution by the latter of a dividend that is higher than its total income.
The presence of impairment indicators results in the recognition of a write-down to the extent that the recoverable amount is lower than the recognition value.
The recoverable amount consists of the higher of the fair value net of sales costs and the value in use.
For an illustration of the valuation techniques used to determine fair value, see the chapter A.4 – Information on fair value.
Value in use is the present value of expected future cash flows from the asset; it reflects estimated expected future cash flows from the asset, the estimate of possible changes in the amount and/or timing of cash flows, time value of money, the price able to repay the risk of the asset and other factors, which may affect the appreciation by market participants of expected future cash flows from the asset.
Value in use is determined by discounting future cash flows.

Other non-financial assets
Property, equipment and intangible assets with definite useful life are subject to impairment testing if there is the indication that the book value of the asset may no longer be recovered. The recoverable amount is determined with reference to the fair value of the property and equipment or intangible assets less costs to sell or the value in use if determinable and if it is higher than fair value.
In order to test its real-estate assets for signs of impairment, the Group conducts an annual analysis of the various real-estate market scenarios. If such analyses bring to light signs of impairment, an appraisal is prepared for the properties for which such signs of impairment have been found. For other property, equipment and intangible assets (other than those recognised following business combinations) it is assumed that the carrying value normally corresponds to the value in use, since it is determined by a depreciation or amortisation process estimated on the basis of the effective contribution of the asset to the production process and since the determination of fair value is extremely subjective. The two values diverge and lead to impairment, in case of damages, exit from the production process or other similar non-recurring circumstances.
Intangible assets recognised following a business combination and in application of IFRS 3 are subjected to an impairment test at each balance sheet date to assess whether there is objective evidence that the asset may have been impaired.
Intangible assets with a finite life, represented by the value of the asset management portfolio, the value of the insurance portfolio and the core deposits, in the presence of impairment indicators are subjected to a new valuation process to assess the recoverability of the book values. The recoverable amount is determined on the basis of the value in use, namely the present value estimated using a rate representing the time value of money and the asset's specific risks, of the income margins generated by the existing relations as at the valuation date over a period which expresses their expected residual life.
Intangible assets with an indefinite life, represented by the valuation of the brand name and goodwill, do not have independent cash flows and therefore annually undergo an assessment of the adequacy of the value recorded under the assets with reference to the Cash Generating Unit (CGU) to which the values are attributed at the time of the business combinations. The amount of any impairment is determined on the basis of the difference between the CGU's book value and its recoverable amount represented by the higher of the fair value, less costs to sell, and the value in use.
The book value of the CGUs must be determined in a manner consistent with the criterion used to determine their recoverable amount. For a banking business, the cash flows generated by a CGU cannot be identified without considering the cash flows deriving from financial assets/liabilities, as these form part of the core business. In other words, the recoverable amount of the CGUs is influenced by the aforementioned cash flows and therefore the CGUs' book value must include financial assets/liabilities in accordance with the scope of the recoverable amount estimate process. Consequently, these assets and liabilities must be properly allocated to the associated CGUs.
On this basis, the book value of Intesa Sanpaolo's CGUs may be determined in terms of contribution to consolidated shareholders' equity including the minority interest.
Thus, the carrying value of the CGUs consisting of companies that belong to a single operating division (Asset Management, Private Banking, Insurance and International Subsidiary Banks) is determined by summing the individual book values of each company in the consolidated financial statements, namely the contribution to consolidated shareholders' equity and corresponding to their net book value, taking into account any goodwill and intangibles recorded upon acquisition (net of subsequent amortisations and any write-downs) and the consolidation entries. With regard to the determination of the carrying value of the other two divisions (Banca dei Territori and Corporate and Investment Banking), given that the Parent Company and other banks contribute to the management of these divisions, and this subdivision is not represented in the accounting information, the overall carrying value of the CGUs cannot be determined on the basis of book values. As a consequence, the use of operational factors is required to make the subdivision following a detailed allocation of the intangibles and goodwill to the two CGUs in accordance with the available accounting information. The operational driver is identified as the "regulatory capital" determined by the Risk Management Department for each operating division: it represents the capital absorption necessary to handle the types of risk envisaged by the regulatory supervision rules. The resulting book values already take into account the

effects of any impairment of the individual assets, including those relating to intangible assets with a finite life.
For an illustration of the valuation techniques used to determine fair value, see the chapter A.4 – Information on fair value.
The value in use of a CGU is determined by estimating the present value of future cash flows that may be expected to be generated by the CGU. These cash flows are determined by using the latest publicly available business plan or, in its absence, through the drawing up by management of an internal forecast plan or other external information available. The forecasting period for the analysis usually consists of a maximum of five years. The cash flow of the final year of the forecast is projected in perpetuity, using an appropriate growth rate "g" for the purposes of the so-called Terminal value. The "g" rate is determined by assuming that the growth factor is the lower of the average growth rate for the forecasting period of the analysis and the average rate of increase in the Gross Domestic Product in the countries where the cash flows are generated.
For the determination of the value in use the cash flows must be discounted at a rate that reflects the present valuations of the time value of money and the asset's specific risks. Specifically, the discount rates used incorporate the present market conditions with reference to the risk free component and the premiums for the risk associated with the equity component observed over a sufficiently long time period to reflect different market conditions and economic cycles. Also, given the diverse risks of the respective operating areas, different Beta coefficients are used for each CGU. All the resulting rates have been corrected to take into account the "Country Risk".
The cash flows produced by the foreign banking subsidiaries are estimated in the currency in which they are generated and translated into euro using the spot exchange rate as at the date of the determination of the value in use.

Business combinations
Business combinations are governed by IFRS 3.
The transfer of control over a company (or over a group of assets managed together as a single business) is considered a business combination.
To this end, control is deemed to have transferred when the investor is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns by exercising its power over the investee.
IFRS 3 requires that an acquirer be identified in any business combination. The acquirer is identified as the combining entity that obtains control of the other combining entities or businesses. If a controlling entity cannot be identified, following the definition of control described above, as for example in the case of exchange of equity investments, the identification of the acquirer must occur considering other factors such as: the entity which has a significantly higher fair value, the entity which pays a cash consideration, the entity which issues new shares.
The acquisition, and therefore the initial consolidation of the acquired entity, must be recognised in the books on the date in which the acquirer effectively obtains control over the acquired company or businesses. When the combination occurs via an exchange of voting ordinary equity instruments, the date of the exchange normally coincides with the date of the acquisition. However, it is always necessary to verify that there are no agreements which may lead to transfer of control prior to the date of the exchange.
The consideration transferred as part of a business combination is equal to the sum of the fair value, at the exchange date, of the transferred assets, the liabilities incurred or assumed and the equity instruments issued by the acquirer in return for control.
In transactions which entail cash consideration (or when payment occurs via cash-equivalent financial instruments), the purchase price is the agreed consideration. When settlement does not occur in the short-term, the fair value of any deferred component is calculated by discounting the amounts payable to their present value; when payment occurs via an instrument other than cash, therefore via the issue of financial instruments, the price is equal to the fair value of such instruments net of the costs directly attributable to their issue. For the determination of fair value of financial instruments, see the chapter A.4 – Information on fair value and note that, in the case of shares quoted on active markets, fair value is represented by Stock Exchange price at acquisition date or, should that not be available, the last price available.
Purchase price at acquisition date includes any adjustments to the cost contingent on future events, if provided for by the combination agreement and only if the adjustment is probable, can be measured reliably and realised within the twelve months subsequent to the date of acquisition of control. Instead, any restoration related to any loss in the value of the assets used as consideration is not included in purchase price since it is already considered either in the fair value of equity instruments or as a reduction in the premium or an increase in the discount on the initial issue of debt instruments.
Acquisition costs refer to the charges incurred by the acquirer to carry out the business combination, including, for example, professional fees paid to independent auditors, experts, legal advisors, costs for legal opinions and audit of accounts, preparation of information documents required by the law, as well as advisory fees sustained to identify potential acquisition targets if the contract provides for the payment of success fees as well as debt securities' or equities' registration and issue costs. Acquisition costs must be recognised as charges when incurred and when the related services are provided, except for the costs relating to the issue of debt securities or equities which must be recognised in accordance with IAS 32 and IAS 39.
Business combinations must be accounted for using the "acquisition method" whereby identifiable assets acquired (including any intangible assets which had not been previously recognised by the acquired company) or liabilities assumed (including contingent liabilities) are recognised at their fair value at acquisition date.
Moreover, for each business combination, any minority interest in the acquired company can be recognised at fair value (therefore increasing the consideration transferred) or in proportion to the minority investment in the net identifiable assets of the acquired company.
If control is achieved in stages, the acquirer recalculates its previous interest in the acquired company at the acquisition date fair value. Any difference with respect to the previous carrying amount is taken to income statement.
Excess between the consideration transferred (being the fair value of transferred assets, liabilities incurred and equity instruments issued by the acquirer), increased, where present, by minority interests (determined as above) as well as the fair value of the stakes already held by the acquirer, and the fair value of acquired assets and liabilities should be recognised as goodwill. Conversely, such difference is taken to the income statement when the latter exceed the sum of the consideration, minority interests and the fair value of the stakes already held.
The accounting for business combination can be determined provisionally by the end of the year in which the combination is realised and must be completed within twelve months of the acquisition date.
In accordance with IFRS 10, acquisitions of further stakes in companies which are already controlled are accounted for as a capital transaction or as a transaction with shareholders acting in their capacity as shareholders. For this reason, the difference between the cost of the acquisition and the book value of the minority stakes acquired is posted to group shareholders' equity; in the same

way, the sale of minority stakes without ceding control, does not generate gains or losses in the income statement but is posted to group shareholders' equity.
The following transactions are outside the scope of business combinations: transactions aimed at acquiring control over one or more entities which are not part of the company's business; transactions aimed at acquiring transitory control; transactions conducted for organisational purposes, therefore between two or more companies or businesses which are already part of the Intesa Sanpaolo Group, and which do not entail changes in control, independently of the extent of minority interests in each of the combining entities before and after the business combinations (business combinations involving entities under common control). These transactions are considered immaterial. Therefore, since there are no specific provisions in IAS/IFRS and in compliance with IAS 8 which requires – in the absence of a specific Standard – that the reporting entity must use its judgement in applying an accounting policy that results in information that is relevant, reliable, prudent and that reflects the economic substance of the transaction, these are accounted for safeguarding the continuing values of the acquiree in the financial statements of the acquirer.
Mergers are examples of concentrations between companies and represent the most complete business combinations, since they imply the legal and economic unification of the merged entities.
Mergers which entail the establishment of a new legal entity and mergers by incorporation (which entail that an entity is absorbed by another existing entity) are treated according to the criteria illustrated above, that is:
- if the transaction leads to the transfer of control of a company, it is accounted for as a business combination as provided for by IFRS 3;
- if the transaction does not lead to the transfer of control, it is accounted for by privileging the continuity of the values of the merged company.

Criteria for the preparation of segment reporting
The Intesa Sanpaolo Group's segment reporting is based on the elements that the management uses to make its own operating decisions (the "management approach") and is therefore consistent with the disclosure requirements of IFRS 8.
In order to implement the goals set out in the 2014/2017 Business Plan, the Intesa Sanpaolo Group organisational model was recently changed into a structure with six business areas with specific operational responsibilities: Banca dei Territori, Corporate and Investment Banking, International Subsidiary Banks, Asset Management, Private Banking and Insurance. In addition to these operating areas there are the following support structures: Group Treasury, Capital Light Bank and the Head Office Departments concentrated in the Corporate Centre.
The attribution of economic and balance sheet results to the various sectors is based on the accounting principles used in the preparation and presentation of the consolidated financial statements. Use of the same accounting standards allowed segment data and consolidated data to be effectively reconciled. To represent results more effectively and give a better understanding of the components that generated them, the reclassified income statement for each reporting segment is presented with values that express the contribution made by each segment to the Group's results. It is worth underlining that, in continuity with the information provided in the financial statements from previous years and considering that the abovementioned changes in Intesa Sanpaolo Group's organisational model became effective only in November 2014, the segment reporting for the 2014 financial statements has been prepared according to the previous operating structure of the Group, based on five business areas (Banca dei Territori, Corporate & Investment Banking, International Subsidiary Banks, Eurizon Capital, Banca Fideuram).
Nevertheless, with respect to the new organisational model which has been put in place, the segment reporting has also been presented in the "new" structure just for 2014, in accordance with IFRS 8[6].
With regard to the measurement of revenues and costs deriving from intra-segment transactions, the application of a contribution model at multiple Internal Transfer Rates for the various maturities permits the correct attribution of net interest income to the divisions.
Specific agreements with Group companies regulate the application of transfer pricing for economic components relative to transactions which set out the distribution of results between product companies/service units and relationship entities/customer units. Each segment is charged direct costs and, for the part pertaining to it, the operating costs of central structures other than those typical of holding structures. Therefore, for services carried out by central structures for operating business units, charges are calculated on the basis of services actually rendered, while the costs of guidance and control activities have remained allocated to the Corporate Centre. Business units' profits are shown net of the tax effect, calculated by applying the main components underlying the effective tax rate, in line with the Group tax policy.
Business areas are disclosed net of intragroup relations within each area and gross of intragroup relations between different business areas.
For each business area, the capital absorbed based on Risk Weighted Assets (RWAs) was also calculated, determined in accordance with the instructions issued by the Bank of Italy in compliance with the regulations in force. For asset management, business risk was also taken into consideration, and for the insurance segment reference was made to the capital absorbed by insurance risk.
To complete segment reporting, the main balance sheet and income statement aggregates referred to the geographical areas in which the Group operates are also given. Geographical areas are defined on the basis of the territorial breakdown of Group activities and take into account the economic and strategic importance and the potential of the reference markets. Three main geographical areas have been identified, based on the residence of the legal entities making up the Group: Italy, Europe and Rest of the World.

[6] As described in more detail in the relevant section of the Notes to the consolidated financial statements, the impairment test for acquired intangible assets with an indefinite life (goodwill and brand name) for the 2014 financial statements was implemented using the new organisational model scope. This was predominantly based on the following:
- IAS 36 which states that the analysis of cash flows by CGUs should be presented in accordance with the "current" condition;
- For IAS 36, prior communication of the main aspects of a reorganisation is a prerequisite if the company is to be recognised as officially involved in a reorganisation as at the balance sheet date;
- the availability, on the date of completing the impairment tests, of the forecast cash flows according to the organisational structure presented to the market in autumn 2014.

A.3 – INFORMATION ON TRANSFERS BETWEEN FINANCIAL ASSET PORTFOLIOS

A.3.1.Reclassified financial assets: carrying amount, fair value and effects on comprehensive income

The following table shows financial instrument reclassifications mainly carried out in 2008. No reclassifications were made in 2014.

(millions of euro)

Type of financial instrument	Previous portfolio	New portfolio	Book value at 31.12.2014	Fair value at 31.12.2014	Income components in case of no transfer (before tax)		Annual income components (before tax)	
					Valuation	Other	Valuation	Other
Debt securities	Financial assets held for trading	Loans	778	749	69	11	5	32
Equities and quotas of UCI	Financial assets held for trading	Financial assets available for sale	2	2	-1	-	-1	-
Debt securities	Financial assets available for sale	Loans	5,466	4,390	1,096	144	891	101
Loans	Financial assets available for sale	Loans	65	67	-19	2	-21	2
TOTAL			**6,311**	**5,208**	**1,145**	**157**	**874**	**135**

The income components related to net increases attributable to the risk profile being hedged of reclassified assets amount to 899 million euro.

Had the Group not reclassified the above financial assets, positive income components would have been recognised for an amount of 1,145 million euro (before tax), due to positive income components of 874 million euro, generating a positive effect of 271 million euro (before tax), broken down as follows:

- write-off of the positive income components recognised during the year following the 874 million euro transfer. Of this amount, 25 million euro relates to adjustments and 899 million euro to fair value increases following hedges;
- reversal of the positive income components which would have been recognised had no transfer taken place, totalling 1,145 million euro. Of this amount, 35 million euro refers to adjustments, 899 million euro to fair value increases due to hedges and 211 million euro to the increase in Valuation reserves.

Moreover, had no reclassification taken place, other positive income components amounting to 22 million euro would have not been recognised. Indeed, this amount is mainly related to the amortised cost of the reclassified securities.
Overall, starting from the respective reclassification dates, reclassified assets as at 31 December 2014 would have been written down by 1,087 million euro, of which 17 million to be recognised in the income statement (negative components for 2008: 460 million euro, positive components for 2009: 73 million euro, positive components for 2010: 92 million euro, negative components for 2011: 11 million euro, positive components for 2012: 135 million euro, positive components for 2013: 94 million euro and positive components for 2014: 60 million euro) and 1,070 million euro to be recognised in the Valuation reserve in Shareholders' equity (against 1,281 million euro as at 31 December 2013 with a positive net variation of 211 million euro had no transfer occurred).

As at 31 December 2014, reclassifications amount to a nominal 5,329 million euro. Of this amount:

- 4,586 million euro was reclassified by 1 November 2008 and therefore taking as reference the value of these assets as at 1 July 2008 if already present as at that date in the portfolio, or with reference to the purchase price if this took place after 1 July 2008, or at nominal value for loans issued after that date;
- 743 million euro was reclassified after 1 November 2008 and therefore on the basis of fair value as at the date of reclassification; the latter figure also refers to reclassifications carried out in 2009 concerning structured credit products arising from the transformation of unfunded instruments (derivatives) into funded instruments (securities), while maintaining the same risk profile to which the Group is exposed.

A.3.2 Reclassified financial assets: effects on comprehensive income before transfer

No portfolio transfers were made in 2014.

A.3.3 Transfer of financial assets held for trading

The financial crisis which marked 2008 was classed by the IASB as a rare circumstance. Consequently, the Intesa Sanpaolo Group has identified certain securities - mainly consisting of bonds not quoted on active markets originally classified under trading assets which due to present and prospective market conditions could no longer be managed actively. These assets were kept in portfolio and reclassified to the loan category and financial assets available for sale. With respect to the trading book, mainly structured credit products held by Intesa Sanpaolo and Banca IMI were reclassified.

A.3.4 Effective interest rate and expected future cash flows from reclassified assets

The effective interest rate attributable to the reclassified securities portfolio is equal to 3.03% and estimated cash flows at the date financial assets were reclassified amount to 5,300 million euro.

A.4 – INFORMATION ON FAIR VALUE

Qualitative information

The fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants (i.e. not as part of the compulsory liquidation or a below-cost sale) as at the measurement date. Fair value is a market measurement criterion, not specifically referring to a single entity. Underlying the definition of fair value is the assumption that the company is carrying out normal operations, without any intention of liquidating its assets, significantly reducing the level of operations or carrying out transactions at unfavourable conditions.

An entity has to measure the fair value of an asset or liability by adopting the assumptions that would be used by market participants when pricing an asset or liability, presuming that they act with a view to satisfying their own economic interest in the best way possible.

The fair value of financial instruments is determined according to a hierarchy of criteria based on the origin, type and quality of the information used. In detail, this hierarchy assigns top priority to quoted prices (unadjusted) in active markets and less importance to unobservable inputs. Three different levels of input are identified:

– level 1: input represented by quoted prices (unadjusted) in active markets for identical assets or liabilities accessible by the entity as at the measurement date;
– level 2: input other than quoted prices included in level 1 that are directly or indirectly observable for the assets or liabilities to be measured;
– level 3: unobservable input for the asset or liability.

As level 1 inputs are available for many financial assets and liabilities, some of which are traded in more than one active market, the company must pay particular attention to defining both of the following aspects:

– the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market for the asset or liability;
– whether the company can complete a transaction involving the asset or liability at that price and in that market as at the measurement date.

The Intesa Sanpaolo Group considers the principal market of a financial asset or liability to be the market in which the Group generally operates.
A market is regarded as active if quoted prices, representing actual and regularly occurring market transactions considering a normal reference period, are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency.
In specific cases regulated by internal policies and despite being quoted on regulated markets, research is carried out in order to verify the significance of official market values.
In the event of a significant reduction in the volume or level of operations compared to normal operations for the asset or liability (or for similar assets or liabilities) highlighted by a number of indicators (number of transactions, limited significance of market prices, significant increase in implicit premiums for liquidity risk, expansion or increase of the bid-ask spread, reduction or total lack of market for new issues, limited publicly-available information), analyses of the transactions or of the quoted prices are carried out.

The following are considered as level 1 financial instruments: contributed bonds (i.e. quoted on the EuroMTS circuit, or for which it is possible to continuously derive from the main price contribution international platforms at least three bid and ask prices, or for which prices are provided by the Markit platform, with at least three bid and ask prices for bonds and convertibles), European ABSs available on the Markit platform, with at least five bid and ask prices, harmonised mutual funds contributed, spot exchange rates, and derivatives for which quotations are available on an active market (for example, futures and exchange traded options)[7].
Finally, level 1 instruments also include hedge funds for which the fund administrator provides the NAV (Net Asset Value) with the frequency established in the subscription contract, and the checklist, which is the summary document of significant information on underlying assets of the fund, does not highlight any critical points in terms of liquidity risk or counterparty risk.
For level 1 financial instruments, the current bid price is used for financial assets and the current asking price for financial liabilities, struck on the principal active market at the close of the reference period.
For financial instruments with a scarcely significant bid-ask spread or for financial assets and liabilities with offsetting market risks, mid-market prices are used (again referred to the last day of the reference period) instead of the bid or ask price.
Conversely, all other financial instruments that do not belong to the above-described categories or that do not have the contribution level defined by the Fair Value Policy are not considered level 1 instruments.

When no quotation on an active market exists or the market is not functioning regularly, that is when the market does not have a sufficient and continuous number of trades, and bid-ask spreads and volatility that are not sufficiently contained, the fair value of the financial instruments is mainly determined through the use of valuation techniques whose objective is the establishment of the price at which, in an orderly transaction, the asset is sold or the liability transferred between market participants, as at the measurement date, under current market conditions.
Such techniques include:

[7] Bonds valued using official closing prices and/or fixing provided by local authorities (central bank, monetary authority or local stock exchange) may be reclassified as level 1, but only for foreign branches and international banks where the decentralised Risk Management units confirm that there is an active market, and when the Risk Management Department expressly authorises it.

- the use of market values that are indirectly linked to the instrument to be measured, deriving from products with the same risk profile (level 2);
- valuations performed using – even partially – inputs not identified from parameters observed on the market, for which estimates and assumptions made by the valuator are used (level 3).

In the case of level 2 inputs, the valuation is not based on the price of the same financial instrument to be measured, but on prices or credit spreads presumed from official listing of instruments which are similar in terms of risk factors, using a given calculation methodology (pricing model). The use of this approach requires the identification of transactions on active markets in relation to instruments that, in terms of risk factors, are comparable with the instrument to be measured. Level 2 calculation methodologies reproduce prices of financial instruments quoted on active markets (model calibration) and do not contain discretional parameters – parameters for which values may not be inferred from quotations of financial instruments present on active markets or fixed at levels capable of reproducing quotations on active markets – that significantly influence the final valuation.
The following are measured using level 2 input models:

- bonds without official quotations expressed by an active market and whose fair value is determined through the use of an appropriate credit spread which is estimated starting from contributed and liquid financial instruments with similar characteristics;
- derivatives measured through specific pricing models, fed by input parameters (such as yield, foreign exchange and volatility curves) observed on the market;
- ABSs for which significant prices are not available and whose fair value is measured using valuation techniques that consider parameters which may be presumed from the market;
- equities measured based on direct transactions, that is significant transactions on the stock registered in a time frame considered to be sufficiently short with respect to measurement date and in constant market conditions, using, therefore, the "relative" valuation models based on multipliers;
- loans measured through the discounting of future cash flows.

The calculation of the fair value of certain types of financial instruments is based on valuation models which consider parameters not directly observable on the market, therefore implying estimates and assumptions on the part of the valuator (level 3). In particular, the valuation of the financial instrument uses a calculation methodology which is based on specific assumptions of:

- the development of future cash-flows, which may be affected by future events that may be attributed probabilities presumed from past experience or on the basis of the assumed behaviour;
- the level of specific input parameters not quoted on active markets, for which information acquired from prices and spreads observed on the market is in any case preferred. Where this is not available, past data on the specific risk of the underlying asset or specialised reports are used (e.g. reports prepared by Rating agencies or primary market players).

The following are measured under the Mark-to-Model Approach:

- debt securities and complex credit derivatives (CDOs) included among structured credit products and credit derivatives on index tranches;
- hedge funds not included in level 1;
- shareholding and other equities measured using models based on discounted cash flows;
- some loans, of a smaller amount, classified in the available-for-sale portfolio;
- derivative transactions relating to securitisations and equity-risk structured options.

The Intesa Sanpaolo Group governs and defines the fair value measurement of financial instruments through the Group's Fair Value Policy, prepared by the Risk Management Department and also applied to the Parent Company and to all consolidated subsidiaries.
The valuation process of financial instruments entails the following phases:

- identification of the sources for measurements: for each asset class, the Market Data Reference Guide establishes the processes necessary to identify market parameters and the means according to which such data must be extracted and used;
- certification and treatment of market data for measurements: this stage consists of the accurate verification of the market parameters used (verifying the integrity of data contained on the proprietary platform with respect to the source of contribution), reliability tests (consistency of each single figure with similar or comparable figures) and verification of concrete application means. In particular:
  - reference categories are established for the various types of market parameters;
  - the reference requirements governing the identification of official revaluation sources are set;
  - the fixing conditions of official figures are established;
  - the data certification conditions are established;
- certification of pricing models and Model Risk Assessment: this phase is aimed at verifying the consistency and the adherence of the various measurement techniques used with current market practice, at highlighting any critical aspects in the pricing models used and at determining any adjustments necessary for measurement. The validation process is particularly important at the start of activities in a new financial instrument which requires the development of further pricing models, and when the Bank decides to use a new model to measure payoffs previously managed with models deemed to be less adequate. All models used for the measurement must be submitted to an internal certification process which involves various competent structures or independent companies in highly complex or particularly critical cases;

monitoring consistency of pricing models over time: periodical monitoring of the adherence to the market of the pricing model in order to discover any gaps promptly and start the necessary verifications and interventions.

Identification, certification and treatment of market data and the sources for measurements
The fair value calculation process and the need to distinguish between products which may be measured on the basis of effective market quotes rather than through the application of comparable or mark-to-model approaches, highlight the need to establish univocal principles in the determination of market parameters. To this end the Market Data Reference Guide – a document prepared and updated by the Risk Management Department on the basis of the Group's Internal Regulations approved by the Management bodies of the Parent Company and Group Companies – has established the processes necessary to identify market

parameters and the means according to which such parameters must be extracted and used. Such market data may be both elementary and derived data. In particular, for each reference category (asset class), the regulation determines the relative requisites, as well as the cut-off and certification means. The document defines the collection of the contribution sources deemed adequate for the assessment of financial instruments held for any purpose in the proprietary portfolios of the Parent Company and its subsidiaries. These same sources are used in valuations carried out for third parties under Service Level Agreements, reached in advance. Adequacy is guaranteed by the respect of reference requirements, which are based on comparability, availability and transparency of the data, or the possibility of extracting the figure from one or more info providing systems, of measuring the contribution bid-ask, and lastly, for OTC products, of verifying the comparability of the contribution sources. For each market parameter category the cut-off time is determined univocally, with reference to the timing of definition of the parameter, the reference bid/ask side and the number of contributions necessary to verify the price.
The use of all market parameters in Intesa Sanpaolo is subordinated to their certification (Validation Process) by the Risk Management Department, in terms of specific controls (verifying the integrity of data contained on the proprietary platform with respect to the source of contribution), reliability tests (consistency of each single figure with similar or comparable figures) and verification of concrete application means.

Model Risk Management
In general, Model Risk is represented by the possibility that the price of a financial instrument is materially influenced by the valuation approach chosen. In the case of complex financial instruments, for which there is no standard valuation method in the market, or during periods when new valuation methods are being established in the market, it is possible that different methods may consistently value the elementary instruments of reference, but provide differing valuations for exotic instruments. The model risk is monitored through a series of analyses and checks carried out at different stages, aimed at certifying the various pricing methods used by the Parent Company ("Model Validation"), at regularly monitoring the performance of the models in operation to promptly identify any deviation from the market ("Model Risk Monitoring") and at identifying any adjustments to be made to the valuations ("Model Risk Adjustment", see the section below "Adjustments adopted to reflect model risk and other uncertainties related to the valuation").

Model Validation
In general, all the pricing models used by the Bank must undergo an internal certification process by the various structures involved. The possibility of independent certification issued by high standing financial service companies is also provided for in highly-complex cases and/or in presence of market turbulence (so-called market dislocation). The internal certification process is activated when a new financial instrument that requires an adjustment to the existing pricing methods or the development of new methods starts to be used, or when the existing methods need to be adjusted for the valuation of existing contracts.
The validation of the methods involves a series of operational steps, which are adopted where necessary, including the:
- contextualisation of the problem within the current market practice and the relevant available literature;
- analysis of the financial aspects and the types of significant payoff;
- formalisation and independent derivation of the mathematical aspects;
- analysis of the numerical/implementation aspects and tests through the replication, where necessary, of the pricing libraries of the Front Office systems through an independent prototype;
- analysis of the relevant market data, verifying the presence, liquidity and frequency of update of the contributions;
- analysis of the calibration methods, in other words the model's ability to optimise its internal parameters (or meta-data) to best replicate the information provided by the quoted instruments;
- stress tests of the parameters of the model that are not observable in the market and analysis of the impact on the valuation of the complex instruments;
- market tests comparing, where possible, the prices obtained from the model with the quotes available from the counterparties.

If no problems are identified by the above analysis, the Risk Management Department validates the method, which becomes part of the Group Fair Value Policy and can be used for the official valuations. If the analysis identifies a significant "Model Risk", which, however, is within the limits of the approach's ability to correctly manage the related contracts, the Risk Management Department selects a supplementary approach to determine the appropriate adjustments to be made to the mark to market, and validates the supplemented approach.

Model Risk Monitoring
The performance of the valuation models in operation is monitored continuously to promptly identify any deviations from the market and implement the necessary assessments and measures. This monitoring is performed in various ways, including:
- repricing of contributed elementary instruments: verifying the model's ability to replicate the market prices of all the quoted instruments considered to be relevant and sufficiently liquid. For interest rate derivatives, an automatic repricing system for elementary financial instruments is used in the Bank's Front Office systems, which enables the systematic verification of any deviations between the model and the market. Where significant deviations are found, especially outside the market bid-ask quotes, the impact on the respective trading portfolios is analysed and any adjustments to be made to the corresponding valuations are quantified;
- comparison with benchmarks: the monitoring method described above is further enhanced by the extensive use of data supplied by qualified external providers (e.g. Markit), which provide consensus valuations from leading market counterparties for interest rate instruments (swaps, basis swaps, cap/floor, European and Bermuda swaptions, CMS, CMS spread options), equity instruments (options on indexes and on single stocks), credit instruments (CDS) and commodity instruments (options on commodity indexes). Such information is far richer than that normally available from standard contribution sources, for example in terms of maturities, underlying assets and strikes. Any significant gap between the model and benchmark data is quantified with respect to the average bid-ask spread supplied by the outside provider and therefore treated as in the previous case. The possibility of extending the comparison with benchmarks to other instruments or underlying assets is constantly monitored;
- comparison with market prices: verification against prices provided by counterparties via Collateral Management, indicative listed prices provided by brokers, intrinsic parameters identified from these indicative listed prices, checks of the most recent

revaluation price in relation to the price of the financial instrument deriving from unwinding, sales, and new similar or comparable transactions.

Adjustments adopted to reflect model risk and other uncertainties related to the valuation
If problems are found by the Model Validation process or the Model Risk Monitoring process in the calculation of the fair value of particular financial instruments, the appropriate Mark-to-Market Adjustments to be made to the valuations are identified. These adjustments are regularly reviewed, also considering market trends, or the introduction of new liquid instruments, different calculation methodologies and, in general, methodological advances which may also lead to significant changes in selected models and their implementation.

In addition to the adjustments relating to the abovementioned factors, the Mark-to-Market Adjustment Policy also provides for other types of adjustments relating to other factors capable of influencing the valuation. These factors essentially involve:
– high and/or complex risk profile;
– position illiquidity determined by temporary or structural market conditions or in relation to the entity of exchange values held (in case of excessive concentration) and
– valuation difficulties due to the lack of liquid and observable market parameters.

For illiquid products an adjustment is made to the fair value. This adjustment is generally not very relevant for instruments for which the valuation is supplied directly by an active market (level 1). Specifically, highly liquid quoted securities are valued directly at mid-price, whereas for quoted securities with low liquidity and unquoted securities the bid price is used for long positions and the ask price for short positions. Bonds that are not quoted are valued according to credit spreads that differ based on the position of the security (long or short).

Conversely, for derivatives for which fair value is determined with a valuation technique (levels 2 and 3), the adjustment may be calculated with different means according to the availability on the market of bid and ask prices and products with similar characteristics in terms of contract type, underlying asset, currency, maturity and volumes traded which may be used as benchmarks.
Where none of the indications above is available, stress tests are performed on input parameters deemed to be relevant in the model. The main factors considered to be illiquid (in addition to the inputs for the valuation of structured credit derivatives, to be discussed in further detail below) and for which the respective adjustments have been calculated, are connected to risks on Commodities, on Dividends and Variance Swaps, FOI (Consumer price index for blue and white-collar worker households) inflation and options on inflation, on specific indexes such as Rendistato, volatility of 12-month cap indexes, correlations between swap rates and "quanto" correlation (connected to pay offs and index-linking expressed in different currencies).
The management of the Mark-to-Market Adjustment process is formalised with appropriate calculation methodologies on the basis of the different configurations of the points set out above. Calculation of the adjustments depends on the dynamics of the factors indicated above and is disciplined by the Risk Management Department. The criteria for the release are subordinated to the elimination of the factors indicated above and disciplined by the Risk Management Department. Such processes are a combination of quantitative elements that are rigidly specified and qualitative elements, valued based on the different configuration over time of the risk factors which generated the adjustments. Thus, the estimates subsequent to initial recognition are always guided by the mitigation or elimination of said risks.
For new products, the decision to apply Mark-to-Market Adjustment processes is taken by the New Product Committee upon the proposal of the Risk Management Department.

A.4.1 Fair value levels 2 and 3: *valuation techniques and inputs used*
The sections below provide a summary of the information, by type of financial instrument (securities, derivatives, structured products, hedge funds), on the valuation models used.

I. Pricing model for non-contributed securities
The pricing of non-contributed securities (that is, securities without official listings expressed by an active market) occurs through the use of an appropriate credit spread test, which is estimated starting from contributed and liquid financial instruments with similar characteristics. The sources used to estimate the level of the credit spread are the following:
– contributed and liquid securities of the same issuer;
– credit default swaps on the same reference entity;
– contributed and liquid securities of an issuer with the same rating and belonging to the same sector.
In any case the different seniority of the security to be priced is considered relatively to the issuer's debt structure.
In the case of Italian public issuers, a rating/maturity matrix is defined on the basis of the spread levels on government issues, to which the spreads among the various rating/maturity classes with respect to public issues (regions, provinces, municipalities, government entities) are applied.
Similarly, with respect to financial liabilities designated at fair value through profit and loss, the credit spread of the Intesa Sanpaolo Group is determined and measured based on the bonds issued by the Parent Company, with regular, periodic coupons, maturity beyond one year and quoted on an active market in compliance with IAS/IFRS. The implicit credit rating is determined on the basis of market quotes and subsequently adjusted through interpolation models which generate credit spread curves by type of coupon, maturity and subordination level.
Also, for bonds that are not quoted on active markets, an extra spread, estimated based on the bid/ask spread recorded on the market, is added to the "fair" credit spread component, to take account of the higher premium demanded by the market compared to similar contributed securities.
If there is also an embedded option a further adjustment is made to the spread by adding a component designed to capture the hedging costs of the structure and the illiquidity of the underlying asstes. This component is calculated on the basis of the type of option and its maturity.

II. Models for pricing interest rate, foreign exchange, equity, inflation and commodity derivatives

For derivatives, in consideration of their number and complexity, a systematic reference framework has been developed which represents the common elements (calculation algorithms, processing models, market data used, basic assumptions of the model) that are used to measure all categories of derivatives.
Interest rate, foreign exchange, equity, inflation and commodity derivatives, if not traded on regulated markets, are Over The Counter (OTC) instruments, which are bilaterally exchanged with market counterparties and are measured through specific pricing models, fed by input parameters (such as yield, foreign exchange and volatility curves) observed on the market and subject to the monitoring processes illustrated above.

The table below illustrates the main models used to price OTC derivatives on the basis of the category of underlying asset.

Underlying class	Valuation models	Market data and input parameters
Interest rate	Net Present Value, Black, SABR, Libor Market Model, Hull-White at 1 and 2 factors, Mixture of Hull-White at 1 and 2 factors, Bivariate lognormal, Rendistato	Interest rate curves (deposits, FRA, Futures, OIS, swap, basis swap, Rendistato basket), cap/floor/swaption option volatility, correlation between interest rates
Foreign exchange rate	Net present Value FX, Garman-Kohlhagen, Lognormal with Uncertain Volatility (LMUV)	Interest rate curves, spot and forward FX curves, FX volatility
Equity	Accrual, Net present Value Equity, Black-Scholes Generalised, Binomial, Heston, Jump Diffusion	Interest rate curves, underlying asset spot rate, expected dividends, underlying asset volatility and correlation between underlying assets, "quanto" volatility and correlations
Inflation	Bifactorial Inflation	Nominal and inflation interest rate curves, interest and inflation rate volatility, seasonality ratios of consumer price index, correlation between inflation rates
Commodity	Net present Value Commodity, Generalised Black-Scholes, Independent Forward	Interest rate curves, spot rate, forwards and futures of underlying assets, underlying asset volatility and correlation between underlying assets, "quanto" volatility and correlations
Hybrid	Trifactorial model	Interest rate curves, spot and forward FX curves, FX volatility, cap/floor option volatility, correlation between foreign exchange rates/interest rates
Credit	Net present value, Monte Carlo	Probability of default, Recovery rate.

As envisaged by IFRS 13, in determining fair value, the Intesa Sanpaolo Group also takes into account the effect of non-performance risk. This risk includes changes in the counterparty credit rating and changes in the issuer's own credit risk.
For derivatives in particular, the Bilateral Credit Value Adjustment (bCVA) model fully takes into account the effects of changes in the counterparty credit rating, as well as changes in its own credit rating. In fact, the bCVA consists of the sum of two addends, calculated by considering the possibility that both counterparties go bankrupt:
- the CVA (Credit Value Adjustment) is a negative measure that takes into account scenarios whereby the counterparty fails before the bank and the bank has a positive exposure to the counterparty. In these scenarios the bank suffers a loss equal to the cost of replacing the derivative;
- the DVA (Debt Value Adjustment) is a positive measure that takes into account scenarios whereby the bank fails before the counterparty and has a negative exposure to the counterparty. In these scenarios the Bank achieves a gain equal to the cost of replacing the derivative.

The bCVA depends on the exposure, probability of default and the Loss Given Default of the counterparties. Lastly, the bCVA must be calculated taking into account any counterparty risk mitigation agreements, particularly collateral and netting agreements for each individual counterparty. In the event of netting agreements with a specific counterparty, the bCVA is calculated with regard to the portfolio including all transactions subject to netting with that counterparty.
The measurement of creditworthiness uses various sources. Specifically:
- in the case of counterparties with CDS spread quoted on the market (including Intesa Sanpaolo), calculation of the bCVA is carried out by considering the neutral probability of default towards risk (namely estimated based on the prices of bonds and not on historical figures) quoted on the market and regarding both the counterparty and the investor, measured on the basis of the listed CDS spread credit curve;
- for Large Corporate counterparties without CDS quoted on the market with significant turnover, the bCVA is calculated by considering the neutral probability of default towards risk of a counterparty associated to the counterparty of the contract (comparable approach). Creditworthiness is measured:
  - for Project Finance counterparties, using the comparable Industrial CDS spread credit curve;
  - for other counterparties, using the comparable CDS spread credit curve for the counterparty;
- for illiquid counterparties not included in the above categories, the bCVA is calculated by considering the probability of default of the counterparty and of the Intesa Sanpaolo Group, determined by using the credit curve obtained by the default probability matrices.

On the other hand, for counterparties in default, an estimate of the counterparty risk consistent with the provisioning percentage applied to on-balance sheet exposures is carried out.
The prior Credit Risk Adjustment (CRA) calculation model is still valid for a residual number of products for which the bCVA model is still under development.

III. *Model for pricing structured credit products*

Regarding ABSs, if significant prices are not available, valuation techniques are used that take into account parameters that can be gathered from an active market (level 2 inputs).
In this case, the cash flows are obtained from info providers or specialised platforms; the spreads are gathered from the new issues and/or from the major investment banks, further strengthened by a qualitative analysis relative to the performance of the underlying assets presumed from periodic investor reports and aimed at highlighting structural aspects that are not (or not fully) encompassed by the analyses described above, relating to the actual future ability to pay the expected cash flows and analyses of relative value with respect to other similar structures. The results of these analyses are subject to backtesting with actual sales prices.

With regard to debt securities and complex credit derivatives (funded and unfunded CDOs) the fair value is determined based on a quantitative model which estimates joint losses on collateral with a simulation of the relevant cash flows which uses copula functions.
The most significant factors considered in the simulation – for each collateral – are the risk-neutral probability of default derived from market spreads, recovery rates, the correlation between the value of collateral present in the structure and the expected residual life of the contract.
For spreads, the valuation process incorporates, as promptly as possible, all the market inputs (including synthetic indexes such as LCDX, Levx and CMBX) considered to be significant: consensus parameters calculated by multicontribution platforms and market spread estimates made available by major dealers are used.
The Market Data Reference Guide, which sets out credit spread contribution sources, was moreover integrated with specific policies for the other inputs such as correlations and recovery rates.
For specific types of collateral, such as trust preferred securities, the probability of default is estimated using the Expected Default Frequency from Moody’s - KMV.
In order to incorporate high market dislocation and intense market illiquidity phenomena in valuations, a series of corrections have been prepared for valuations referred to the main input parameters; in particular:

- stress of recovery rates: expected recovery rates on the assets held as collateral in every deal have been decreased by 25% (50% for underlying REITS);
- stress of asset value correlation: inter and intra correlations have been increased and decreased by 15% or 25% depending on the type of product;
- stress of spreads: the spreads, used to determine the marginal distributions of defaults, have been increased by 25%;
- stress of expected residual lives: the latter have been increased by 1 year.

Each of these modules contributes to the definition of a sensitivity grid of the value to the single parameter; results are then aggregated assuming independence between the single elements.

The valuation framework used for the CDO Cash Flows also manages the Waterfall effects. The latter entails the correct definition of the payment priorities according to the seniority of the various tranches and the contractual clauses. In general these provide for the diversion of the capital and interest payments from the lower tranches of the Capital Structure to the higher tranches, upon the occurrence of Trigger Events, such as the failure of the Overcollateralisation and Interest Coverage tests.

After this valuation, credit analyses on underlying assets were fine-tuned to incorporate further valuation elements not included in the quantitative models. In particular, a Qualitative Credit Review is provided for and entails an accurate analysis of credit aspects referred to the specific structure of the ABS/CDO and to the collateral present. This is to identify any present or future weaknesses which emerge from the characteristics of the underlying assets, which could have been missed by rating agencies and as such not fully considered in the valuations described in the previous point. The results of this analysis are condensed in certain objective elements (such as Past Due, Weighted Average Delinquency, etc.) which are summarised in an indicator representing credit quality. On the basis of the value of this synthetic indicator, specific thresholds have been identified which correspond to a number of downgrades, so to proceed to a consistent adjustment in the valuation. Lastly, for this class of products, an additional adjustment may be applied, subject to an authorisation procedure that, above a certain warning threshold, involves both the area of the Chief Risk Officer and the Manager responsible for preparing the Company’s financial reports.

With respect to credit derivatives on index tranches, off-the-run series are valued at level 3 when no reliable and verifiable quotes are available from the Risk Management Department. Fair value is determined based on the quotes of series being issued, adjusted to reflect the different underlying.

IV. *Valuation of equities with relative and absolute models*

Financial instruments for which fair value is determined using level 2 inputs also include equities measured based on direct transactions, that is significant transactions on the stock registered in a time frame considered to be sufficiently short with respect to measurement date and in constant market conditions, using, therefore, the "relative" valuation models based on multipliers. Multipliers are used under the comparable companies' or comparable transactions' approach. In the former case, reference is made to a sample of comparable listed companies, therefore the stock prices from which the multiples to measure the investment are deducted. In the latter case, reference is made to the trading prices of the market related to comparable companies registered in a time frame considered to be sufficiently short with respect to measurement date and in constant market conditions. Equities to which the above "relative" models are not applied are valued using "absolute" valuation models. In particular, these models are based on flows which substantially anticipate the measurement of the stock value by estimating the cash flows it can generate over time, discounted using a rate that is in line with the risk level of the instrument, equity models or equity-income models.

V. The pricing model for hedge funds

The determination of the fair value of a hedge fund is the result of an analytical process that involves two distinct approaches applied respectively to funds managed through the use of a Management Account Fund infrastructure, which ensures full daily transparency of the assets underlying the funds, and funds not managed according to such a platform.

For funds managed in the Managed Account platform, the Net Asset Value (NAV) provided by the Fund Administrator is considered as the fund's fair value. It is not deemed necessary to apply the two prudential adjustments described below to the NAV, since:
- the adjustment for counterparty risk is not necessary because the Managed Account platform is subject to limited recourse clauses and non-petition provisions, through which each Managed Account Fund achieves contractual separation/segregation of assets and manager. Intesa Sanpaolo effectively holds 100% of the quotas of the MAF;
- the adjustment for illiquidity risk is not necessary because there is a delivery in kind clause, according to which the fund’s assets may be transferred to Intesa Sanpaolo’s books and liquidated, where necessary.

Moreover, a due diligence confirmed that the pricing model used by the Fund Administrator is consistent with the Intesa Sanpaolo’s Fair Value Policy.
If the daily full transparency analysis were to bring to light additional elements of risk, mark-to-market adjustments would be applied in accordance with Intesa Sanpaolo’s Fair Value Policy.
The platform’s characteristics make it possible to perform an analysis of the financial instruments underlying the funds and to assign the fair value hierarchy level based on prevalence, in terms of percentage of NAV, of the weight of assets priced according to the various levels.

For funds not managed in the Managed Account platform, the operating NAV (Net Asset Value) provided by the Fund Administrator is used. However, this value may be prudentially adjusted by the Risk Management Department, during the valuation of inventories for accounting purposes, on the basis of an individual valuation process aimed at verifying specific idiosyncratic risks, mainly identified as follows:
- counterparty risk
- illiquidity risk.

Specifically, the first risk driver – counterparty risk - relates to the risk that the assets of the fund are exposed to when a single service provider is entrusted with prime brokerage or custodian activities, which is a potential source of risk in the case of default. The resulting prudential adjustment to the operational NAV differs according to whether this activity is concentrated in a single name or is diversified across several service providers.
With regard to the illiquidity drivers, these relate to the risk intrinsic to the pricing of the fund assets, therefore, the prudential adjustment is applied based on the availability of prices or certain weaknesses in the pricing policies used by the fund.
The application of the foregoing prudential adjustments (counterparty risk and illiquidity risk) is subject to an authorisation procedure that, above a certain warning threshold, involves both the area of the Chief Risk Officer and the Manager responsible for preparing the Company’s financial reports.

VI. Other level 2 and 3 valuation models

Loans are included among financial instruments whose fair value is determined on a recurring basis through level 2 inputs. In particular, for medium- and long-term assets and liabilities measurement is carried out by discounting future cash flows. This is based on the discount rate adjustment approach, in which the risk factors connected to the granting of loans are taken into consideration in the rate used to discount future cash flows.

As required by IFRS 13, the table below highlights, for financial assets and liabilities measured at level 3 fair value, quantitative information on the significant, unobservable inputs used in the fair value measurement.

(thousands of euro)

Financial assets/ liabilities	Valuation technique	Main non-observable input	Minimum value of range of changes	Maximum value of range of changes	Unit	Favourable changes in FV	Unfavourable changes in FV
Securities	Discounting Cash Flows	Credit Spread	-13	24	%	555	-885
Structured securities	Black model	Volatility	-9	6	%	9	-13
Structured securities	Two-factor model	Correlation	-11	24	%	31	-228
ABSs	Discounting Cash Flows	Credit Spread	-45	111	%	1,832	-4,525
ABSs	Discounting Cash Flows	Recovery rate	-8	0	%	-	-1,022
CDO / CLOs	Gaussian copula	Credit Spread	-15	60	%	7,120	-28,479
CDO / CLOs	Gaussian copula	Joint default correlation	-10	10	%	2,372	-2,372
CDO / CLOs	Gaussian copula	Recovery rate	-25	10	%	8,913	-3,565
OTC derivatives subject to FV adjustment for CVA/DVA - Non-performing counterparties	bCVA	Loss Given Default Rate (LGD)	0	100	%	30,276	-38,070
OTC derivatives subject to FV adjustment for CVA/DVA - Performing counterparties	bCVA	Probability of default (PD) based on counterparty's internal rating	CCC	AA	Internal Rating	1,412	-2,255
OTC Derivatives - Equity basket option	Black - Scholes model	Correlation between underlying equity baskets	-30.75	43.99	%	65	-67
OTC Derivatives - Commodity option	Black - Scholes model	Historical volatility - Terna	9.47	31.70	%	109	-177
OTC Derivatives - Spread option on swap rates	Black - Scholes model	Correlation between swap rates	19.69	80.32	%	1,962	-6,173
OTC Derivatives - Equity option	Black - Scholes model	Historical volatility - EuroClass	33.01	73.11	%	1,513	-1,186

A.4.2 Valuation processes and sensitivity

For a description of the valuation processes used by the Group for instruments measured at level 3 in a recurring and non-recurring manner, see paragraphs A.4.1 and A.4.5 respectively.

As required by IFRS 13, for the financial assets and liabilities measured at level 3 fair value the following table lists the effects of a change in one or more non-observable parameters used in the valuation techniques adopted to determine the fair value.

Financial assets/liabilities	**Non-observable parameters**	**Sensitivity** (thousands of euro)	**Change in non-observable parameter**
Held for trading and available for sale securities	Credit spread	-96	1 bp
Held for trading and available for sale securities	Volatility	1	1%
Held for trading and available for sale securities	Correlation	-71	1%
Held for trading and available for sale securities	Recovery rate	-484	1%
OTC Derivatives - Equity	Historical volatility for the underlying Euro Class S.p.a.	-673	10%
OTC Derivatives - Interest rate	Correlation for spread options between swap rates	-1,389	0.1
OTC Derivatives - Commodity	Volatility for the underlying Power Italia (PW IT Terna)	-13	1%
OTC Derivatives - Equity	Correlation between underlying equity baskets	-18	0.1

Moreover, the sensitivity analysis performed on level 3 structured credit products highlights a negative change in fair value, referring to complex credit derivatives, for an amount not material when the following parameters change:

- risk-neutral probability of default derived from market spreads (10%);
- recovery rate (from 5% to 25%, based on the type of risk of the underlying product);
- correlation between the value of collaterals present in the structure (from 25% to 80%, based on the type of risk of the underlying product);
- expected residual life of the contract (one-year increase over the expected term).

A.4.3. Fair value hierarchy

With regard to financial assets and liabilities measured at fair value on a recurring basis, the Intesa Sanpaolo Group carries out level changes based on the following guidelines.

For debt securities, the transition from level 3 to level 2 occurs if the significant parameters used as inputs in the valuation technique are, as at the reference date, observable on the market. The transition from level 3 to level 1, on the other hand, takes place when, as at the reference date, the presence of an active market has been successfully identified, as defined by IFRS 13. The transition from level 2 to level 3 occurs when, as at the reference date, some of the significant parameters in the fair value measurement are not directly observable on the market.

For OTC derivatives, the initial choice of the level of fair value hierarchy depends on the degree of significance and observability of the parameters used to determine the risk free component. Calculation of the component linked to the risk of insolvency of the counterparty/issuer, with unobservable parameters, may involve reclassification to level 3. In particular, this occurs when:

- the counterparty has a non-performing credit status and positive current exposure;
- with regard to the netting set, the ratio of the bilateral Credit Value Adjustment (bCVA) component and the total fair value is higher than a significant threshold and there is significant sensitivity to downgrading.

For equity instruments recognised among assets available for sale, change of the level occurs:

- when inputs observable on the market (e.g., prices defined based on comparable transactions on the same instrument between independent and informed counterparties) have become available during the period. In this case, the Group reclassifies from level 3 to level 2;
- when the directly or indirectly observable elements used as the basis for the valuation cease to exist, or when they are no longer up to date (e.g., comparable transactions that are no longer recent or multiples that are no longer applicable). In this case, the Group uses valuation techniques that use unobservable inputs.

A.4.4. Other information

For information regarding the highest and best use as required by IFRS 13, refer to the description at the bottom of Table A.4.5.4 with regard to non-financial assets.

The Intesa Sanpaolo Group does not exercise the exception envisaged under paragraph 48 of IFRS 13 (fair value based on net position) regarding financial assets and liabilities with positions that offset one another with regard to market risk and counterparty risk.

Quantitative information

A.4.5. Fair value hierarchy

A.4.5.1 Assets and liabilities measured at fair value on a recurring basis: breakdown by level

(millions of euro)

Assets / liabilities at fair value	31.12.2014			31.12.2013		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Financial assets held for trading	14,433	38,055	1,253	16,937	31,310	753
2. Financial assets designated at fair value through profit or loss	41,579	1,806	478	32,331	3,047	383
3. Financial assets available for sale	114,055	5,032	5,063	105,498	4,196	5,608
4. Hedging derivatives	-	9,206	4	-	7,533	1
5. Property and equipment	-	-	-	-	-	-
6. Intangible assets	-	-	-	-	-	-
Total	**170,067**	**54,099**	**6,798**	**154,766**	**46,086**	**6,745**
1. Financial liabilities held for trading	4,189	41,914	273	7,064	31,755	400
2. Financial liabilities designated at fair value through profit or loss	-	37,622	-	-	30,733	-
3. Hedging derivatives	-	10,291	9	-	7,577	13
Total	**4,189**	**89,827**	**282**	**7,064**	**70,065**	**413**

In addition to the transfers relating to financial assets and liabilities measured at level 3 as detailed in the tables below, note that the following transfers were made in 2014:

- from level 1 to level 2:
  - financial assets held for trading for 141 million euro (book value as at 31 December 2014);
  - financial assets designated at fair value through profit and loss for 24 million euro (book value as at 31 December 2014);
  - financial assets available for sale for 82 million euro (book value as at 31 December 2014);
  - financial liabilities held for trading for 959 million euro (book value as at 31 December 2014).
- from level 2 to level 1:
  - financial assets held for trading for 358 million euro (book value as at 31 December 2014);
  - financial assets designated at fair value through profit and loss for 54 million euro (book value as at 31 December 2014);
  - financial assets available for sale for 51 million euro (book value as at 31 December 2014);
  - financial liabilities held for trading for 19 million euro (book value as at 31 December 2014).

Transfers between fair value levels derive from the empirical observation of phenomena inherent in the instrument in question or its market.
The transfer from level 1 to level 2 is due to an adequate number of contributors no longer being present, namely to the limited number of investors holding the existing float. These cases often occur when approaching maturity of the instruments. Conversely, securities that have limited liquidity and number of negotiations upon issue – classified, therefore, as level 2 – are transferred to level 1 when the existence of an active market is identified.

The caption "3. Financial assets available for sale" – level 3 – includes 3,182 million euro referring to the new stake issued by the Bank of Italy in application of Law Decree 133 of 30 November 2013, converted into Law 5 of 29 January 2014, following the amendments to the Articles of Association approved by the Shareholders' Meeting of the Bank of Italy on 23 December 2013.
As at 31 December 2014, the impact of non-performance risk (Credit Value Adjustment and Debt Value Adjustment) in the determination of the fair value of financial instruments, and financial and credit derivatives, amounted to a reduction of 330 million euro in positive fair value and an increase of 39 million euro in negative fair value.

A.4.5.2.Annual changes in assets measured at fair value on a recurring basis (level 3)

(millions of euro)

	Financial assets held for trading	Financial assets designated at fair value through profit or loss	Financial assets available for sale	Hedging derivatives	Property and equipment	Intangible assets
1. Initial amount	**753**	**383**	**5,608**	**1**	**-**	**-**
2. Increases	**1,042**	**300**	**894**	**4**	**-**	**-**
2.1 Purchases	706	37	353	-	-	-
2.2 Gains recognised in:	83	44	349	-	-	-
2.2.1 Income statement	*83*	*44*	*88*	-	-	-
- of which capital gains	*67*	*38*	-	-	-	-
2.2.2 Shareholders' equity	*X*	*X*	*261*	-	-	-
2.3 Transfers from other levels	217	161	87	4	-	-
2.4 Other increases	36	58	105	-	-	-
3. Decreases	**-542**	**-205**	**-1,439**	**-1**	**-**	**-**
3.1 Sales	-180	-68	-337	-	-	-
3.2 Reimbursements	-57	-	-104	-	-	-
3.3 Losses recognized in:	-155	-5	-250	-1	-	-
3.3.1 Income statement	*-155*	*-5*	*-147*	*-1*	-	-
- of which capital losses	*-101*	*-5*	*-120*	*-1*	-	-
3.3.2 Shareholders' equity	*X*	*X*	*-103*	-	-	-
3.4 Transfers to other levels	-92	-	-575	-	-	-
3.5 Other decreases	-58	-132	-173	-	-	-
4. Final amount	**1,253**	**478**	**5,063**	**4**	**-**	**-**

A.4.5.3 Annual changes in financial liabilities measured at fair value on a recurring basis (level 3)

(millions of euro)

	Financial liabilities held for trading	Financial liabilities designated at fair value through profit or loss	Hedging derivatives
1. Initial amount	**400**	**-**	**13**
2. Increases	**260**	**-**	**11**
2.1 Issues	69	-	-
2.2 Losses recognised in:	18	-	4
2.2.1 Income statement	*18*	-	*1*
- of which capital losses	*18*	-	*1*
2.2.2 Shareholders' equity	*X*	*X*	*3*
2.3 Transfers from other levels	173	-	*3*
2.4 Other increases	-	-	*4*
3. Decreases	**-387**	**-**	**-15**
3.1 Reimbursements	-93	-	-12
3.2 Repurchases	-	-	-
3.3 Gains recognised in:	-66	-	-3
3.3.1 Income statement	*-66*	-	*-3*
- of which capital gains	*-18*	-	*-3*
3.3.2 Shareholders' equity	*X*	*X*	*X*
3.4 Transfers to other levels	-227	-	-
3.5 Other decreases	-1	-	-
4. Final amount	**273**	**-**	**9**

"Financial liabilities held for trading" refer to derivative contracts with a negative fair value.

Transfers from and to other levels described in the above tables were carried out in accordance with the guidelines described in paragraph A.4.3 - Fair value hierarchy.

For more exhaustive information on the sensitivity of financial instruments to changes in the main input parameters, reference should be made to the analyses of the trading book in Part E of these Notes to the consolidated financial statements.

A.4.5.4 Assets and liabilities not measured at fair value or measured at fair value on a non-recurring basis: fair value by level

(millions of euro)

Assets/liabilities not measured at fair value or measured at fair value on a non-recurring basis	31.12.2014				31.12.2013			
	Book value	Level 1	Level 2	Level 3	Book value	Level 1	Level 2	Level 3
1. Investments held to maturity	1,471	602	917	-	2,051	755	1,295	-
2. Due from banks	31,372	58	21,061	10,200	26,481	83	16,374	9,919
3. Loans to customers	339,105	1,310	200,810	149,390	344,023	1,188	227,162	122,251
4. Investment property	84	-	-	101	127	-	-	219
5. Non-current assets held for sale and discontinued operations	229	-	26	-	108	-	-	-
Total	**372,261**	**1,970**	**222,814**	**159,691**	**372,790**	**2,026**	**244,831**	**132,389**
1. Due to banks	51,495	4	35,887	15,571	52,244	528	33,319	17,894
2. Due to customers	230,738	110	194,483	36,685	229,057	299	190,973	37,791
3. Securities issued	123,768	63,636	59,067	3,332	138,197	61,475	75,973	1,511
4. Liabilities associated with non-current assets	201	-	-	-	-	-	-	-
Total	**406,202**	**63,750**	**289,437**	**55,588**	**419,498**	**62,302**	**300,265**	**57,196**

Financial assets and liabilities

For assets and liabilities not measured at fair value (securities held to maturity, loans and loans represented by securities, amounts due to customers and securities issued), the Group measures fair value by calculating the present value of future cash flows at a rate that incorporates the estimate of the main risks and uncertainties associated with the financial instrument to be measured (discount rate adjustment approach).

In particular, the interest rate used to discount the future cash flows is determined by taking into account the following risk factors:

– interest rate risk, which represents the rate offered by the market for each unit of capital provided to risk-free counterparties;
– credit risk, which is the premium for having provided capital to counterparties with insolvency risk;
– the cost of liquidity connected to credit.

For fixed rate instruments, the cash flows are those envisaged by the contracts. For floating rate instruments, the future cash flows are determined based on forward rates, implicit in the zero coupon interest rate curves observed at the various fixing dates and differentiated by indexation type.

The value of the risk premium (credit spread) is determined per individual position, through acquisition of the risk class (LGD) and rating (PD). These amounts, together with the average residual financial life, constitute the guideline for acquisition of the credit spread. The spread curve is determined based on the same rules for securities issued by Intesa Sanpaolo as well.

The following assumptions were used in determining the fair values indicated in table A.4.5.4:

– for debt securities classified under held to maturity and for loans represented by securities, the same rules envisaged for the fair value measurement of other categories of securities are used;
– for securities issued, the rules used are the same as those applied to securities under assets;
– the book value is calculated as the reasonable approximation of fair value for:
    o demand financial items (assets and liabilities) or financial items with an original maturity equal to or less than 12 months which, in the table, are presented in the column corresponding to level 2 of the fair value hierarchy except for demand loans presented in the column corresponding to level 3 of the fair value hierarchy;
    o non-performing assets, which in the table are included in the column corresponding to level 3 of the fair value hierarchy.

Non-financial assets

Regarding investment property, for which the fair value is calculated only for the purposes of information to be provided in the Notes to the consolidated financial statements, reference is made to values determined, mainly via independent expert opinions, considering transactions at current prices in an active market for similar real estate properties, in the same location and conditions as well as subject to similar conditions in terms of rentals and other contracts.

A.5 – INFORMATION ON "DAY ONE PROFIT/LOSS"

Under IAS 39, financial instruments shall be initially recognised at fair value. The fair value of a financial instrument on initial recognition is normally the "transaction price", i.e. the fair value of the consideration given or received in relation to, respectively, financial assets and liabilities.

The fact that, upon initial recognition, the fair value of a financial instrument coincides with the transaction price is always intuitively verifiable in the case of transactions falling under level 1 of the fair value hierarchy. Also in the case of level 2, which is based on quotes that can be derived indirectly from the market (Comparable Approach), the fair value and the price often coincide upon initial recognition. Any differences between the price and the fair value are usually allocated to the so-called commercial margins, which are taken to the income statement when the financial instrument is initially measured.

Conversely, with respect to level 3 instruments, which have more discretion in fair value measurement, no definite reference benchmark is available to compare the transaction price with. For the same reason, the calculation of any commercial margin to be taken to the income statement is also difficult. In this event, the instrument is always initially recognised at the transaction cost. Subsequent measurement shall not include the difference between cost and fair value identified upon initial recognition (Day-One-Profit - DOP).

This difference shall be recognised in the income statement only when it arises from changes of the factors over which market participants base their valuations when fixing prices (including the time effect). Where the instrument has a definite maturity and no model is available to monitor the changes to the factors over which prices are based, the DOP can be recognised in the income statement systematically over the life of such instrument.

When a level 3 instrument is reclassified to level 2, the residual deferred Day-One-Profits are recognised in the income statement. Similarly, in the event of "on the book" transactions falling under the Bank's investing activities, the Day-One-Profits earned on level 3 transactions (including in the above "on the book" management) are taken to the income statement when the Group entity (the investment bank) carries out transactions which substantially eliminate the risks of the level 3 instrument which generated the DOP.

The above regulation applies only to those instruments which fall in one of the classes which can be recognised at fair value through profit and loss (Fair Value Option and Trading Book). Indeed, only for the latter, the difference between the transaction price and the fair value would be taken to the income statement upon initial recognition.

The following table shows the DOP amount trend deferred in the balance sheet, indicating the portion taken to the income statement.

(millions of euro)

1. Initial amount	**17**
2. Increases	**-**
2.1 New transactions	-
3. Decreases	**-7**
3.1 Releases to the income statement	-7
4. Final amount	**10**

Part B – Information on the consolidated balance sheet

ASSETS

SECTION 1 - CASH AND CASH EQUIVALENTS - CAPTION 10

1.1 Cash and cash equivalents: breakdown

(millions of euro)

	31.12.2014	31.12.2013
a) Cash	3,814	3,899
b) On demand deposits with Central Banks	2,817	2,626
TOTAL	**6,631**	**6,525**

SECTION 2 - FINANCIAL ASSETS HELD FOR TRADING - CAPTION 20

2.1 Financial assets held for trading: breakdown

(millions of euro)

	31.12.2014			31.12.2013		
	Level 1	**Level 2**	**Level 3**	**Level 1**	**Level 2**	**Level 3**
A. Cash assets						
1. Debt securities	11,669	2,514	395	14,228	2,251	273
1.1 structured securities	*423*	*247*	*129*	*149*	*109*	*7*
1.2 other debt securities	*11,246*	*2,267*	*266*	*14,079*	*2,142*	*266*
2. Equities	793	-	-	517	-	-
3. Quotas of UCI	1,349	179	113	1,469	256	97
4. Loans	-	-	-	-	-	-
4.1 reverse repurchase agreements	-	-	-	-	-	-
4.2 other	-	-	-	-	-	-
Total A	**13,811**	**2,693**	**508**	**16,214**	**2,507**	**370**
B. Derivatives						
1. Financial derivatives	622	34,235	710	698	27,428	343
1.1 trading	*622*	*33,747*	*710*	*698*	*27,104*	*343*
1.2 fair value option	-	-	-	-	-	-
1.3 other	-	*488*	-	-	*324*	-
2. Credit derivatives	-	1,127	35	25	1,375	40
2.1 trading	-	*1,127*	*22*	*25*	*1,375*	*27*
2.2 fair value option	-	-	-	-	-	-
2.3 other	-	-	*13*	-	-	*13*
Total B	**622**	**35,362**	**745**	**723**	**28,803**	**383**
TOTAL (A+B)	**14,433**	**38,055**	**1,253**	**16,937**	**31,310**	**753**

2.1 Of which Banking group

(millions of euro)

	31.12.2014			31.12.2013		
	Level 1	**Level 2**	**Level 3**	**Level 1**	**Level 2**	**Level 3**
A. Cash assets						
1. Debt securities	11,444	2,396	371	14,036	2,020	253
1.1 structured securities	*423*	*247*	*129*	*149*	*109*	*7*
1.2 other debt securities	*11,021*	*2,149*	*242*	*13,887*	*1,911*	*246*
2. Equities	793	-	-	517	-	-
3. Quotas of UCI	939	179	113	1,071	256	97
4. Loans	-	-	-	-	-	-
4.1 reverse repurchase agreements	-	-	-	-	-	-
4.2 other	-	-	-	-	-	-
Total A	**13,176**	**2,575**	**484**	**15,624**	**2,276**	**350**
B. Derivatives						
1. Financial derivatives	622	34,234	710	690	27,426	343
1.1 trading	*622*	*33,746*	*710*	*690*	*27,102*	*343*
1.2 fair value option	-	-	-	-	-	-
1.3 other	-	*488*	-	-	*324*	-
2. Credit derivatives	-	1,120	35	25	1,375	40
2.1 trading	-	*1,120*	*22*	*25*	*1,375*	*27*
2.2 fair value option	-	-	-	-	-	-
2.3 other	-	-	*13*	-	-	*13*
Total B	**622**	**35,354**	**745**	**715**	**28,801**	**383**
TOTAL (A+B)	**13,798**	**37,929**	**1,229**	**16,339**	**31,077**	**733**

2.1 Of which Insurance companies

(millions of euro)

	31.12.2014			31.12.2013		
	Level 1	**Level 2**	**Level 3**	**Level 1**	**Level 2**	**Level 3**
A. Cash assets						
1. Debt securities	225	118	24	192	231	20
1.1 structured securities	-	-	-	-	-	-
1.2 other debt securities	*225*	*118*	*24*	*192*	*231*	*20*
2. Equities	-	-	-	-	-	-
3. Quotas of UCI	410	-	-	398	-	-
4. Loans	-	-	-	-	-	-
4.1 reverse repurchase agreements	-	-	-	-	-	-
4.2 other	-	-	-	-	-	-
Total A	**635**	**118**	**24**	**590**	**231**	**20**
B. Derivatives						
1. Financial derivatives	-	1	-	8	2	-
1.1 trading	-	*1*	-	*8*	*2*	-
1.2 fair value option	-	-	-	-	-	-
1.3 other	-	-	-	-	-	-
2. Credit derivatives	-	7	-	-	-	-
2.1 trading	-	*7*	-	-	-	-
2.2 fair value option	-	-	-	-	-	-
2.3 other	-	-	-	-	-	-
Total B	**-**	**8**	**-**	**8**	**2**	**-**
TOTAL (A+B)	**635**	**126**	**24**	**598**	**233**	**20**

2.2 Financial assets held for trading: borrower/issuer breakdown

(millions of euro)

	31.12.2014	*Of which:* Banking group	*Of which:* Insurance companies	*Of which:* Other companies	31.12.2013
A) CASH ASSETS					
1. Debt securities	**14,578**	***14,211***	***367***	-	**16,752**
a) Governments and Central Banks	5,511	*5,274*	*237*	-	10,155
b) Other public entities	370	*370*	-	-	205
c) Banks	4,854	*4,759*	*95*	-	3,992
d) Other issuers	3,843	*3,808*	*35*	-	2,400
2. Equities	**793**	***793***	**-**	-	**517**
a) Banks	46	*46*	-	-	83
b) Other issuers	747	*747*	-	-	434
- insurance companies	*75*	*75*	-	-	*28*
- financial institutions	*29*	*29*	-	-	*26*
- non-financial companies	*643*	*643*	-	-	*380*
- other	-	-	-	-	-
3. Quotas of UCI	**1,641**	***1,231***	***410***	-	**1,822**
4. Loans	**-**	**-**	**-**	**-**	**-**
a) Governments and Central Banks	-	-	-	-	-
b) Other public entities	-	-	-	-	-
c) Banks	-	-	-	-	-
d) Other counterparties	-	-	-	-	-
Total A	**17,012**	***16,235***	***777***	-	**19,091**
B) DERIVATIVES					
a) Banks	21,775	*21,767*	*8*	-	19,042
b) Customers	14,954	*14,954*	-	-	10,867
Total B	**36,729**	***36,721***	***8***	-	**29,909**
TOTAL (A+B)	**53,741**	***52,956***	***785***	-	**49,000**

2.3 Cash financial assets held for trading: annual changes

(millions of euro)

	Debt securities	Equities	Quotas of UCI	Loans	Total
A. Initial amount	**16,752**	**517**	**1,822**	**-**	**19,091**
B. Increases	**448,568**	**11,388**	**9,212**	**-**	**469,168**
B.1 purchases	445,456	11,050	9,090	-	465,596
of which business combinations	-	-	-	-	-
B.2 positive fair value differences	249	7	47	-	303
B.3 other changes	2,863	331	75	-	3,269
C. Decreases	**-450,742**	**-11,112**	**-9,393**	**-**	**-471,247**
C.1 sales	-440,503	-10,804	-9,126	-	-460,433
of which business combinations	-	-	-	-	-
C.2 reimbursements	-6,670	-	-202	-	-6,872
C.3 negative fair value differences	-55	-42	-26	-	-123
C.4 trasfers to other portfolios	-	-	-	-	-
C.5 other changes	-3,514	-266	-39	-	-3,819
D. Final amount	**14,578**	**793**	**1,641**	**-**	**17,012**

2.3 Of which Banking group

(millions of euro)

	Debt securities	Equities	Quotas of UCI	Loans	Total
A. Initial amount	**16,309**	**517**	**1,424**	**-**	**18,250**
B. Increases	**448,332**	**11,388**	**9,151**	**-**	**468,871**
B.1 purchases	445,435	11,050	9,088	-	465,573
of which business combinations	-	-	-	-	-
B.2 positive fair value differences	220	7	34	-	261
B.3 other changes	2,677	331	29	-	3,037
C. Decreases	**-450,430**	**-11,112**	**-9,344**	**-**	**-470,886**
C.1 sales	-440,359	-10,804	-9,077	-	-460,240
of which business combinations	-	-	-	-	-
C.2 reimbursements	-6,529	-	-202	-	-6,731
C.3 negative fair value differences	-54	-42	-26	-	-122
C.4 trasfers to other portfolios	-	-	-	-	-
C.5 other changes	-3,488	-266	-39	-	-3,793
D. Final amount	**14,211**	**793**	**1,231**	**-**	**16,235**

2.3 Of which Insurance companies

(millions of euro)

	Debt securities	Equities	Quotas of UCI	Loans	Total
A. Initial amount	**443**	**-**	**398**	**-**	**841**
B. Increases	**236**	**-**	**61**	**-**	**297**
B.1 purchases	21	-	2	-	23
of which business combinations	-	-	-	-	-
B.2 positive fair value differences	29	-	13	-	42
B.3 other changes	186	-	46	-	232
C. Decreases	**-312**	**-**	**-49**	**-**	**-361**
C.1 sales	-144	-	-49	-	-193
of which business combinations	-	-	-	-	-
C.2 reimbursements	-141	-	-	-	-141
C.3 negative fair value differences	-1	-	-	-	-1
C.4 trasfers to other portfolios	-	-	-	-	-
C.5 other changes	-26	-	-	-	-26
D. Final amount	**367**	**-**	**410**	**-**	**777**

SECTION 3 - FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT AND LOSS - CAPTION 30

3.1 Financial assets designated at fair value through profit and loss: breakdown

(millions of euro)

	31.12.2014			31.12.2013		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt securities	2,460	1,806	250	978	2,885	277
1.1 structured securities	-	-	-	-	-	-
1.2 other debt securities	*2,460*	*1,806*	*250*	*978*	*2,885*	*277*
2. Equities	873	-	-	380	-	-
3. Quotas of UCI	38,211	-	102	30,946	-	106
4. Loans	35	-	126	27	162	-
4.1 structured	-	-	-	-	-	-
4.2 other	*35*	-	*126*	*27*	*162*	-
Total	**41,579**	**1,806**	**478**	**32,331**	**3,047**	**383**
Cost	**39,028**	**1,778**	**461**	**18,203**	**14,885**	**458**

3.1 Of which Banking group

(millions of euro)

	31.12.2014			31.12.2013		
	Level 1	**Level 2**	**Level 3**	**Level 1**	**Level 2**	**Level 3**
1. Debt securities	-	1,078	13	24	828	18
1.1 structured securities	-	-	-	-	-	-
1.2 other debt securities	-	*1,078*	*13*	*24*	*828*	*18*
2. Equities	-	-	-	-	-	-
3. Quotas of UCI	13	-	102	32	-	106
4. Loans	-	-	-	-	-	-
4.1 structured	-	-	-	-	-	-
4.2 other	-	-	-	-	-	-
Total	**13**	**1,078**	**115**	**56**	**828**	**124**
Cost	**23**	**1,067**	**119**	**45**	**851**	**161**

In this category the Group has classified some debt securities with embedded derivatives or debt securities subject to financial hedging and equity investments held, directly or through funds, in companies involved in venture capital business.

3.1 Of which Insurance companies

(millions of euro)

	31.12.2014			31.12.2013		
	Level 1	**Level 2**	**Level 3**	**Level 1**	**Level 2**	**Level 3**
1. Debt securities	2,460	728	237	954	2,057	259
1.1 structured securities	-	-	-	-	-	-
1.2 other debt securities	*2,460*	*728*	*237*	*954*	*2,057*	*259*
2. Equities	873	-	-	380	-	-
3. Quotas of UCI	38,198	-	-	30,914	-	-
4. Loans	35	-	126	27	162	-
4.1 structured	-	-	-	-	-	-
4.2 other	*35*	-	*126*	*27*	*162*	-
Total	**41,566**	**728**	**363**	**32,275**	**2,219**	**259**
Cost	**39,005**	**711**	**342**	**18,158**	**14,034**	**297**

Assets designated at fair value essentially included assets with respect to insurance policies where the total risk is borne by the policyholders (so-called Class D).

3.2 Financial assets designated at fair value through profit and loss: borrower/issuer breakdown

(millions of euro)

	31.12.2014	Of which:			31.12.2013
		Banking group	*Insurance companies*	*Other companies*	
1. Debt securities	**4,516**	***1,091***	***3,425***	-	**4,141**
a) Governments and Central Banks	2,504	*818*	*1,686*	-	1,419
b) Other public entities	6	*6*	-	-	12
c) Banks	996	*242*	*754*	-	2,187
d) Other issuers	1,010	*25*	*985*	-	523
2. Equities	**873**	**-**	***873***	-	**381**
a) Banks	95	-	*95*	-	31
b) Other issuers	778	-	*778*	-	350
- insurance companies	*23*	-	*23*	-	*22*
- financial institutions	*7*	-	*7*	-	*15*
- non-financial companies	-	-	-	-	-
- other	*748*	-	*748*	-	*313*
3. Quotas of UCI	**38,313**	***115***	***38,198***	-	**31,051**
4. Loans	**161**	**-**	***161***	-	**188**
a) Governments and Central Banks	-	-	-	-	-
b) Other public entities	-	-	-	-	-
c) Banks	161	-	*161*	-	188
d) Other counterparties	-	-	-	-	-
TOTAL	**43,863**	***1,206***	***42,657***	-	**35,761**

3.3 Financial assets designated at fair value through profit and loss: annual changes

(millions of euro)

	Debt securities	Equities	Quotas of UCI	Loans	Total
A. Initial amount	**4,140**	**380**	**31,052**	**189**	**35,761**
B. Increases	**3,318**	**1,692**	**21,872**	**10**	**26,892**
B.1 purchases	1,377	1,132	14,949	-	17,458
of which business combinations	-	-	-	-	-
B.2 positive fair value differences	159	57	2,246	3	2,465
B.3 other changes	1,782	503	4,677	7	6,969
C. Decreases	**-2,942**	**-1,199**	**-14,611**	**-38**	**-18,790**
C.1 sales	-1,104	-1,141	-14,319	-	-16,564
of which business combinations	-	-	-	-	-
C.2 reimbursements	-1,151	-	-	-	-1,151
C.3 negative fair value differences	-10	-26	-169	-	-205
C.4 other changes	-677	-32	-123	-38	-870
D. Final amount	**4,516**	**873**	**38,313**	**161**	**43,863**

3.3 Of which Banking group

(millions of euro)

	Debt securities	Equities	Quotas of UCI	Loans	Total
A. Initial amount	**870**	**-**	**138**	**-**	**1,008**
B. Increases	**804**	**-**	**1**	**-**	**805**
B.1 purchases	771	-	1	-	772
of which business combinations	-	-	-	-	-
B.2 positive fair value differences	25	-	-	-	25
B.3 other changes	8	-	-	-	8
C. Decreases	**-583**	**-**	**-24**	**-**	**-607**
C.1 sales	-563	-1	-19	-	-583
of which business combinations	-	-	-	-	-
C.2 reimbursements	-	-	-	-	-
C.3 negative fair value differences	-3	-	-5	-	-8
C.4 other changes	-17	1	-	-	-16
D. Final amount	**1,091**	**-**	**115**	**-**	**1,206**

3.3 Of which Insurance companies

(millions of euro)

	Debt securities	Equities	Quotas of UCI	Loans	Total
A. Initial amount	**3,270**	**380**	**30,914**	**189**	**34,753**
B. Increases	**2,514**	**1,692**	**21,871**	**10**	**26,087**
B.1 purchases	606	1,132	14,948	-	16,686
of which business combinations	-	-	-	-	-
B.2 positive fair value differences	134	57	2,246	3	2,440
B.3 other changes	1,774	503	4,677	7	6,961
C. Decreases	**-2,359**	**-1,199**	**-14,587**	**-38**	**-18,183**
C.1 sales	-541	-1,140	-14,300	-	-15,981
of which business combinations	-	-	-	-	-
C.2 reimbursements	-1,151	-	-	-	-1,151
C.3 negative fair value differences	-7	-26	-164	-	-197
C.4 other changes	-660	-33	-123	-38	-854
D. Final amount	**3,425**	**873**	**38,198**	**161**	**42,657**

SECTION 4 - FINANCIAL ASSETS AVAILABLE FOR SALE - CAPTION 40

4.1 Financial assets available for sale: breakdown

(millions of euro)

	31.12.2014			31.12.2013		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt securities	108,194	4,373	338	102,354	3,610	826
1.1 Structured securities	-	-	-	*3*	-	-
1.2 Other debt securities	*108,194*	*4,373*	*338*	*102,351*	*3,610*	*826*
2. Equities	1,049	531	4,186	832	438	4,153
2.1 Measured at fair value	*1,049*	*531*	*4,171*	*832*	*438*	*4,136*
2.2 Measured at cost	-	-	*15*	-	-	*17*
3. Quotas of UCI	4,812	120	535	2,312	116	623
4. Loans	-	8	4	-	32	6
TOTAL	**114,055**	**5,032**	**5,063**	**105,498**	**4,196**	**5,608**

Loans, as illustrated in Part A – Accounting policies, refer to portions of syndicated loans underwritten and destined to be subsequently sold.

Financial assets available for sale (equities measured at fair value – level 3) include the new stakes issued by the Bank of Italy in application of Law Decree 133 of 30 November 2013, converted into Law 5 of 29 January 2014, and as a consequence of the amendments to the articles of association approved by the Bank of Italy's general meeting on 23 December 2013 and entered into force on 31 December 2013.
The above provision of law authorised the Bank of Italy to apply several amendments to its Statute and to increase its share capital from 156,000 euro to 7,500,000,000 euro. Following the share capital increase, the central bank's capital is now represented by registered shares of 25,000 euro each.
The major changes to shareholders' rights brought about by the amendments to the Statute also essentially changed the nature of the stake in the Bank of Italy compared to their characteristics before the reform. As a result of these amendments, in the 2013 financial statements the stakes previously held (127,266 shares) were cancelled and replaced by the same number of new shares, in accordance with the requirements of IAS 39.
The initial carrying value of the new shares (equal to 3,182 million) corresponds to their nominal value, which was made to coincide with their fair value at the date of compliance with the document "Updating the valuation of Bank of Italy's equity capital" published by the Bank of Italy and the Ministry of the Economy and Finance on 9 November 2013.
For the purpose of the 2014 financial statements, the fair value of the shares was checked in accordance with the requirements of IFRS 13, taking, as reference for the estimate, a combination of the data observable on the markets and the data estimated on the basis of the profitability of the issuer and the securities, and taking into account the characteristics of the shares that:
- attribute participation rights only referring to the share capital of the Bank of Italy and not to its equity reserves;
- participate in a subordinated manner to covering the losses;
- show a periodic remuneration that, at its maximum level, is bound to a defined percentage of the share capital (6%).

The securities, though formally classifiable – mainly by virtue of the administrative rights associated to them – among the equity instruments, have ownership rights with characteristics that, partly not marginal, are close to those observable in debt securities.
Since they are unlisted instruments that are not comparable with similar listed instruments, in the valuation model reference was made to the so-called "income approach" through the use of the "Dividend Discount Model" (DDM).
The expected dividend flows were estimated starting from an initial figure, assumed as the average of the dividends disbursed in recent years, until achieving, with an improvement rate in line with the dynamics of the economy's expected growth rate, the maximum measurement allowed by the Central bank's Statute.
These flows were discounted with a discount rate that incorporates:
- the base component represented by the so-called "risk-free", measured on the basis of an average of the European (10-year EURirs) and Italian rates (10-year BTP securities), in consideration of the distribution of the bank's revenue sources that depend partly on the relations with the Eurosystem and partly on the investments mainly represented by Italian government securities. The observation timescale for these rates was the year 2014 -as will be also examined in depth in section 13 of Part B of the Notes to the financial statements with reference to the impairment tests on goodwill-, allowing both the reasonable appreciation of the current market conditions and the attenuation of the effects of the volatility on the risk-free trend in the short-term, which at the end of 2014 shows exceptionally low values as a consequence of the ECB's contingent monetary policies;
- an incremental risk factor correlated to the profit and pay out dynamics of the Bank of Italy and aiming to capture the peculiarities of the shares and the potential differential volatility of the yields of the same compared to the risk-free yields. This adjustment correction also aims to incorporate in the model the reduced historical series (just one year) of the dividends disbursed by the Central bank after the discontinuity deriving from reforming the Statute.
  This factor was assumed in place of the typical components of the procedures used for the valuation of equities represented by the Equity Risk Premium and the beta coefficient. In actual fact, the characteristics of the shares and the check carried out on the market values of the listed security of another central bank that has very similar characteristics to the Bank of Italy's stake, a beta close to zero and absence of correlation between the yield of the security and the yield of the equity markets, led to the reference to the above-mentioned risk components being deemed inappropriate.

A discount was applied to the value obtained through the model described due to the lack of liquidity, considering the current total absence of transactions on the market that refer to these shares. The discount – also due to the potential, though temporary, overhang condition that could occur as a result of the obligation for some participants to reduce their

stakes below the limit of 3% of the capital - was determined as the maximum measurement of the significant category (ranging between 15 and 35%) of the liquidity discounts obtained from the analysis of numerous studies and empirical research activities.
This measurement suggests that a measurement of the stakes held by the Intesa Sanpaolo Group ranging between the present carrying value and a value higher than the former by about 25% reasonably represents the fair value of the same stakes.
In consideration of the difficulty of the measurement linked to the peculiarity of the securities and the need for having to also assume parameters that cannot be observed on the market on the one hand, and the outcome of the measurement on the other hand, it was deemed appropriate to confirm the carrying value of 3,182 million euro in the 2014 financial statements.
The model described is aimed at estimating the fair value of the shares with dividend right. Any limitations occurring from 31 December 2016 in compliance with the provisions of Article 4 of Law 5/2014, providing for the loss of this right for the shares exceeding 3% of the share capital held by the single participating group, may lead to amendments to the valuation model.

4.1 Of which Banking group

(millions of euro)

	31.12.2014			31.12.2013		
	Level 1	**Level 2**	**Level 3**	**Level 1**	**Level 2**	**Level 3**
1. Debt securities	43,103	3,524	156	51,988	2,816	538
1.1 Structured securities	-	-	-	*3*	-	-
1.2 Other debt securities	*43,103*	*3,524*	*156*	*51,985*	*2,816*	*538*
2. Equities	187	531	4,025	115	438	4,008
2.1 Measured at fair value	*187*	*531*	*4,010*	*115*	*438*	*3,991*
2.2 Measured at cost	-	-	*15*	-	-	*17*
3. Quotas of UCI	471	9	528	434	31	617
4. Loans	-	8	4	-	32	6
TOTAL	**43,761**	**4,072**	**4,713**	**52,537**	**3,317**	**5,169**

4.1 Of which Insurance companies

(millions of euro)

	31.12.2014			31.12.2013		
	Level 1	**Level 2**	**Level 3**	**Level 1**	**Level 2**	**Level 3**
1. Debt securities	65,091	849	182	50,366	794	288
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	*65,091*	*849*	*182*	*50,366*	*794*	*288*
2. Equities	862	-	161	717	-	145
2.1 Measured at fair value	*862*	-	*161*	*717*	-	*145*
2.2 Measured at cost	-	-	-	-	-	-
3. Quotas of UCI	4,341	111	7	1,878	84	6
4. Loans	-	-	-	-	-	-
TOTAL	**70,294**	**960**	**350**	**52,961**	**878**	**439**

4.1 Of which: other companies

As at 31 December 2014, there were no assets attributable to other companies. As at 31 December 2013 there was 1 million euro attributable to level-2 quotas of UCI.

4.2 Financial assets available for sale: borrower/issuer breakdown

(millions of euro)

	31.12.2014	Of which: Banking group	Of which: Insurance companies	Of which: Other companies	31.12.2013
1. Debt securities	**112,905**	***46,783***	***66,122***	-	**106,790**
a) Governments and Central Banks	100,877	*43,688*	*57,189*	-	97,296
b) Other public entities	394	*242*	*152*	-	291
c) Banks	5,897	*1,604*	*4,293*	-	5,491
d) Other issuers	5,737	*1,249*	*4,488*	-	3,712
2. Equities	**5,766**	***4,743***	***1,023***	-	**5,423**
a) Banks	3,321	*3,284*	*37*	-	3,382
b) Other issuers	2,445	*1,459*	*986*	-	2,041
- insurance companies	*215*	*-*	*215*	-	*202*
- financial institutions	*319*	*316*	*3*	-	*431*
- non-financial companies	*1,910*	*1,143*	*767*	-	*1,408*
- other	*1*	*-*	*1*	-	-
3. Quotas of UCI	**5,467**	***1,008***	***4,459***	-	**3,051**
4. Loans	**12**	***12***	-	-	**38**
a) Governments and Central Banks	-	-	-	-	-
b) Other public entities	-	-	-	-	-
c) Banks	4	*4*	-	-	6
d) Other counterparties	8	*8*	-	-	32
TOTAL	**124,150**	***52,546***	***71,604***	-	**115,302**

Equities include positions resulting from the conversion of loans for 312 million euro issued by non-financial companies.

4.3 Financial assets available for sale with specific hedges

(millions of euro)

	31.12.2014	Of which: Banking group	Of which: Insurance companies	Of which: Other companies	31.12.2013
1. Financial assets with specific fair value hedges	**35,373**	***35,373***	-	-	**44,010**
a) Interest rate risk	35,317	*35,317*	-	-	43,966
b) Price risk	-	-	-	-	-
c) Foreign exchange risk	-	-	-	-	-
d) Credit risk	-	-	-	-	-
e) Various risks	56	*56*	-	-	44
2. Financial assets with specific cash flow hedges	-	-	-	-	**300**
a) Interest rate risk	-	-	-	-	300
b) Foreign exchange risk	-	-	-	-	-
c) Other	-	-	-	-	-
TOTAL	**35,373**	***35,373***	-	-	**44,310**

4.4 Financial assets available for sale: annual changes

(millions of euro)

	Debt securities	Equities	Quotas of UCI	Loans	Total
A. Initial amount	**106,790**	**5,423**	**3,051**	**38**	**115,302**
B. Increases	**107,425**	**1,295**	**4,565**	**18**	**113,303**
B.1 purchases	99,100	510	4,120	10	103,740
of which business combinations	-	-	-	-	-
B.2 positive fair value differences	1,604	329	101	-	2,034
B.3 write-backs recognised in:	3	-	-	-	3
- income statement	-	*X*	-	-	-
- shareholders' equity	*3*	-	-	-	*3*
B.4 transfers from other portfolios	-	-	-	-	-
B.5 other changes	6,718	456	344	8	7,526
C. Decreases	**-101,310**	**-952**	**-2,149**	**-44**	**-104,455**
C.1 sales	-67,251	-365	-1,695	-33	-69,344
of which business combinations	-	-	-	-	-
C.2 reimbursements	-30,962	-61	-169	-	-31,192
C.3 negative fair value differences	-174	-203	-42	-2	-421
C.4 impairment losses recognised in:	-2	-174	-5	-6	-187
- income statement	*-2*	*-174*	*-5*	*-6*	*-187*
- shareholders' equity	-	-	-	-	-
C.5 transfers to other portfolios	-6	-	-	-	-6
C.6 other changes	-2,915	-149	-238	-3	-3,305
D. Final amount	**112,905**	**5,766**	**5,467**	**12**	**124,150**

4.4 Of which: Banking group

(millions of euro)

	Debt securities	Equities	Quotas of UCI	Loans	Total
A. Initial amount	**55,342**	**4,561**	**1,082**	**38**	**61,023**
B. Increases	**77,652**	**944**	**772**	**18**	**79,386**
B.1 purchases	76,015	271	514	10	76,810
of which business combinations	-	-	-	-	-
B.2 positive fair value differences	624	291	82	-	997
B.3 write-backs recognised in:	3	-	-	-	3
- income statement	-	*X*	-	-	-
- shareholders' equity	*3*	-	-	-	*3*
B.4 transfers from other portfolios	-	-	-	-	-
B.5 other changes	1,010	382	176	8	1,576
C. Decreases	**-86,211**	**-762**	**-846**	**-44**	**-87,863**
C.1 sales	-56,951	-219	-431	-33	-57,634
of which business combinations	-	-	-	-	-
C.2 reimbursements	-28,543	-61	-169	-	-28,773
C.3 negative fair value differences	-110	-197	-37	-2	-346
C.4 impairment losses recognised in:	-2	-172	-5	-6	-185
- income statement	*-2*	*-172*	*-5*	*-6*	*-185*
- shareholders' equity	-	-	-	-	-
C.5 transfers to other portfolios	-6	-	-	-	-6
C.6 other changes	-599	-113	-204	-3	-919
D. Final amount	**46,783**	**4,743**	**1,008**	**12**	**52,546**

4.4 Of which: Insurance companies

(millions of euro)

	Debt securities	Equities	Quotas of UCI	Loans	Total
A. Initial amount	**51,448**	**862**	**1,968**	**-**	**54,278**
B. Increases	**29,773**	**351**	**3,793**	**-**	**33,917**
B.1 purchases	23,085	239	3,606	-	26,930
of which business combinations	-	-	-	-	-
B.2 positive fair value differences	980	38	19	-	1,037
B.3 write-backs recognised in	-	-	-	-	-
- income statement	-	*X*	-	-	-
- shareholders' equity	-	-	-	-	-
B.4 transfers from other portfolios	-	-	-	-	-
B.5 other changes	5,708	74	168	-	5,950
C. Decreases	**-15,099**	**-190**	**-1,302**	**-**	**-16,591**
C.1 sales	-10,300	-146	-1,264	-	-11,710
of which business combinations	-	-	-	-	-
C.2 reimbursements	-2,419	-	-	-	-2,419
C.3 negative fair value differences	-64	-6	-5	-	-75
C.4 impairment losses recognised in	-	-2	-	-	-2
- income statement	-	*-2*	-	-	*-2*
- shareholders' equity	-	-	-	-	-
C.5 transfers to other portfolios	-	-	-	-	-
C.6 other changes	-2,316	-36	-33	-	-2,385
D. Final amount	**66,122**	**1,023**	**4,459**	**-**	**71,604**

4.4 Of which: Other companies

In 2014 there was a decrease for 1 million euro referring to quotas of UCI, which eliminated the final residual amount.

Impairment tests for financial assets available for sale

As required under IFRS, financial assets available for sale are subjected to impairment testing to assess whether there is objective evidence to consider that the carrying value of such assets is not fully recoverable.
The Intesa Sanpaolo Group's policy for managing impairment testing calls for the verification of the presence of impairment indicators and the determination of any losses.
The impairment indicators are essentially divided into two categories: indicators deriving from internal factors relating to the company being valued, and therefore qualitative, and - for equities - external quantitative indicators deriving from the market values of the company.
Within the first category, the following indicators, for example, are considered significant: the generation of negative economic results or in any case a significant variance with respect to the targets budgeted or established in the multi-year plans disclosed to the market, the announcement/start up of insolvency proceedings or restructuring plans, and the downgrading by more than two categories of the rating. With respect to the second category, a significant or prolonged reduction in fair value below the initial recognition value is particularly important. Specifically, in relation to the initial recognition value, a fair value reduction of over 30% is considered “significant”, and a continuous reduction of over 24 months is considered a “prolonged” reduction. If one of these thresholds is exceeded, impairment of the security is carried out. If these thresholds are not exceeded but other impairment indicators are present, recognition of the impairment must also be corroborated by the result of specific analyses of the security and the investment.
The amount of the impairment is calculated with reference to the fair value of the financial asset.

The analyses performed identified the need to recognise impairment losses on several equity investments; the main write-downs regarded Istituto per il Credito Sportivo (37 million euro), Cassa di Risparmio della Provincia di Chieti (26 million euro), Giochi Preziosi (18 million euro) and GWM Renewable Energy (13 million euro).

SECTION 5 - INVESTMENTS HELD TO MATURITY - CAPTION 50

5.1 Investments held to maturity: breakdown

(millions of euro)

	31.12.2014				31.12.2013			
	Book value	Fair value			Book value	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
1. Debt securities	1,471	602	917	-	2,051	755	1,295	-
Structured securities	-	-	-	-	-	-	-	-
Other	*1,471*	*602*	*917*	-	*2,051*	*755*	*1,295*	-
2. Loans	-	-	-	-	-	-	-	-
TOTAL	**1,471**	**602**	**917**	**-**	**2,051**	**755**	**1,295**	**-**

For the illustration of the criteria for the determination of the fair value reference should be made to Part A – Accounting policies.

5.1 Of which Banking group

(millions of euro)

	31.12.2014				31.12.2013			
	Book value	Fair value			Book value	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
1. Debt securities	1,471	602	917	-	2,051	755	1,295	-
Structured securities	-	-	-	-	-	-	-	-
Other	*1,471*	*602*	*917*	-	*2,051*	*755*	*1,295*	-
2. Loans	-	-	-	-	-	-	-	-
TOTAL	**1,471**	**602**	**917**	**-**	**2,051**	**755**	**1,295**	**-**

5.2 Investments held to maturity: borrowers/issuers

(millions of euro)

	31.12.2014	*Of which:*			31.12.2013
		Banking group	*Insurance companies*	*Other companies*	
1. Debt securities	**1,471**	***1,471***	**-**	**-**	**2,051**
a) Governments and Central Banks	1,326	*1,326*	-	-	1,780
b) Other public entities	-	-	-	-	-
c) Banks	104	*104*	-	-	212
d) Other issuers	41	*41*	-	-	59
2. Loans	**-**	**-**	**-**	**-**	**-**
a) Governments and Central Banks	-	-	-	-	-
b) Other public entities	-	-	-	-	-
c) Banks	-	-	-	-	-
d) Other counterparties	-	-	-	-	-
TOTAL	**1,471**	***1,471***	**-**	**-**	**2,051**
TOTAL FAIR VALUE	**1,519**	***1,519***	**-**	**-**	**2,050**

5.3 Investments held to maturity with specific hedges

As at 31 December 2014, no investments held to maturity with specific hedges were recorded.

5.4 Investments held to maturity: annual changes

(millions of euro)

	Debt securities	Loans	Total
A. Initial amount	**2,051**	**-**	**2,051**
B. Increases	**188**	**-**	**188**
B.1 purchases	181	-	181
of which business combinations	-	-	-
B.2 write-backs	1	-	1
B.3 transfers from other portfolios	-	-	-
B.4 other changes	6	-	6
C. Decreases	**-768**	**-**	**-768**
C.1 sales	-239	-	-239
of which business combinations	-	-	-
C.2 reimbursements	-500	-	-500
C.3 impairment losses	-	-	-
C.4 transfers to other portfolios	-	-	-
C.5 other changes	-29	-	-29
D. Final amount	**1,471**	**-**	**1,471**

5.4 Of which Banking group

(millions of euro)

	Debt securities	Loans	Total
A. Initial amount	**2,051**	**-**	**2,051**
B. Increases	**188**	**-**	**188**
B.1 purchases	181	-	181
of which business combinations	-	-	-
B.2 write-backs	1	-	1
B.3 transfers from other portfolios	-	-	-
B.4 other changes	6	-	6
C. Decreases	**-768**	**-**	**-768**
C.1 sales	-239	-	-239
of which business combinations	-	-	-
C.2 reimbursements	-500	-	-500
C.3 impairment losses	-	-	-
C.4 transfers to other portfolios	-	-	-
C.5 other changes	-29	-	-29
D. Final amount	**1,471**	**-**	**1,471**

SECTION 6 – DUE FROM BANKS – CAPTION 60

6.1 Due from banks: breakdown

(millions of euro)

	31.12.2014				31.12.2013			
	Book value	Fair value			Book value	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
A. Due from Central Banks	**5,459**	**-**	**2,095**	**3,364**	**4,737**	**-**	**1,557**	**3,180**
1. Time deposits	1,516				962			
2. Compulsory reserve	3,894				3,501			
3. Repurchase agreements	-				261			
4. Other	49				13			
B. Due from banks	**25,913**	**58**	**18,966**	**6,836**	**21,744**	**83**	**14,817**	**6,739**
1. Loans	25,171	-	18,298	6,836	20,492	-	13,744	6,725
1.1 Current accounts and deposits	*10,278*				*6,402*			
1.2 Time deposits	*1,823*				*1,305*			
1.3 Other loans	*13,070*				*12,785*			
- Reverse repurchase agreements	*3,602*				*3,661*			
- Financial leases	*6*				*9*			
- Other	*9,462*				*9,115*			
2. Debt securities	742	58	668	-	1,252	83	1,073	14
2.1 Structured	*-*				*-*			
2.2 Other	*742*				*1,252*			
TOTAL	**31,372**	**58**	**21,061**	**10,200**	**26,481**	**83**	**16,374**	**9,919**

The fair value is indicated only where required by specific instructions from the Bank of Italy.

Non-performing loans due from banks amounted to 26 million euro as at 31 December 2014 and 49 million euro as at 31 December 2013.

6.1 Of which Banking group

(millions of euro)

	31.12.2014				31.12.2013			
	Book value	Fair value			Book value	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
A. Due from Central Banks	**5,459**	**-**	**2,095**	**3,364**	**4,737**	**-**	**1,557**	**3,180**
1. Time deposits	1,516				962			
2. Compulsory reserve	3,894				3,501			
3. Repurchase agreements	-				261			
4. Other	49				13			
B. Due from banks	**24,887**	**58**	**18,072**	**6,704**	**21,327**	**83**	**14,421**	**6,720**
1. Loans	24,199	-	17,458	6,704	20,127	-	13,400	6,706
1.1 Current accounts and deposits	*9,306*				*6,037*			
1.2 Time deposits	*1,823*				*1,305*			
1.3 Other loans	*13,070*				*12,785*			
- Reverse repurchase agreements	*3,602*				*3,661*			
- Financial leases	*6*				*9*			
- Other	*9,462*				*9,115*			
2. Debt securities	688	58	614	-	1,200	83	1,021	14
2.1 Structured	*-*				*-*			
2.2 Other	*688*				*1,200*			
TOTAL	**30,346**	**58**	**20,167**	**10,068**	**26,064**	**83**	**15,978**	**9,900**

The fair value is indicated only where required by specific instructions from the Bank of Italy.

6.1 Of which Insurance companies

(millions of euro)

	31.12.2014				31.12.2013			
	Book value	Fair value			Book value	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
A. Due from Central Banks	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1. Time deposits	-				-			
2. Compulsory reserve	-				-			
3. Repurchase agreements	-				-			
4. Other	-				-			
B. Due from banks	**1,026**	**-**	**894**	**132**	**417**	**-**	**396**	**19**
1. Loans	972	-	840	132	365	-	344	19
1.1 Current accounts and deposits	*972*				*365*			
1.2 Time deposits	-				-			
1.3 Other loans	-				-			
- Reverse repurchase agreements	-				-			
- Financial leases	-				-			
- Other	-				-			
2. Debt securities	54	-	54	-	52	-	52	-
2.1 Structured	-				-			
2.2 Other	*54*				*52*			
TOTAL	**1,026**	**-**	**894**	**132**	**417**	**-**	**396**	**19**

The fair value is indicated only where required by specific instructions from the Bank of Italy.

6.2 Due from banks with specific hedges

(millions of euro)

	31.12.2014	31.12.2013
1. Due from banks with specific fair value hedges	**399**	**385**
a) Interest rate risk	364	352
b) Foreign exchange risk	-	-
c) Credit risk	-	-
d) Various risks	35	33
2. Due from banks with specific cash flow hedges	**-**	**-**
a) Interest rate risk	-	-
b) Foreign exchange risk	-	-
c) Other	-	-
TOTAL	**399**	**385**

6.3 Financial leases

Financial lease receivables included under Due from banks were immaterial as at 31 December 2014.

SECTION 7 – LOANS TO CUSTOMERS – CAPTION 70

7.1 Loans to customers: breakdown

(millions of euro)

	31.12.2014						31.12.2013					
	Book value			Fair value			Book value			Fair value		
	Performing	Non-performing					Performing	Non-performing				
		purchased	other	Level 1	Level 2	Level 3		purchased	other	Level 1	Level 2	Level 3
Loans	**291,807**	**17**	**33,406**	**-**	**191,388**	**148,588**	**298,081**	**14**	**30,881**	**-**	**217,817**	**120,419**
1. Current accounts	27,025	-	4,247				29,463	-	4,181			
2. Reverse repurchase agreements	16,927	-	-				15,059	-	-			
3. Mortgages	135,834	7	17,520				143,657	7	15,658			
4. Credit card loans, personal loans and transfer of one fifth of salaries	16,085	-	699				15,434	-	789			
5. Finance leases	15,557	7	3,848				18,112	7	3,382			
6. Factoring	11,053	-	340				11,134	-	512			
7. Other loans	69,326	3	6,752				65,222	-	6,359			
Debt securities	**13,837**	**-**	**38**	**1,310**	**9,422**	**802**	**14,863**	**-**	**184**	**1,188**	**9,345**	**1,832**
8. Structured securities	9	-	1				-	-	173			
9. Other debt securities	13,828	-	37				14,863	-	11			
TOTAL	**305,644**	**17**	**33,444**	**1,310**	**200,810**	**149,390**	**312,944**	**14**	**31,065**	**1,188**	**227,162**	**122,251**

The fair value is indicated only where required by specific instructions from the Bank of Italy.

Loans to customers include loans disbursed on public funds under administration for which Group banks hold the risk in the amount of 80 million euro.
The illustration of the criteria to determine fair value is contained in Part A – Accounting policies.

7.1 Of which Banking group

(millions of euro)

	31.12.2014						31.12.2013					
	Book value			Fair value			Book value			Fair value		
	Performing	Non-performing					Performing	Non-performing				
		purchased	other	Level 1	Level 2	Level 3		purchased	other	Level 1	Level 2	Level 3
Loans	**291,800**	**17**	**33,406**	**-**	**191,384**	**148,586**	**298,077**	**14**	**30,881**	**-**	**217,812**	**120,419**
1. Current accounts	27,025	-	4,247				29,463	-	4,181			
2. Reverse repurchase agreements	16,927	-	-				15,059	-	-			
3. Mortgages	135,834	7	17,520				143,657	7	15,658			
4. Credit card loans, personal loans and transfer of one fifth of salaries	16,085	-	699				15,434	-	789			
5. Finance leases	15,557	7	3,848				18,112	7	3,382			
6. Factoring	11,053	-	340				11,134	-	512			
7. Other loans	69,319	3	6,752				65,218	-	6,359			
Debt securities	**13,068**	**-**	**38**	**1,310**	**8,655**	**800**	**13,393**	**-**	**184**	**1,186**	**7,878**	**1,831**
8. Structured securities	9	-	1				-	-	173			
9. Other debt securities	13,059	-	37				13,393	-	11			
TOTAL	**304,868**	**17**	**33,444**	**1,310**	**200,039**	**149,386**	**311,470**	**14**	**31,065**	**1,186**	**225,690**	**122,250**

The fair value is indicated only where required by specific instructions from the Bank of Italy.

7.1 Of which Insurance companies

As at 31 December 2014, 9 million euro was attributable to insurance companies, of which 7 million euro was attributable to other performing loans and 2 million euro to other performing debt securities (total fair value of 8 million euro). As at 31 December 2013, loans due from customers were related to insurance companies in the amount of 7 million euro, of which 4 million euro was attributable to other performing loans and 3 million euro to other performing debt securities (total fair value of 8 million euro).

7.1 Of which Other companies

As at 31 December 2014, loans to customers relating to other companies amounted to 767 million euro and consisted entirely of performing debt securities (total fair value of 767 million euro). As at 31 December 2013 they amounted to 1,467 million euro, also attributable to other performing debt securities (total fair value of 1,467 million euro).

7.2 Loans to customers: borrower/issuer breakdown

(millions of euro)

	31.12.2014			31.12.2013		
	Performing	Non-performing		Performing	Non-performing	
		purchased	other		purchased	other
1. Debt securities	**13,837**	**-**	**38**	**14,863**	**-**	**184**
a) Governments	4,467	-	-	4,055	-	-
b) Other public entities	5,231	-	31	5,342	-	4
c) Other issuers	4,139	-	7	5,466	-	180
- non-financial companies	*1,421*	-	*7*	*1,352*	-	*180*
- financial institutions	*2,657*	-	-	*4,044*	-	-
- insurance companies	-	-	-	*5*	-	-
- other	*61*	-	-	*65*	-	-
2. Loans	**291,807**	**17**	**33,406**	**298,081**	**14**	**30,881**
a) Governments	9,019	-	6	8,754	-	4
b) Other public entities	11,104	-	312	13,079	-	332
c) Other counterparties	271,684	17	33,088	276,248	14	30,545
- non-financial companies	*156,417*	*10*	*28,044*	*167,172*	*7*	*25,601*
- financial institutions	*30,788*	-	*941*	*24,745*	-	*728*
- insurance companies	*48*	-	-	*111*	-	-
- other	*84,431*	*7*	*4,103*	*84,220*	*7*	*4,216*
TOTAL	**305,644**	**17**	**33,444**	**312,944**	**14**	**31,065**

7.2 Of which Banking group

(millions of euro)

	31.12.2014			31.12.2013		
	Performing	Non-performing		Performing	Non-performing	
		purchased	other		purchased	other
1. Debt securities	**13,068**	**-**	**38**	**13,393**	**-**	**184**
a) Governments	4,467	-	-	4,055	-	-
b) Other public entities	5,231	-	31	5,342	-	4
c) Other issuers	3,370	-	7	3,996	-	180
- non-financial companies	*1,421*	-	*7*	*1,352*	-	*180*
- financial institutions	*1,890*	-	-	*2,577*	-	-
- insurance companies	-	-	-	*5*	-	-
- other	*59*	-	-	*62*	-	-
2. Loans	**291,800**	**17**	**33,406**	**298,077**	**14**	**30,881**
a) Governments	9,019	-	6	8,754	-	4
b) Other public entities	11,104	-	312	13,079	-	332
c) Other counterparties	271,677	17	33,088	276,244	14	30,545
- non-financial companies	*156,417*	*10*	*28,044*	*167,172*	*7*	*25,601*
- financial institutions	*30,782*	-	*941*	*24,743*	-	*728*
- insurance companies	*48*	-	-	*111*	-	-
- other	*84,430*	*7*	*4,103*	*84,218*	*7*	*4,216*
TOTAL	**304,868**	**17**	**33,444**	**311,470**	**14**	**31,065**

7.2 Of which Insurance companies

As at 31 December 2014 there was 9 million euro attributable to insurance companies, of which 6 million euro relating to loans to financial institutions, 2 million euro to debt securities of other issuers and 1 million euro to loans to other parties, whereas as at 31 December 2013 there was 7 million euro, of which 2 million euro relating to loans to financial institutions, 3 million euro to debt securities of other issuers and 2 million euro to loans to other parties.

7.2 Of which Other companies

As at 31 December 2014, 767 million euro was attributable to other companies, consisting entirely of debt securities issued by financial institutions, whereas as at 31 December 2013 there was 1,467 million euro, also consisting of debt securities issued by financial institutions.

7.3 Loans to customers with specific hedges

(millions of euro)

	31.12.2014	31.12.2013
1. Loans to customers with specific fair value hedges	**30,878**	**32,850**
a) Interest rate risk	30,298	32,402
b) Foreign exchange risk	-	-
c) Credit risk	-	-
d) Various risks	580	448
2. Loans to customers with specific cash flow hedges	**-**	**-**
a) Interest rate risk	-	-
b) Foreign exchange risk	-	-
c) Other	-	-
TOTAL	**30,878**	**32,850**

As illustrated in Part A – Accounting policies and Part E – Information on risks and relative hedging policies, loans to customers are hedged via cash flow hedges of floating rate funding represented by securities, to the extent to which this is used to finance fixed rate loans, or via specific fair value hedges.

7.4 Financial leases

(millions of euro)

Time bands	31.12.2014					
	Non-performing loans	**Minimum lease payments**			**Gross investment**	
		Capital	*of which guaranteed residual value*	Interest		*of which unguaranteed residual value*
Up to 3 months	434	579	1	170	1,183	-
Between 3 and 12 months	1,252	1,531	7	476	3,259	*5*
Between 1 and 5 years	1,777	5,218	11	1,848	8,843	*22*
Over 5 years	242	7,762	3	1,741	9,745	*2*
Unspecified maturity	-	-	-	-	-	-
Total, gross	**3,705**	**15,090**	**22**	**4,235**	**23,030**	***29***
Loans for assets to be leased	150	629	-	-	779	-
Adjustments	-	-162	-	-	-162	-
- collective	-	*-162*	-	-	*-162*	-
Total, net	**3,855**	**15,557**	**22**	**4,235**	**23,647**	***29***

SECTION 8 – HEDGING DERIVATIVES – CAPTION 80 OF ASSETS

Concerning the objectives and the strategies underlying hedging transactions see the information provided in Part E – Information on risks and relative hedging policies, Section 2 – Market risks.
Derivatives are considered listed only if traded on regulated markets.

8.1 Hedging derivatives: breakdown by type of hedge and level

(millions of euro)

	Fair value 31.12.2014			Notional value 31.12.2014	Fair value 31.12.2013			Notional value 31.12.2013
	Level 1	Level 2	Level 3		Level 1	Level 2	Level 3	
A) Financial derivatives	**-**	**9,206**	**4**	**150,065**	**-**	**7,533**	**1**	**150,609**
1) fair value	-	9,152	4	145,407	-	7,502	1	149,926
2) cash flows	-	54	-	4,658	-	31	-	683
3) foreign investments	-	-	-	-	-	-	-	-
B) Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1) fair value	-	-	-	-	-	-	-	-
2) cash flows	-	-	-	-	-	-	-	-
Total	**-**	**9,206**	**4**	**150,065**	**-**	**7,533**	**1**	**150,609**

8.1 Of which Banking group

(millions of euro)

	Fair value 31.12.2014			Notional value 31.12.2014	Fair value 31.12.2013			Notional value 31.12.2013
	Level 1	Level 2	Level 3		Level 1	Level 2	Level 3	
A) Financial derivatives	**-**	**9,204**	**4**	**149,877**	**-**	**7,533**	**1**	**150,609**
1) fair value	-	9,152	4	145,407	-	7,502	1	149,926
2) cash flows	-	52	-	4,470	-	31	-	683
3) foreign investments	-	-	-	-	-	-	-	-
B) Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1) fair value	-	-	-	-	-	-	-	-
2) cash flows	-	-	-	-	-	-	-	-
Total	**-**	**9,204**	**4**	**149,877**	**-**	**7,533**	**1**	**150,609**

8.1 Of which Other companies

As at 31 December 2014, 2 million euro was attributable to other companies, referring entirely to cash flow hedges through level 2 financial derivatives (notional value of 188 million euro).

8.2 Hedging derivatives: breakdown by hedged portfolio and type of hedge

(millions of euro)

Operations/Type of hedge	FAIR VALUE						CASH FLOWS		FOREIGN INVESTM.
	Specific					Generic	Specific	Generic	
	interest rate risk	foreign exchange risk	credit risk	price risk	various risks				
1. Financial assets available for sale	21	-	-	-	-	X	-	X	X
2. Loans	131	-	-	X	-	X	-	X	X
3. Investments held to maturity	X	-	-	X	-	X	-	X	X
4. Portfolio	X	X	X	X	X	-	X	15	X
5. Other transactions	-	37	-	-	-	X	-	X	-
Total assets	**152**	**37**	**-**	**-**	**-**	**-**	**-**	**15**	**-**
1. Financial liabilities	6,930	-	-	X	491	X	1	X	X
2. Portfolio	X	X	X	X	X	1,584	X	-	X
Total liabilities	**6,930**	**-**	**-**	**-**	**491**	**1,584**	**1**	**-**	**-**
1. Forecast transactions	X	X	X	X	X	X	-	X	X
2. Financial assets and liabilities portfolio	X	X	X	X	X	-	X	-	-

8.2 Of which Banking group

(millions of euro)

Operations/Type of hedge	FAIR VALUE						CASH FLOWS		FOREIGN INVESTM.
	Specific					Generic	Specific	Generic	
	interest rate risk	foreign exchange risk	credit risk	price risk	various risks				
1. Financial assets available for sale	21	-	-	-	-	X	-	X	X
2. Loans	131	-	-	X	-	X	-	X	X
3. Investments held to maturity	X	-	-	X	-	X	-	X	X
4. Portfolio	X	X	X	X	X	-	X	15	X
5. Other transactions	-	37	-	-	-	X	-	X	-
Total assets	**152**	**37**	**-**	**-**	**-**	**-**	**-**	**15**	**-**
1. Financial liabilities	6,928	-	-	X	491	X	1	X	X
2. Portfolio	X	X	X	X	X	1,584	X	-	X
Total liabilities	**6,928**	**-**	**-**	**-**	**491**	**1,584**	**1**	**-**	**-**
1. Forecast transactions	X	X	X	X	X	X	-	X	X
2. Financial assets and liabilities portfolio	X	X	X	X	X	-	X	-	-

The table indicates positive fair values of hedging derivatives, broken down in relation to asset or liability hedged and type of hedge.
These mainly refer to specific fair value hedges of loans disbursed and liabilities issued, as well as generic fair value hedges of core deposits.

8.2 Of which Other companies

As at 31 December 2014, 2 million euro was attributable to other companies, relating entirely to the hedging of interest rate risk on financial liabilities.

SECTION 9 – FAIR VALUE CHANGE OF FINANCIAL ASSETS IN HEDGED PORTFOLIOS – CAPTION 90

9.1 Fair value change of financial assets in hedged portfolios: breakdown by hedged portfolios

(millions of euro)

	31.12.2014	*Of which:*			31.12.2013
		Banking group	*Insurance companies*	*Other companies*	
1. Positive fair value change	**59**	***59***	**-**	**-**	**69**
1.1. of specific portfolios	59	*59*	-	-	69
a) loans	*59*	*59*	*-*	*-*	*69*
b) financial assets available for sale	-	-	-	-	-
1.2. overall	-	-	-	-	-
2. Negative fair value change	**-**	-	-	-	**-**
2.1. of specific portfolios	-	-	-	-	-
a) loans	-	-	-	-	-
b) financial assets available for sale	-	-	-	-	-
2.2. overall	-	-	-	-	-
TOTAL	**59**	***59***	**-**	**-**	**69**

9.2 Assets hedged by macrohedging of interest rate risk:

(millions of euro)

Hedged assets	31.12.2014	31.12.2013
1. Loans	10,839	911
2. Assets available for sale	-	-
3. Portfolio	-	-
TOTAL	**10,839**	**911**

SECTION 10 – INVESTMENTS IN ASSOCIATES AND COMPANIES SUBJECT TO JOINT CONTROL – CAPTION 100

10.1 Investments in associates and companies subject to joint control: information on equity interests

		Registered office	Place of business	Type of relation-ship	INVESTMENT direct ownership	% held	Votes available %
A. COMPANIES SUBJECT TO JOINT CONTROL							
1	Allfunds Bank S.A. Share capital 27,040,620 euro in shares of 30 euro	Madrid	Madrid	7	Eurizon Capital SGR	50.00	50.00
2	Augusto S.r.l. Share capital 10,000 euro in shares of 1 euro	Milano	Milano	7	Intesa Sanpaolo	5.00	5.00
3	Colombo S.r.l. Share capital 10,000 euro in shares of 1 euro	Milano	Milano	7	Intesa Sanpaolo	5.00	5.00
4	Diocleziano S.r.l. Share capital 10,000 euro in shares of 1 euro	Milano	Milano	7	Intesa Sanpaolo	5.00	5.00
5	Enerpoint Energy S.r.l. Share capital 10,600,000 euro in shares of 1 euro	Desio	Desio	7	Equiter	50.00	50.00
6	Immobiliare Novoli S.p.A. Share capital 15,000,000 euro in shares of 0.96 euro	Firenze	Firenze	7	C.R. Firenze	50.00	50.00
7	Leonardo Technology S.p.A. Share capital 160,000 euro in shares of 1 euro	Milano	Milano	7	Intesa Sanpaolo	25.00	25.00
8	Manucor S.p.A. Share capital 10,000,000 euro in shares of 1 euro	Milano	Sessa Aurunca	7	Intesa Sanpaolo	72.75	45.50
9	MIR Capital Management S.A. Share capital 31,000 euro in shares of 1 euro	Luxembourg	Luxembourg	7	Private Equity International	50.00	50.00
10	MIR Capital S.C.A. Sicar Share capital 44,230 euro in shares of 1 euro	Luxembourg	Luxembourg	7	Private Equity International	50.00	50.00
11	Naus S.p.A. Share capital 120,000.00 euro in shares of 1 euro	Vicenza	Vicenza	7	Imi Investimenti	48.31	50.00
12	PBZ Croatia Osiguranje Public Limited Company for Compulsory Pension Fund Management Share capital 56,000,000 HRK in shares of 1,000 HRK	Zagreb	Zagreb	7	Privredna Banka Zagreb	50.00	50.00
13	Re Consult Infrastrutture S.p.A. Share capital 340,000,000.39 in shares of 0.81 euro	Milano	Milano	7	Compagnia Italiana Finanziaria - CIF Iniziative Logistiche IN.FRA - Investire nelle Infrastrutture	38.52 19.26 8.14	38.52 19.26 8.14
14	Tangenziale Esterna S.p.A. Share capital 464,945,000 euro in shares of 1 euro	Milano	Milano	7	Intesa Sanpaolo	2.58	2.58
15	Tangenziali Esterne di Milano S.p.A. Share capital 220,244,608.25 euro in shares of 0.75 euro	Milano	Milano	7	Intesa Sanpaolo	17.53	17.53
16	Themys Investimenti S.p.A. Share capital 313,404 euro in shares of 1 euro	Milano	Milano	7	IMI Investimenti	50.00	50.00
17	Vub Generali Dochodkova Spravcovska Spolocnost A.s. Share capital 10,090,976 euro in shares of 33,194 euro	Bratislava	Bratislava	7	Vseobecna Uverova Banka	50.00	50.00
18	Green Initiative Carbon Asset s (GICA) S.a. in liquidation (formerly Green Initiative Carbon Asset s (GICA) S.a.) Share capital 4,000,000 Chf in shares of 100 Chf	Lugano	Lugano	7	Equiter	25.00	25.00
B. COMPANIES SUBJECT TO SIGNIFICANT INFLUENCE							
1	A4 Holding S.p.A. Share capital 134,110,065.30 euro in shares of 72.30 euro	Verona	Verona	4	Equiter	6.54	6.54
2	Aeroporti Holding S.r.l. Share capital 11,000,000 euro in shares of 1 euro	Caselle Torinese	Caselle Torinese	4	Equiter	35.31	35.31
3	Alitalia - Compagnia Aerea Italiana S.p.A. (b) Share capital 270,677,000 euro in shares of 0.04 euro	Fiumicino	Fiumicino	4	Intesa Sanpaolo	30.82	30.82
4	Ambienta Società di Gestione del Risparmio S.p.A. Share capital 1,500,000 euro in shares of 100 euro	Milano	Milano	4	Equiter	20.00	20.00
5	Autostrada Pedemontana Lombarda S.p.A. Share capital 268,361,000 euro in shares of 1,000 euro	Assago	Assago	4	Equiter Intesa Sanpaolo	14.98 4.50	14.98 4.50
6	Autostrade Lombarde S.p.A. Share capital 466,984,840 euro in shares of 1 euro	Brescia	Brescia	4	Intesa Sanpaolo	42.51	42.51
7	Bank of Qingdao co. LTD Share capital 3,111,530,000 CNY in shares of 1 CNY	Quindao	Quindao	4	Intesa Sanpaolo	20.00	20.00
8	Be Think, Solve, Execute S.p.A. Share capital 27,109,164.87 euro in shares of 0.30 euro	Roma	Roma	4	Imi Investimenti	20.71	20.71
9	Cassa di Risparmio di Fermo S.p.A. Share capital 39,241,087.50 euro in shares of 51.65 euro	Fermo	Fermo	4	Intesa Sanpaolo	33.33	33.33
10	Class Digital Service S.r.l. Share capital 100,000,000 euro in shares of 0.01 euro	Milano	Milano	4	Intesa Sanpaolo	31.25	31.25
11	COINV S.p.A. Share capital 167,767,088.50 euro in shares of 0.50 euro	Milano	Milano	4	Intesa Sanpaolo	12.00	12.00
12	Cr Firenze Mutui S.r.l. Share capital 10,000 euro	Conegliano Veneto	Conegliano Veneto	8	C.R. di Firenze	10.00	10.00
13	Emisys Capital SGR S.p.A. Share capital 1,400,000 euro in shares of 1 euro	Milano	Milano	4	Imi Investimenti	35.00	35.00
14	Euromilano S.p.A. Share capital 8,749,200 euro in shares of 100 euro	Milano	Milano	4	Intesa Sanpaolo	43.43	43.43

		Registered office	Place of business	Type of relation-ship	INVESTMENT direct ownership	% held	Votes available %
15	EurotIx Società di Intermediazione Mobiliare S.p.A. Share capital 5,000,000 euro in shares of 1 euro	Milano	Milano	4	Banca Imi	15.00	15.00
16	Fenice S.r.l. Share capital 41,885,033.59 euro in shares of 0.01 euro	Milano	Milano	4	Intesa Sanpaolo	6.49	6.49
17	Fondo Atlante Private Equity	Bologna	Bologna	8	Imi Investimenti	86.50	86.50
					Imi Fondi Chiusi	1.00	1.00
18	Fondo Atlante Seed	Bologna	Bologna	8	Imi Investimenti	99.00	99.00
					Imi Fondi Chiusi	1.00	1.00
19	Fondo Atlante Ventures	Bologna	Bologna	8	Imi Investimenti	99.00	99.00
					Imi Fondi Chiusi	0.23	0.23
20	Fondo Atlante Ventures Mezzogiorno	Bologna	Bologna	8	Imi Investimenti	49.00	49.00
					Imi Fondi Chiusi	0.19	0.19
21	Fondo Centro Impresa	Bologna	Bologna	8	Imi Investimenti	33.00	33.00
					Imi Fondi Chiusi	0.58	0.58
					Intesa Sanpaolo Vita	1.50	1.50
					Fideuram Vita	1.00	1.00
					Cassa di Risparmio di Firenze	15.00	15.00
					Cassa di Risparmio di Forlì e Romagna	5.00	5.00
22	Fondo di Rigenerazione Urbana Sicilia S.r.l. Share capital 50,000 euro in shares of 1 euro	Torino	Torino	4	Equiter	100.00	100.00
23	Fondo Promozione del Capitale di Rischio Mezzogiorno	Bologna	Bologna	8	Imi Investimenti	41.50	41.50
					Imi Fondi Chiusi	0.55	0.55
24	Fondo Sardegna Energia S.r.l. Share capital 25,000 euro in shares of 1 euro	Torino	Torino	4	Equiter	100.00	100.00
25	Gcl Holdings L.P. S.a.r.l. Share capital 51,995.00 euro in shares of 1.25 euro	Luxembourg	Luxembourg	4	Intesa Sanpaolo	21.95	21.95
26	Iren S.p.A. Share capital 1,276,225,677 euro in shares of 1 euro	Torino	Torino	4	Equiter	2.27	2.45
27	Ism Investimenti S.p.A. Share capital 6,654,902 euro in shares of 1 euro	Mantova	Mantova	4	Imi Investimenti	27.36	27.36
28	Italconsult S.p.A. Share capital 20,483,420 euro in shares of 1 euro	Roma	Roma	4	Intesa Sanpaolo	40.00	40.00
29	Italfondiario S.p.A. Share capital 20,000,000 euro in shares of 1 euro	Roma	Roma	4	Intesa Sanpaolo	11.25	11.25
30	LKS 2 S.A. Share capital 15,141,815.49 euro in shares of 0.01 euro	Luxembourg	Luxembourg	4	T T 1 Lux	29.50	29.50
31	Mandarin Capital Management S.A. Share capital 271,000 euro in shares of 10 euro	Luxembourg	Luxembourg	4	Private Equity International	20.00	20.00
32	Mater-Bi S.p.A. Share capital 14,560,000 euro in shares of 0.52 euro	Milano	Milano	4	Intesa Sanpaolo	34.48	34.48
33	Mer Mec S.p.A. Share capital 5,000,000 euro in shares of 1 euro	Monopoli	Monopoli	4	Banca Imi	30.00	30.00
34	Mezzanove Capital Management S.a.r.l. Share capital 12,500 euro in shares of 25 euro	Luxembourg	Luxembourg	4	Private Equity International	47.00	47.00
35	Misr Alexandria for Financial Investments Mutual Fund Co. Share capital 30,000,000 EGP in shares of 100 EGP	Cairo	Cairo	4	Bank of Alexandria	25.00	25.00
36	Misr International Towers Co. Share capital 40,000,000 EGP in shares of 10 EGP	Cairo	Cairo	4	Bank of Alexandria	27.86	27.86
37	Nuovo Trasporto Viaggiatori S.p.A. Share capital 148,953,918 euro in shares of 1 euro	Roma	Roma	4	Intesa Sanpaolo	20.00	20.00
38	Penghua Fund Management Co. Ltd. Share capital 150,000,000 CNY in shares of 1 CNY	Shenzhen	Shenzhen	4	Eurizon Capital SGR	49.00	49.00
39	Pietra S.r.l. Share capital 40,000 euro in shares of 1 euro	Milano	Milano	4	Intesa Sanpaolo	22.22	22.22
40	Portocittà S.p.A. Share capital 10,000.00 euro in shares of 1 euro	Trieste	Pozzuolo del Friuli	4	Intesa Sanpaolo	12.50	12.50
					C.R. del Friuli Venezia Giulia	12.50	12.50
41	Prelios Sgr S.p.A. Share capital 24,558,763 euro in shares of 1 euro	Milano	Milano	4	Intesa Sanpaolo	10.00	10.00
42	R.C.N. Finanziaria S.p.A. Share capital 32,135,988 euro in shares of 0.50 euro	Mantova	Mantova	4	Intesa Sanpaolo	23.96	23.96
43	Risanamento S.p.A. Share capital 382,301,510.57 euro in shares of 0.21 euro	Milano	Milano	4	Intesa Sanpaolo	48.88	48.88
44	Sagat S.p.A. Share capital 12,911,481 euro in shares of 5.16 euro	Caselle Torinese	Caselle Torinese	4	Equiter	12.40	12.40
45	Sirti S.p.A. Share capital 95,892,274 euro in shares of 0.20 euro	Milano	Milano	4	Banca Imi	26.84	26.84
46	Slovak Banking Credit Bureau s.r.o. Share capital 9,958.17 euro in shares of 3,319.39 euro	Bratislava	Bratislava	4	Vseobecna Uverova Banka	33.33	33.33
47	Smia S.p.A. Share capital 1,473,229.50 euro in shares of 0.05 euro	Roma	Roma	4	Intesa Sanpaolo	38.33	38.33
					Banca Fideuram	0.63	0.63
					C.R. di Firenze	0.42	0.42
					C.R. di Civitavecchia	0.16	0.16
48	Società di Progetto Autostrada Diretta Brescia Milano S.p.A. Share capital 332,117,693 euro in shares of 1 euro	Brescia	Brescia	4	Intesa Sanpaolo	0.05	0.05

		Registered office	Place of business	Type of relation-ship	INVESTMENT direct ownership	% held	Votes available %
49	Solar Express S.r.l. Share capital 116,000 euro in shares of 1 euro	Firenze	Firenze	4	Intesa Sanpaolo	40.00	40.00
50	Sotrafin (già Intesa Soditic Trade Finance Limited) Share capital 5,000,000 Usd in shares of 1 Usd	London	London	4	Intesa Sanpaolo Holding International	24.00	24.00
51	Telco S.p.A. Share capital 879,206,510.06 euro in shares of 0.21 euro	Milano	Milano	4	Intesa Sanpaolo	7.34	11.62
52	Termomeccanica S.p.A. Share capital 3,666,635.96 euro in shares of 0.52 euro	La Spezia	La Spezia	4	Intesa Sanpaolo	35.05	35.05
53	Umbria Export Società Consortile a.r.l. Share capital 108,500 euro in shares of 0.01 euro	Perugia	Perugia	4	C.R. dell'Umbria	33.87	33.87
54	Unimatica S.p.A. Share capital 500,000 euro in shares of 500 euro	Bologna	Bologna	4	Infogroup	25.00	25.00
55	UPA Servizi S.p.A. Share capital 1,504,278 euro in shares of 1 euro	Padova	Padova	4	C.R. del Veneto	44.32	44.32
56	Varese Investimenti S.p.A. Share capital 4,350,000 euro in shares of 10 euro	Varese	Varese	4	Intesa Sanpaolo	40.00	40.00
57	Cargoitalia S.p.A. in liquidation Share capital 8,700,000 euro in shares of 1 euro	Milano	Milano	4	Intesa Sanpaolo	33.33	33.33
58	Consorzio Bancario SIR S.p.A. in liquidation Share capital 1,515,151.42 euro in shares of 0.01 euro	Roma	Roma	4	Intesa Sanpaolo Banca di Trento e Bolzano	38.48 5.63	38.48 5.63
59	Europrogetti e Finanza S.p.A. in liquidation Share capital 5,636,400 in shares of 0.30 euro	Roma	Roma	4	Intesa Sanpaolo	15.97	15.97
60	I. Tre Iniziative Immobiliari Industriali S.p.A. in liquidation Share capital 510,000 in shares of 0.51 euro	Arquà Polesine	Arquà Polesine	4	C.R. del Veneto	20.00	20.00
61	Impianti S.r.l. in liquidation Share capital 92,952 euro in shares of 1 euro	Milano	Milano	4	Intesa Sanpaolo Banca di Trento e Bolzano	26.27 1.69	26.27 1.69
62	Sviluppo Industriale S.p.A. under arrangement with creditors Share capital 628,444.32 euro in shares of 22.26 euro	Pistoia	Pistoia	4	C.R. di Pistoia e Lucchesia	28.27	28.27
63	United Valves Co. (Butterfly) in liquidation Share capital 5,000,000 EGP in shares of 500 EGP	Cairo	Cairo	4	Bank of Alexandria	25.00	25.00

(a) Type of relation:
1 - majority of voting rights in the ordinary shareholders' meeting;
2 - dominant influence in the ordinary shareholders' meeting;
3 - agreements with other shareholders;
4 - company subject to significant influence;
5 - unitary management pursuant to art. 26, paragraph 1 of Legislative Decree 87/92";
6 - unitary management pursuant to art. 26, paragraph 2 of Legislative Decree 87/92";
7 - joint control;
8 - Other type of Relation.

(b) Please note that included on the parent company is the value of Alitalia held since October 2008 (a 2.18% share) and the share capital refers to the latest official document made public by the company; based on the data available, as at 31 December 2014 it amounted to 341,266,938 euro. The company took the name of Compagnia Aerea Italiana S.p.A. on 1 January 2015.

The illustration of the criteria and the methods for the definition of the consolidation area and the motivations which determine that a company is subject to joint control or significant influence is contained in Part A – Accounting policies, to which reference should be made.

10.2 Individually material investments in associates and companies subject to joint control: book value, fair value and dividends received

(millions of euro)

		Book value	Fair value	Dividends received (a)
A. COMPANIES SUBJECT TO JOINT CONTROL				
1	Allfunds Bank S.A.	97	-	45
2	Re Consult Infrastrutture S.p.A.	271	-	-
B. COMPANIES SUBJECT TO SIGNIFICANT INFLUENCE				
1	A4 Holding S.p.A.	63	-	-
2	Autostrada Pedemontana Lombarda S.p.A.	46	-	-
3	Autostrade Lombarde S.p.A.	177	-	-
4	Bank Of Qingdao Co. LTD	363	-	5
5	Cassa di Risparmio di Fermo S.p.A.	57	-	1
6	Fondo Atlante Private Equity	66	-	-
7	Penghua Fund Management Co. Ltd.	127	-	10
8	Risanamento S.p.A.	134	87	-
TOTAL		**1,401**	**87**	**61**

(a) Dividends are received by group companies and are thus netted.

10.3 Individually material investments in associates and companies subject to joint control: financial information

(millions of euro)

	Cash and cash equivalents	Financial assets	Non-financial assets	Financial liabilities	Non-financial liabilities	Total revenues	Interest margin	Adjustments to/write-backs on property, equipment and intangible assets	Income (Loss) before tax from continuing operations	Income (Loss) after tax from continuing operations	Income (Loss) after tax from discontinued operations	Net income (loss) (1)	Other comprehensive income (net of tax) (2)	Consolidated comprehensive income (3) = (1) + (2)
A. COMPANIES SUBJECT TO JOINT CONTROL														
Allfunds Bank S.A.	2	290	167	170	145	539	5	-	73	50	-	50	-	50
Re Consult Infrastrutture S.p.A.	-	72	2,100	809	986	272	-	-	-2	-2	-	-2	-	-2
B. COMPANIES SUBJECT TO SIGNIFICANT INFLUENCE														
A4 Holding S.p.A.	X	72	1,588	805	282	560	X	X	25	25	-	25	-	25
Autostrada Pedemontana Lombarda S.p.A.	X	109	762	200	435	11	X	X	-15	-15	-	-15	-	-15
Autostrade Lombarde S.p.A.	X	497	2	6	12	13	X	X	9	9	-	9	-	9
Bank Of Qingdao Co. LTD	X	16,678	912	17,874	1,291	1,029	X	X	183	183	-	183	5	188
Cassa di Risparmio di Fermo S.p.A.	X	1,703	69	1,520	92	68	X	X	15	9	-	9	8	17
Fondo Atlante Private Equity	X	77	2	-	4	-	X	X	-4	-4	-	-4	-	-4
Penghua Fund Management Co. Ltd.	X	-	220	-	79	110	X	X	25	25	-	25	1	26
Risanamento S.p.A.	X	775	255	275	780	356	X	X	77	77	-	77	-	77

(millions of euro)

	Total Shareholders' Equity	Proportionate equity	Goodwill	Other changes	Consolidated book value
A. COMPANIES SUBJECT TO JOINT CONTROL					
Allfunds Bank S.A.	144	72	24	1	97
Re Consult Infrastrutture S.p.A.	377	109	162	-	271
B. COMPANIES SUBJECT TO SIGNIFICANT INFLUENCE					
A4 Holding S.p.A.	573	37	25	1	63
Autostrada Pedemontana Lombarda S.p.A.	236	46	-	-	46
Autostrade Lombarde S.p.A.	481	204	-	-27	177
Bank Of Qingdao Co. LTD	1,558	312	51	-	363
Cassa di Risparmio di Fermo S.p.A.	172	57	-	-	57
Fondo Atlante Private Equity	75	66	-	-	66
Penghua Fund Management Co. Ltd.	141	69	59	-1	127
Risanamento S.p.A.	274	134	-	-	134
	4,031	**1,106**	**321**	**-26**	**1,401**

10.4 Individually immaterial investments in associates and companies subject to joint control: financial information

(millions of euro)

	Book value of investments in associates and companies subject to joint control	Total assets	Total liabilities	Total revenues	Income (loss) after tax from continuing operations	Income (loss) after tax from discontinued operations	Net income (loss) (1)	Other comprehensive income (net of tax) (2)	Consolidated comprehensive income (3) = (1) + (2)
COMPANIES SUBJECT TO JOINT CONTROL	120	1,822	1,027	132	9	-	6	-	6
COMPANIES SUBJECT TO SIGNIFICANT INFLUENCE	423	18,127	13,592	4,438	-430	-	-552	3	-549

10.5 Investments in associates and companies subject to joint control: annual changes

(millions of euro)

	31.12.2014	*Of which:*			31.12.2013
		Banking group	*Insurance companies*	*Other companies*	
A. Initial amount	**1,991**	***1,599***	**-**	***392***	**2,706**
B. Increases	**958**	***946***	***2***	***10***	**491**
B.1 purchases	242	*240*	*2*	-	341
of which business combinations	-	-			-
B.2 write-backs	27	*27*	-	-	-
B.3 revaluations	166	*156*	-	*10*	129
B.4 other changes	523	*523*	-	-	21
C. Decreases	**-1,005**	***-875***	**-**	***-130***	**-1,206**
C.1 sales	-632	***-632***	-	-	-28
C.2 impairment losses (a)	-161	*-161*	-	-	-381
C.3 other changes	-212	*-82*	-	*-130*	-797
D. Final amount	**1,944**	***1,670***	***2***	***272***	**1,991**
E. Total revaluations	**2,223**	***2,199***	**-**	***24***	**2,057**
F. Total impairment losses	**1,657**	***1,657***	**-**	**-**	**1,496**

[a] Includes - 78 million due to losses on investments in associates and companies subject to joint control carried at equity.

10.6 Significant judgments and assumptions to establish the existence of joint control or significant influence

Considered as companies subject to joint control (joint ventures) are the entities for which, on a contractual basis, the control is shared between the Group and one or more subjects, i.e. when the unanimous consent is required of all the parties which share the control for the decisions regarding relevant activities.

Companies are considered subject to significant influence (associates), when the Group holds at least 20% of voting rights (including "potential" voting rights) or if it – with a lower equity stake – has the power of participating in the determination of financial and management policies of the company based on specific juridical relations, such as the participation in voting syndicates. Certain companies in which the Group holds a stake exceeding 20% are not considered subject to significant influence since it solely has economic rights on a portion of the returns generated by the investment, but does not have access to management policies and may exercise governance rights limited to the safeguarding of its economic interests.

10.7 Commitments referred to investments in companies subject to joint control

As at 31 December 2014 there were no particularly significant commitments referred to companies subject to joint control.

10.8 Commitments referred to investments in companies subject to significant influence

As at 31 December 2014 there were no particularly significant commitments referred to companies subject to significant influence.

10.9 Significant restrictions

In terms of significant restrictions on the ability of the associates subject to joint control or significant influence to transfer funds to the participating entity, the following cases are noted.

With reference to Alitalia SAI (New Alitalia), indirectly controlled by the Group through the stake in Alitalia – CAI (renamed Compagnia Area Italiana on 1 January 2015), subject to significant influence, the contractual agreements provide for the company to be able to distribute dividends to the shareholders only when complying with certain parameters in terms of net income and liquidity margins.

Regarding the investment in Nuovo Trasporto Viaggiatori (NTV), subject to significant influence, the financing agreements provide for the company to be able to distribute dividends within the limits of the resources available after the fulfilment of the obligations, with repayment priority based on the contractual agreements and depending on the company achieving certain parameters in terms, among others, of the number of trains operating and the cash flows generated with respect to debt servicing.

10.10 Other information

For most of the companies subject to joint control or significant influence, the timing regarding the availability of the financial statements at the end of year is not compatible with the terms set for the closure of Intesa Sanpaolo's consolidated financial statements; on this point, for the application of the equity method, reference is made to the last accounting reports available that, in most cases, include the interim statement of the first 9 months for the listed associates or the last financial statements or half-yearly report available for the other associates. In any case, when the accounts of the associate or joint venture used in the application of the equity method refer to a date that is different from that of Intesa Sanpaolo's financial statements, adjustments are made to take intosa account the effects of operations or significant events which took place between that date and the reference date of Intesa Sanpaolo's financial statements.

Impairment tests of investments

As required under IFRS, equity investments are subjected to impairment testing to assess whether there is objective evidence to consider that the carrying value of the assets is not fully recoverable.
With reference to investments in associates and companies subject to joint control, the process of detection of any impairment involves verification of the presence of impairment indicators and the determination of any write-down. The impairment indicators are essentially divided into two categories: qualitative indicators, such as the generation of negative economic results or in any case a significant variance with respect to the targets budgeted or established in the multi-year plans disclosed to the market, the announcement/start-up of insolvency proceedings or restructuring plans, and the downgrading by more than two categories of the rating; quantitative indicators, represented by a reduction in fair value of over 30% below the carrying value or for a period of over 24 months, by market capitalisation lower than the company's net book value, in the case of securities listed on active markets or by a carrying value of the investment in the Parent Company's financial statements higher than the carrying value in the consolidated financial statements of the investee's net assets and goodwill or by distribution by the latter of a dividend that is higher than its total income. If impairment indicators are detected the recoverable amount, represented by the higher of the fair value less costs to sell and the value in use, is calculated and if it proves lower than the carrying value, impairment is recognised.
In particular, where impairment indicators were recorded with respect to certain investments, analyses were carried out based on market methodologies (direct or comparable transactions and market multiples) or alternatively "fundamental" analyses based on an estimate of the expected discounted cash flows or, finally, on alternative methods. The results of these assessments led to the recognition of impairment losses. In particular, the most significant impairment losses referred to the investment in Autostrade Lombarde (34 million euro) and in Nuovo Trasporto Viaggiatori (11 million euro). Instead, a recovery of 12 million euro was recorded on Telco.
In terms of any differences between the market values and the "fundamental" values provided by the values in use, reference is made to the considerations on impairment testing of goodwill in the relative chapter of these Notes to the consolidated financial statements. Furthermore, the estimate of cash flows and discounting rates in the assessment of equity investments was also carried out on a prudential basis.

SECTION 11 – TECHNICAL INSURANCE RESERVES REASSURED WITH THIRD PARTIES – CAPTION 110

11.1 Technical insurance reserves reassured with third parties: breakdown

(millions of euro)

	31.12.2014	31.12.2013
A. Non-life business	**25**	**11**
A.1 premiums reserves	11	4
A.2 claims reserves	14	7
A.3 other reserves	-	-
B. Life business	**2**	**3**
B.1 mathematical reserves	-	1
B.2 reserves for amounts to be disbursed	2	2
B.3 other reserves	-	-
C. Technical reserves for investment risks to be borne by the insured	-	-
C.1 reserves for contracts with disbursements connected with investment funds and market indices	-	-
C.2 reserves from pension fund management	-	-
D. Total insurance reserves carried by reinsurers	**27**	**14**

11.2 Change in caption 110 Technical insurance reserves reassured with third parties

Technical insurance reserves reassured with third parties recorded no significant changes during the year as at 31 December 2014.

SECTION 12 – PROPERTY AND EQUIPMENT – CAPTION 120

12.1 Property and equipment used in operations: breakdown of assets measured at cost

(millions of euro)

	31.12.2014	*Of which:*			31.12.2013
		Banking group	*Insurance companies*	*Other companies*	
1. Property and equipment owned	**4,783**	***4,730***	***30***	***23***	**4,911**
a) land	1,435	*1,412*	*22*	*1*	1,466
b) buildings	2,664	*2,634*	*8*	*22*	2,725
c) furniture	259	*259*	-	-	278
d) electronic equipment	369	*369*	-	-	378
e) other	56	*56*	-	-	64
2. Property and equipment acquired under finance lease	**17**	***17***	**-**	**-**	**18**
a) land	7	*7*	-	-	7
b) buildings	9	*9*	-	-	9
c) furniture	-	-	-	-	-
d) electronic equipment	1	*1*	-	-	1
e) other	-	-	-	-	1
Total	**4,800**	***4,747***	***30***	***23***	**4,929**

12.2 Investment property: breakdown of assets measured at cost

(millions of euro)

	31.12.2014				31.12.2013			
	Book value	Fair value			Book value	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
1. Property and equipment owned	**84**	**-**	**-**	**101**	**127**	**-**	**-**	**219**
a) land	*24*	-	-	*33*	*31*	-	-	*44*
b) buildings	*60*	-	-	*68*	*96*	-	-	*175*
2. Property and equipment acquired under finance lease	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
a) land	-	-	-	-	-	-	-	-
b) buildings	-	-	-	-	-	-	-	-
TOTAL	**84**	**-**	**-**	**101**	**127**	**-**	**-**	**219**

12.2 Of which Banking group

(millions of euro)

	31.12.2014				31.12.2013			
	Book value	Fair value			Book value	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
1. Property and equipment owned	**81**	**-**	**-**	**98**	**123**	**-**	**-**	**215**
a) land	*24*	-	-	*33*	*31*	-	-	*44*
b) buildings	*57*	-	-	*65*	*92*	-	-	*171*
2. Property and equipment acquired under finance lease	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
a) land	-	-	-	-	-	-	-	-
b) buildings	-	-	-	-	-	-	-	-
TOTAL	**81**	**-**	**-**	**98**	**123**	**-**	**-**	**215**

12.2 Of which Other companies

As at 31 December 2014, 3 million euro was attributable to owned buildings (level-3 fair value of 3 million euro), whereas at the end of 2013, 4 million euro referred to owned buildings (level-3 fair value of 4 million euro).

12.3 Property and equipment used in operations: breakdown of revalued assets

Not applicable to the Group.

12.4 Investment property: breakdown of assets measured at fair value

Not applicable to the Group.

12.5 Property and equipment used in operations: annual changes

(millions of euro)

	Land	Buildings	Furniture	Electronic equipment	Other	Total
A. Gross initial carrying amount	**1,480**	**4,413**	**1,077**	**3,196**	**439**	**10,605**
A.1 Total net adjustments	-7	-1,679	-799	-2,817	-374	-5,676
A.2 Net initial carrying amount	**1,473**	**2,734**	**278**	**379**	**65**	**4,929**
B. Increases	**16**	**266**	**32**	**147**	**15**	**476**
B.1 Purchases	-	79	30	143	10	262
of which business combinations	-	-	-	-	-	-
B.2 Capitalised improvement costs	-	73	-	-	-	73
B.3 Write-backs	-	-	-	-	-	-
B.4 Positive fair value differences recognised in:	-	-	-	-	-	-
a) shareholders' equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
B.5 Positive foreign exchange differences	-	-	-	-	-	-
B.6 Transfer from investment property	-	-	-	-	-	-
B.7 Other changes	16	114	2	4	5	141
C. Decreases	**-47**	**-327**	**-51**	**-156**	**-24**	**-605**
C.1 Sales	-33	-157	-1	-3	-6	-200
of which business combinations	-	-	-	-	-	-
C.2 Depreciation	-	-115	-48	-148	-13	-324
C.3 Impairment losses recognised in:	-9	-7	-	-	-	-16
a) shareholders' equity	-	-	-	-	-	-
b) income statement	*-9*	*-7*	-	-	-	*-16*
C.4 Negative fair value differences recognised in:	-	-	-	-	-	-
a) shareholders' equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
C.5 Negative foreign exchange differences	-	-	-	-	-	-
C.6 Transfer to:	-1	-19	-	-3	-	-23
a) investment property	-	-	-	-	-	-
b) non-current assets held for sale and discontinued operations	*-1*	*-19*	-	*-3*	-	*-23*
C.7 Other changes	-4	-29	-2	-2	-5	-42
D. Net final carrying amount	**1,442**	**2,673**	**259**	**370**	**56**	**4,800**
D.1 Total net adjustments	16	1,801	847	2,965	387	6,016
D.2 Gross final carrying amount	**1,458**	**4,474**	**1,106**	**3,335**	**443**	**10,816**
E. Measurement at cost	**-**	**-**	**-**	**-**	**-**	**-**

12.5 Of which Banking group

(millions of euro)

	Land	Buildings	Furniture	Electronic equipment	Other	Total
A. Gross initial carrying amount	**1,457**	**4,356**	**1,074**	**3,195**	**436**	**10,518**
A.1 Total net adjustments	-7	-1,653	-797	-2,816	-371	-5,644
A.2 Net initial carrying amount	**1,450**	**2,703**	**277**	**379**	**65**	**4,874**
B. Increases	**16**	**266**	**31**	**147**	**15**	**475**
B.1 Purchases	-	79	30	143	10	262
of which business combinations	-	-	-	-	-	-
B.2 Capitalised improvement costs	-	73	-	-	-	73
B.3 Write-backs	-	-	-	-	-	-
B.4 Positive fair value differences recognised in	-	-	-	-	-	-
a) shareholders' equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
B.5 Positive foreign exchange differences	-	-	-	-	-	-
B.6 Transfer from investment property	-	-	-	-	-	-
B.7 Other changes	16	114	1	4	5	140
C. Decreases	**-47**	**-326**	**-49**	**-156**	**-24**	**-602**
C.1 Sales	-33	-157	-1	-3	-6	-200
of which business combinations	-	-	-	-	-	-
C.2 Depreciation	-	-114	-47	-148	-13	-322
C.3 Impairment losses recognised in	-9	-7	-	-	-	-16
a) shareholders' equity	-	-	-	-	-	-
b) income statement	*-9*	*-7*	-	-	-	*-16*
C.4 Negative fair value differences recognised in	-	-	-	-	-	-
a) shareholders' equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
C.5 Negative foreign exchange differences	-	-	-	-	-	-
C.6 Transfer to	-1	-19	-	-3	-	-23
a) investment property	-	-	-	-	-	-
b) non-current assets held for sale and discontinued operations	*-1*	*-19*	-	*-3*	-	*-23*
C.7 Other changes	-4	-29	-1	-2	-5	-41
D. Net final carrying amount	**1,419**	**2,643**	**259**	**370**	**56**	**4,747**
D.1 Total net adjustments	16	1,774	844	2,964	384	5,982
D.2 Gross final carrying amount	**1,435**	**4,417**	**1,103**	**3,334**	**440**	**10,729**
E. Measurement at cost	**-**	**-**	**-**	**-**	**-**	**-**

12.5 Of which Insurance companies

As at 31 December 2014, 30 million euro was attributable to insurance companies, of which 22 million euro was attributable to land, and 8 million euro to buildings.

12.5 Of which Other companies

As at 31 December 2014, 23 million euro was attributable to other companies, of which 22 million euro was attributable to buildings, and 1 million euro to land.

12.6 Investment property: annual changes

(millions of euro)

	TOTAL		Of which: Banking group		Of which: Insurance companies		Of which: Other companies	
	Land	Buildings	Land	Buildings	Land	Buildings	Land	Buildings
A. Gross initial carrying amount	**31**	**152**	**31**	**146**	**-**	**-**	**-**	**6**
A.1 Total net adjustments	-	-56	-	-54	-	-	-	-2
A.2 Net initial carrying amount	**31**	**96**	**31**	**92**	**-**	**-**	**-**	**4**
B. Increases	**1**	**9**	**1**	**9**	**-**	**-**	**-**	**-**
B.1 Purchases	-	-	-	-	-	-	-	-
of which business combinations	-	-	-	-	-	-	-	-
B.2 Capitalised improvement costs	-	-	-	-	-	-	-	-
B.3 Positive fair value differences	-	-	-	-	-	-	-	-
B.4 Write-backs	-	-	-	-	-	-	-	-
B.5 Positive foreign exchange differences	-	-	-	-	-	-	-	-
B.6 Transfer from property used in operations	-	-	-	-	-	-	-	-
B.7 Other changes	1	9	1	9	-	-	-	-
C. Decreases	**-8**	**-45**	**-8**	**-44**	**-**	**-**	**-**	**-1**
C.1 Sales	-8	-40	-8	-40	-	-	-	-
of which business combinations	-	-	-	-	-	-	-	-
C.2 Depreciation	-	-2	-	-2	-	-	-	-
C.3 Negative fair value differences	-	-	-	-	-	-	-	-
C.4 Impairment losses	-	-	-	-	-	-	-	-
C.5 Negative foreign exchange differences	-	-	-	-	-	-	-	-
C.6 Transfer to other assets	-	-1	-	-1	-	-	-	-
a) property used in operations	-	-	-	-	-	-	-	-
b) non-current assets held for sale and discontinued operations	-	-1	-	-1	-	-	-	-
C.7 Other changes	-	-2	-	-1	-	-	-	-1
D. Final carrying amount	**24**	**60**	**24**	**57**	**-**	**-**	**-**	**3**
D.1 Total net adjustments	-	58	-	56	-	-	-	2
D.2 Gross final carrying amount	**24**	**118**	**24**	**113**	**-**	**-**	**-**	**5**
E. Fair value measurement	**33**	**68**	**33**	**65**	**-**	**-**	**-**	**3**

12.7 Commitments to purchase property and equipment

Commitments to purchase property and equipment as at 31 December 2014 came to approximately 52 million euro and mostly referred to the construction of the New Headquarters.

SECTION 13 – INTANGIBLE ASSETS - CAPTION 130

13.1 Intangible assets: breakdown by type of asset

(millions of euro)

	31.12.2014		Of which: Banking group		Of which: Insurance companies		Of which: Other companies		31.12.2013	
	Finite useful life	Indefinite useful life	Finite useful life	Indefinite useful life	Finite useful life	Indefinite useful life	Finite useful life	Indefinite useful life	Finite useful life	Indefinite useful life
A.1 Goodwill	**X**	**3,899**	**X**	**3,405**	**X**	**494**	**X**	**-**	**X**	**3,899**
A.1.1 Group	x	3,899	x	3,405	x	494	x	-	x	3,899
A.1.2 Minority interests	x	-	x	-	x	-	x	-	x	-
A.2 Other intangible assets	**1,462**	**1,882**	**1,192**	**1,882**	**270**	**-**	**-**	**-**	**1,690**	**1,882**
A.2.1 Assets measured at cost	1,462	1,882	1,192	1,882	270	-	-	-	1,690	1,882
a) Internally generated intangible assets	690	-	690	-	-	-	-	-	619	-
b) Other assets	772	1,882	502	1,882	270	-	-	-	1,071	1,882
A.2.2 Assets measured at fair value	-	-	-	-	-	-	-	-	-	-
a) Internally generated intangible assets	-	-	-	-	-	-	-	-	-	-
b) Other assets	-	-	-	-	-	-	-	-	-	-
Total	**1,462**	**5,781**	**1,192**	**5,287**	**270**	**494**	**-**	**-**	**1,690**	**5,781**

The allocation of goodwill between "Cash Generating Units" is reported in the following table.

(millions of euro)

CGUs/Goodwill	31.12.2014	31.12.2013
Banca dei Territori [1]	1,076	1,859
Corporate and Investment Banking	-	-
Insurance	494	n.d.
Asset Management [2]	1,038	1,038
Private Banking [3]	1,291	1,002
International Subsidiary Banks	-	-
Bank of Alexandria (Egypt)	-	-
Pravex Bank (Ukraine)	-	-
Total	**3,899**	**3,899**

(1) The figures as at 31 December 2013 refer to the Banca dei Territori CGU in the previous structure, inclusive of the insurance segment, of Intesa Sanpaolo Private Banking and Sirefid.

(2) The figures as at 31 December 2013 refer to the Eurizon Capital CGU.

(3) The figures as at 31 December 2013 refer to the Banca Fideuram CGU.

For a breakdown of the CGUs, see the next chapter "Information on intangible assets and goodwill".

13.2 Intangible assets: annual changes

(millions of euro)

	Goodwill	Other intangible assets: internally generated		Other intangible assets: other		Total
		Finite useful life	Indefinite useful life	Finite useful life	Indefinite useful life	
A. Gross initial carrying amount	**20,153**	**2,497**	**-**	**7,954**	**2,384**	**32,988**
A.1 Total net adjustments	-16,254	-1,878	-	-6,883	-502	-25,517
A.2 Net initial carrying amount	**3,899**	**619**	**-**	**1,071**	**1,882**	**7,471**
B. Increases	**-**	**338**	**-**	**98**	**-**	**436**
B.1 Purchases	-	-	-	94	-	94
of which business combinations	-	-	-	-	-	-
B.2 Increases of internally generated intangible assets	X	338	-	-	-	338
B.3 Write-backs	X	-	-	-	-	-
B.4 Positive fair value differences recognised in	-	-	-	-	-	-
- shareholders' equity	X	-	-	-	-	-
- income statement	X	-	-	-	-	-
B.5 Positive foreign exchange differences	-	-	-	-	-	-
B.6 Other changes	-	-	-	4	-	4
C. Decreases	**-**	**-267**	**-**	**-397**	**-**	**-664**
C.1 Sales	-	-	-	-	-	-
of which business combinations	-	-	-	-	-	-
C.2 Impairment losses	-	-261	-	-370	-	-631
- Amortisation	X	-257	-	-366	-	-623
- Write-downs recognised in	-	-4	-	-4	-	-8
shareholders' equity	*X*	-	-	-	-	-
income statement	-	*-4*	-	*-4*	-	*-8*
C.3 Negative fair value differences recognised in	-	-	-	-	-	-
- shareholders' equity	X	-	-	-	-	-
- income statement	X	-	-	-	-	-
C.4 Transfer to non-current assets held for sale and discontinued operations	-	-	-	-14	-	-14
C.5 Negative foreign exchange differences	-	-	-	-13	-	-13
C.6 Other changes	-	-6	-	-	-	-6
D. Net final carrying amount	**3,899**	**690**	**-**	**772**	**1,882**	**7,243**
D.1 Total net adjustments	16,254	2,139	-	7,253	502	26,148
E. Gross final carrying amount	**20,153**	**2,829**	**-**	**8,025**	**2,384**	**33,391**
F. Measurement at cost	**-**	**-**	**-**	**-**	**-**	**-**

13.2 Of which Banking group

(millions of euro)

	Goodwill	Other intangible assets: internally generated		Other intangible assets: other		Total
		Finite useful life	Indefinite useful life	Finite useful life	Indefinite useful life	
A. Gross initial carrying amount	**18,886**	**2,490**	**-**	**7,018**	**2,384**	**30,778**
A.1 Total net adjustments	-15,481	-1,871	-	-6,270	-502	-24,124
A.2 Net initial carrying amount	**3,405**	**619**	**-**	**748**	**1,882**	**6,654**
B. Increases	**-**	**338**	**-**	**96**	**-**	**434**
B.1 Purchases	-	-	-	92	-	92
of which business combinations	-	-	-	-	-	-
B.2 Increases of internally generated intangible assets	X	338	-	-	-	338
B.3 Write-backs	X	-	-	-	-	-
B.4 Positive fair value differences recognised in	-	-	-	-	-	-
- shareholders' equity	X	-	-	-	-	-
- income statement	X	-	-	-	-	-
B.5 Positive foreign exchange differences	-	-	-	-	-	-
B.6 Other changes	-	-	-	4	-	4
C. Decreases	**-**	**-267**	**-**	**-342**	**-**	**-609**
C.1 Sales	-	-	-	-	-	-
of which business combinations	-	-	-	-	-	-
C.2 Impairment losses	-	-261	-	-315	-	-576
- Amortisation	X	-257	-	-311	-	-568
- Write-downs recognised in	-	-4	-	-4	-	-8
shareholders' equity	*X*	-	-	-	-	-
income statement	-	*-4*	-	*-4*	-	*-8*
C.3 Negative fair value differences recognised in	-	-	-	-	-	-
- shareholders' equity	X	-	-	-	-	-
- income statement	X	-	-	-	-	-
C.4 Transfer to non-current assets held for sale and discontinued operations	-	-	-	-14	-	-14
C.5 Negative foreign exchange differences	-	-	-	-13	-	-13
C.6 Other changes	-	-6	-	-	-	-6
D. Net final carrying amount	**3,405**	**690**	**-**	**502**	**1,882**	**6,479**
D.1 Total net adjustments	15,481	2,132	-	6,585	502	24,700
E. Gross final carrying amount	**18,886**	**2,822**	**-**	**7,087**	**2,384**	**31,179**
F. Measurement at cost	**-**	**-**	**-**	**-**	**-**	**-**

13.2 Of which Insurance companies

(millions of euro)

	Goodwill	Other intangible assets: internally generated		Other intangible assets: other		Total
		Finite useful life	Indefinite useful life	Finite useful life	Indefinite useful life	
A. Gross initial carrying amount	**1,230**	**7**	**-**	**936**	**-**	**2,173**
A.1 Total net adjustments	-736	-7	-	-613	-	-1,356
A.2 Net initial carrying amount	**494**	**-**	**-**	**323**	**-**	**817**
B. Increases	**-**	**-**	**-**	**2**	**-**	**2**
B.1 Purchases	-	-	-	2	-	2
of which business combinations	-	-	-	-	-	-
B.2 Increases of internally generated intangible assets	X	-	-	-	-	-
B.3 Write-backs	X	-	-	-	-	-
B.4 Positive fair value differences recognised in	-	-	-	-	-	-
- shareholders' equity	X	-	-	-	-	-
- income statement	X	-	-	-	-	-
B.5 Positive foreign exchange differences	-	-	-	-	-	-
B.6 Other changes	-	-	-	-	-	-
C. Decreases	**-**	**-**	**-**	**-55**	**-**	**-55**
C.1 Sales	-	-	-	-	-	-
of which business combinations	-	-	-	-	-	-
C.2 Impairment losses	-	-	-	-55	-	-55
- Amortisation	X	-	-	-55	-	-55
- Write-downs recognised in	-	-	-	-	-	-
shareholders' equity	*X*	-	-	-	-	-
income statement	-	-	-	-	-	-
C.3 Negative fair value differences recognised in	-	-	-	-	-	-
- shareholders' equity	X	-	-	-	-	-
- income statement	X	-	-	-	-	-
C.4 Transfer to non-current assets held for sale and discontinued operations	-	-	-	-	-	-
C.5 Negative foreign exchange differences	-	-	-	-	-	-
C.6 Other changes	-	-	-	-	-	-
D. Net final carrying amount	**494**	**-**	**-**	**270**	**-**	**764**
D.1 Total net adjustments	736	7	-	668	-	1,411
E. Gross final carrying amount	**1,230**	**7**	**-**	**938**	**-**	**2,175**
F. Measurement at cost	**-**	**-**	**-**	**-**	**-**	**-**

13.2 Of which Other companies

(millions of euro)

	Goodwill	Other intangible assets: internally generated		Other intangible assets: other		Total
		Finite useful life	Indefinite useful life	Finite useful life	Indefinite useful life	
A. Gross initial carrying amount	**37**	**-**	**-**	**-**	**-**	**37**
A.1 Total net adjustments	-37	-	-	-	-	-37
A.2 Net initial carrying amount	**-**	**-**	**-**	**-**	**-**	**-**
B. Increases	**-**	**-**	**-**	**-**	**-**	**-**
B.1 Purchases	-	-	-	-	-	-
of which business combinations	-	-	-	-	-	-
B.2 Increases of internally generated intangible assets	X	-	-	-	-	-
B.3 Write-backs	X	-	-	-	-	-
B.4 Positive fair value differences recognised in	-	-	-	-	-	-
- shareholders' equity	X	-	-	-	-	-
- income statement	X	-	-	-	-	-
B.5 Positive foreign exchange differences	-	-	-	-	-	-
B.6 Other changes	-	-	-	-	-	-
C. Decreases	**-**	**-**	**-**	**-**	**-**	**-**
C.1 Sales	-	-	-	-	-	-
of which business combinations	-	-	-	-	-	-
C.2 Impairment losses	-	-	-	-	-	-
- Amortisation	X	-	-	-	-	-
- Write-downs recognised in	-	-	-	-	-	-
shareholders' equity	*X*	-	-	-	-	-
income statement	-	-	-	-	-	-
C.3 Negative fair value differences recognised in	-	-	-	-	-	-
- shareholders' equity	X	-	-	-	-	-
- income statement	X	-	-	-	-	-
C.4 Transfer to non-current assets held for sale and discontinued operations	-	-	-	-	-	-
C.5 Negative foreign exchange differences	-	-	-	-	-	-
C.6 Other changes	-	-	-	-	-	-
D. Net final carrying amount	**-**	**-**	**-**	**-**	**-**	**-**
D.1 Total net adjustments	37	-	-	-	-	37
E. Gross final carrying amount	**37**	**-**	**-**	**-**	**-**	**37**
F. Measurement at cost	**-**	**-**	**-**	**-**	**-**	**-**

13.3 Other information

There were no significant commitments to purchase intangible assets as at 31 December 2014.

Information on intangible assets and goodwill

The application of IFRS 3 to the accounting of acquisitions often leads to the recognition of new intangible assets and goodwill. In the case of the Intesa Sanpaolo Group, the merger between Banca Intesa and Sanpaolo IMI and the subsequent acquisitions (of the asset management portfolio of former Nextra, CR Firenze, Pravex Bank, Intesa Vita, the bank branches and Banca Monte Parma) led to the recognition of significant amounts for intangible assets and goodwill.

During the year no business combinations were undertaken pursuant to IFRS 3.

It should be noted that at the end of October 2014 the organisational structure of the Intesa Sanpaolo Group was redefined and three new Divisions were created as part of the implementation of the 2014-2017 Business Plan, as follows:

- Private Banking Division supervises operations of the subsidiaries Banca Fideuram, Fideuram Investimenti, Intesa Sanpaolo Private Banking, Sirefid, Fideuram Fiduciaria, Intesa Sanpaolo Private Bank (Suisse) and Fideuram Asset Management Ireland, with the mission of serving the top customers segment (Private and High Net Worth Individuals), strengthening the creation of value for the Group by increasing the profitability of assets managed through development of the range of products and offer terms - with a particular focus on high service-content products;
- Asset Management Division, with the mission of developing the best asset management solutions for Group customers through the subsidiary Eurizon Capital;
- Insurance Division, which oversees management of the subsidiaries Intesa Sanpaolo Vita, Fideuram Vita, Intesa Sanpaolo Previdenza and Intesa Sanpaolo Assicura, with the mission of further developing the insurance product mix targeting Group customers.

Consequently to the redefinition of the operating structure, the Group is arranged into six business areas.

Since the operation was an "internal" reorganisation, it did not change the overall value of the intangible assets at Group level and it didn't have effects in the income statement: the change to the organisational structure simply led to a different attribution of the value of the intangible assets among the CGUs. This attribution was carried out based on the provisions of IAS 36.

In consideration of the full operation of the new organisational structure, the impairment test of the intangible assets and the goodwill for the 2014 financial statements was carried out with reference to this new divisional context.

The table below summarises the values and trend of the intangible assets and the goodwill following the above-mentioned reorganisation.

(millions of euro)

CGU	Financial Statements 31.12.2013	Reclassification of intangible assets and goodwill	Balances as at 31.12.2013 post reclassifications	Amort.	Financial Statements 31.12.2014
BANCA DEI TERRITORI (a)	**3,732**	**-1,069**	**2,663**	**-53**	**2,610**
- Asset management intangibles - distribution	55	-5	50	-50	-
- Insurance intangibles - distribution	311	-281	30	-3	27
- Brand name intangibles	1,507	-	1,507	-	1,507
- Goodwill	1,859	-783	1,076	-	1,076
CORPORATE AND INVESTMENT BANKING	**-**	**-**	**-**	**-**	**-**
- Brand name intangibles	-	-	-	-	-
- Goodwill	-	-	-	-	-
ASSET MANAGEMENT (b)	**1,088**	**-**	**1,088**	**-50**	**1,038**
- Asset management intangibles - production	50	-	50	-50	-
- Goodwill	1,038	-	1,038	-	1,038
PRIVATE BANKING (c)	**1,782**	**256**	**2,038**	**-127**	**1,911**
- Asset management intangibles - prod. and distribut. (d)	405	-33	372	-127	245
- Brand name intangibles	375	-	375	-	375
- Goodwill	1,002	289	1,291	-	1,291
INSURANCE (e)	**-**	**813**	**813**	**-52**	**761**
- Insurance intangibles - production	-	319	319	-52	267
- Goodwill	-	494	494	-	494
INTERNATIONAL BANKS	**-**	**-**	**-**	**-**	**-**
BANK OF ALEXANDRIA (Egypt)	**-**	**-**	**-**	**-**	**-**
PRAVEX BANK (Ukraine)	**-**	**-**	**-**	**-**	**-**
GROUP TOTAL	**6,602**	**-**	**6,602**	**-282**	**6,320**
- Asset management intangible	510	-38	472	-227	245
- Insurance intangible	311	38	349	-55	294
- Brand name intangible	1,882	-	1,882	-	1,882
- Goodwill	3,899	-	3,899	-	3,899

(a) The values as at 31 December 2013 include the intangible assets of the Banca dei Territori CGU regarding the production of insurance products, which subsequently joined the Insurance Division, as well as the goodwill pertaining to the insurance segment, of Intesa Sanpaolo Private Banking and Sirefid.

(b) The values as at 31 December 2013 correspond to the intangible assets and goodwill of the Eurizon Capital CGU.

(c) The values as at 31 December 2013 correspond to the intangible assets and goodwill of the Banca Fideuram CGU.

(d) The values as at 31 December 2013 include the intangible assets and goodwill of the Banca Fideuram CGU regarding the production and distribution of asset management products and the production and distribution of insurance products. The values as at 31 December 2014 do not include the intangible assets regarding the production of insurance products, which subsequently joined the Insurance Division.

(e) The values of the new Division include the intangible assets of the Intesa Sanpaolo Group regarding the production of insurance products and the goodwill pertaining to the insurance segment.

Intangible assets recognised include intangible assets related to customers, represented by the measurement of asset management and insurance portfolio. Such assets, with a finite life, are originally measured by discounting the income margin cash flows over a period representing the residual life, contractual or estimated, of relationships existing at the time of the business combination. Conversely, it is noted that the intangible core deposit had been written down in full in the 2013 financial statements, due to the impairment test performed.

The brand name, an intangible asset related to marketing, was also measured. This asset is considered to have an indefinite life since it is expected to contribute for an indefinite period of time to the formation of income flows.

For the intangible assets with a finite life, the amortisation for the year was recognised to the income statement (under 210 Net adjustments to/recoveries on intangible assets) for a total of 282 million euro gross of the tax effect (approximately 194 million euro net).

Based on IAS 36, both intangible assets with an indefinite useful life and goodwill are submitted to impairment testing on an annual basis to verify recoverability of their value. In addition, intangible assets with a finite useful life must be tested for impairment whenever there is evidence of impairment indicators. The recoverable amount consists of the higher of the fair value less costs to sell and the value in use.
Lastly, it should be mentioned that IAS 36, for the purpose of calculating the value in use of intangibles subject to impairment testing, states that reference must be made to cash flows arising from intangible asset in its current condition (as at the impairment test date), with no distinction between cash flows arising from the asset initially recognised according to IFRS 3 and those relating to the asset outstanding at the impairment test date. This because it would be difficult, especially with regard to extraordinary transactions between businesses or changes in the asset following significant turnover in volumes, customers, contracts, etc., to separate flows relating to the original asset from others.

This concept can also be applied in impairment testing of goodwill to calculate the value in use of the CGUs, for which the cash flows have to be considered with regard to all assets and liabilities of that CGU and not only the assets and liabilities for which goodwill was recognised on application of IFRS 3.
As in previous financial statements, given the volatility of the financial markets and the available market values for calculation of the recoverable amount, values in use were used in the impairment tests for the 2014 financial statements.
It is noted that the tests mentioned above did not concern the Corporate and Investment Banking, International Subsidiary Banks and Bank of Alexandria CGUs in consideration of the absence, as of the date of the test, of intangible assets with an indefinite life to be subject to impairment test. With reference to the subsidiary Pravex Bank, that in any case does not have intangible assets with an indefinite life, in consideration of the uncertainties connected to the possible disposal of the subsidiary, and therefore the recoverability of the investment, a zero recoverable value was considered, in a prudential manner, with consequent zeroing of the carrying value of the CGU.

Furthermore, the methods and assumptions of the impairment test procedures for intangible assets and goodwill defined by management were approved by the Management Board prior to approval of the draft financial statements for 2014.

Impairment testing of intangibles

Asset management portfolio
The intangible asset recognised in Intesa Sanpaolo's financial statements is regarded as having a finite useful life. Accordingly, for the purposes of the 2014 financial statements, analyses were conducted on the main indicators of the value of this asset, which were also monitored throughout the year (these include asset volume trends and redemption rates, changes in product unit profitability, operating cost levels and cost of capital). These analyses only referred to the component of the intangible assets relating to Banca Fideuram (included in the Private Banking CGU), since the amortisation process of the components relating to the production and distribution of Eurizon Capital products was completed at the end of 2014 (included, respectively, in the Asset Management and Banca dei Territori CGUs).
In 2014 there was a general overall increase in the volume of assets subject to analysis compared to the end of 2013, standing at just over 47 billion euro. Consequently, the value of the assets under management (AUM) considered was higher (about 6%) at the end of 2014 than in December 2013.
Among the other factors analysed, product unit profitability remained at levels similar to those of 2013 and in addition the operating costs recorded in 2014 were at levels very similar to those forecast in the budget. The trend in redemption rates, on the other hand, did not constitute a sign of a possible impairment of the intangible asset. The decrease in the cost of capital for the CGU which includes Banca Fideuram (-261 basis points compared to the assessments made for the 2013 financial statements) represented an additional indicator to support the retention of the value.
The above tests did not result in the identification of any impairment indicators for the AUM intangible asset.

For the 2014 financial statements, the amortisation of the asset for the year was recognised to the income statement, decreasing its carrying amount (a total of 227 million euro, gross of the tax effect, which represents just less than half of the carrying amount of the AUM intangible as at 31 December 2013).

The following table presents a summary of the values of AUM intangibles, as at 31 December 2014 attributable entirely to the Private Banking CGU.

(millions of euro)

CGU	Financial statements 31.12.2013	CGU reclassifications	Balances as at 31.12.2013 post reclassifications	Amortisation	Financial statements 31.12.2014
Banca dei Territori					
Intangibile asset management - distribution	55	-5	50	-50	-
Asset Management[(a)]					
Intangibile asset management - production	50	-	50	-50	-
Divisione Private Banking[(b)]					
Intangibile asset management - produc. and distribut.	405	-33	372	-127	245
GROUP TOTAL	**510**	**-38**	**472**	**-227**	**245**

[(a)] The values as at 31 December 2013 correspond to the intangible assets relating to the Eurizon Capital CGU.

[(b)] The values as at 31 December 2013 correspond to the intangible assets relating to the Banca Fideuram CGU

Insurance portfolio

Valuation of the insurance portfolio uses models normally applied to determine the embedded value, by discounting flows representing the income margins over a period deemed to express the residual maturity of the insurance portfolio in force outstanding at the valuation date. The resulting value, considered to have a finite life, is amortised at variable rates over a period representing the residual life of the insurance contracts.

For the 2014 financial statements, the amortisation of the asset for the year was recognised to the income statement. The amortisation for the year amounted to just over 15% of the carrying amount of the asset at the end of 2013 (amortisation for a total of 55 million euro gross of the tax effect).

The analyses conducted during the year on the main impairment indicators were updated and extended for this type of intangible as well. However, a thorough recalculation of value of the intangible asset was not performed since the performance of the insurance business did not present any particular critical issues in 2014.

The table below provides the value of mathematical reserves (including the components that in the IFRS financial statements are classified under financial liabilities of the insurance segment) detailing the various product types that contributed to the initial valuation of the insurance portfolio.

(millions of euro)

Insurance portfolio	**MODEL TECHNICAL RESERVES** [a]	
	31.12.2014	**Change compared to 31.12.2013**
Traditional	67,412	+ 22.0%
Pension funds	1,739	+ 17.8%
Unit-linked	38,609	+ 23.1%
Index-linked	1,024	-63.6%
TOTAL	**108,784**	**+ 19.7%**

[a] The mathematical reserve and the premium reserve are included. The figure is gross of the "shadow reserve".

Technical reserves increased by almost 20% in 2014, coming to approximately 109 billion euro at year-end.

As mentioned above, there was a very significant increase in reserves for traditional products, which came to approximately 67 billion euro. Overall, reserves for this latter type of policy accounted for more than 60% of total reserves. The decrease in reserves for index-linked products was due to the choice – first made in 2008 and also applied in the year under review – not to establish and market new products in this segment.

Finally, also the reserves for unit-linked products showed a significant increase (amounting to around 23%).

An analysis of product profitability and operating costs does not yield any indication of possible impairment of the asset. Financial parameters – including as regards the performance of securities in portfolio – were essentially in line with those recorded in 2013.

The following table presents a summary of the values of insurance intangibles according to the relevant CGU.

(millions of euro)

CGU	**Financial statements 31.12.2013**	**CGU reclassifications**	**Balances as at 31.12.2013 post reclassifications**	**Amortisation**	**Financial statements 31.12.2014**
Banca dei Territori					
Insurance intangibles - distribution (a)	311	-281	30	-3	27
Insurance Division					
Insurance intangibles - production (b)	-	319	319	-52	267
GROUP TOTAL	**311**	**38**	**349**	**-55**	**294**

[a] The values as at 31 December 2013 include the intangible assets of the Banca dei Territori CGU regarding the production of insurance products, which subsequently joined the Insurance Division.

[b] The values of the new Division include the intangible assets of the Intesa Sanpaolo Group regarding the production of insurance products.

Brand name

IFRS 3 considers the “brand name” a potential, marketing related intangible asset, which may be recorded in the purchase price allocation process.

For this purpose please note that the term "brand” is used in accounting standards with an extensive meaning and not as a synonym of trademark (the logo and the name). It is considered a general marketing term which defines a set of complementary intangible assets (in addition to the name and the logo, also the competencies, consumer trust, service quality, etc.) which concur to form brand equity.

With reference to acquisition of the Sanpaolo IMI Group, it was decided to limit the analysis to just two brands: the corporate brand Sanpaolo IMI, intended as an "umbrella" brand to which the brands of the network banks were related, and the brand of the subsidiary Banca Fideuram since it is an autonomous entity strongly recognised on the market for the placement of financial products through a network of financial advisors. Both are considered intangibles with indefinite useful life since they are deemed to contribute indefinitely to the formation of income flows. Market methods and fundamental, flow-based methods have been used in the initial valuation of the two brands. Value was determined as the average of the values obtained using the various methods.

As this intangible asset has no independent cash flows, for impairment testing purposes for the 2014 financial statements it was included in the verification of the retention of goodwill for the various CGUs. As discussed in further detail below, the results of the impairment test did not suggest a need for an impairment loss on the brand name intangible asset.

Impairment testing of CGUs and goodwill

Definition of Cash Generating Units (CGUs)

For impairment testing purposes, the estimation of the value in use relating to intangible assets with an indefinite life (including goodwill) that do not generate cash flows unless jointly with other business, as per IAS 36, requires the preliminary assignment of such intangible assets to relatively independent business units, able to generate cash flows strongly independent of those produced in other business areas, but interdependent within the business unit generating them.
In IAS/IFRS terminology such business units are known as Cash Generating Units (CGUs). The objective of the impairment test is significant for identification of the CGUs.
IAS 36 indicates the necessity to correlate the level at which the goodwill is tested with the level of internal reporting at which management controls the increases and decreases of such value. Definition of the level closely depends on the organisational models adopted and on the managerial responsibilities governing the operating guidelines and monitoring activity. Organisational models may ignore (and in the case of the Intesa Sanpaolo Group they do ignore) the network of legal entities through which operations are carried out, and are instead very often closely linked to the definition of business operating segments as envisaged by IFRS 8. Furthermore, the identification of CGUs for goodwill impairment test purposes, is consistent with the definition of recoverable amount of an asset – which is in itself the base for impairment tests – according to which the amount the company expects to recover from that asset, considering synergies with other activities, becomes relevant.

Therefore, in accordance with the criteria applied for the determination of the prices of the business combinations that gave rise to goodwill recognition, the recoverable amount for impairment testing purposes of the CGU to which goodwill is allocated must include not only the value of external (or universal) synergies but also the internal ones, the reason being that the specific acquirer may obtain additional value from the integration of activities obtained through business combinations, according to its business model.
The Intesa Sanpaolo Group's organisational model envisages that:
- decisions on operating policies be assigned to managers of the operational segments;
- strategies, identification of new products or services and commercial penetration initiatives be outlined and directed centrally for each operating division;
- planning processes and reporting systems be managed at the operational segment level;
- specialised transversal areas be defined to provide support and develop products benefiting many subsidiaries;
- the management of financial risks also be highly centralised in order to maintain, also as a result of regulatory provisions, a balance between the capital allocation policies and the financial risks in development of the various business lines;
- the divisions operate in homogenous markets or sectors in terms of economic characteristics and development level.

As a result of this centralisation, income flows are highly dependent on the policies set up at the operational segment level, based on balanced development of the entire division and not of the individual operating areas or legal entities considered individually.
The business units identified in the Intesa Sanpaolo Group are as follows:
- Banca dei Territori;
- Corporate and Investment Banking;
- Insurance;
- Asset Management;
- Private Banking;
- International Subsidiary Banks.

The reorganisation of the business units, which occurred at the end of October 2014, did not change the model of attribution of operating responsibilities and the reporting system: managerial responsibilities are centralised at the level of individual business units, regardless of the legal entities involved, and internal reporting essentially focuses on the business units. Therefore, also in the presence of the new divisional arrangements, the previous correspondence between business units and CGUs was confirmed.

The divisions are considered representative of cash generating units since each constitutes the smallest group of assets generating independent incoming cash flows and, as mentioned above, also the minimum level set by the Parent Company Intesa Sanpaolo for planning and reporting processes. Therefore, this is the minimum level to which goodwill may be allocated and monitored according to non-arbitrary criteria.
The International Subsidiary Banks Division needs specific comments, given the particular structure and conditions under which it operates.
It should firstly be mentioned that the cash flows of the various Group companies forming this business unit are strictly dependent upon policies formulated by Division Governance Centres and Head Office Departments of the Parent Company. These policies are defined and implemented in compliance with a management plan designed to develop the entire Division in an organised manner, and not focusing only on the individual companies' strategies. Specifically, the expansion strategies for the various operating units, the identification and development of new credit, savings and service products, limits to the assumption of financial risk,

commercial penetration and operations specialisation initiatives are outlined and steered at central level, following a portfolio strategy, and not devolved to the individual subsidiaries. Therefore there is strong interaction of the flows that, at the same time, requires both single and integrated governance of all companies in the Division, and the central monitoring and control of operations of the overall business activities of the Division.
However, it is important to consider that not all factors affecting the correlation and interdependence of cash flows within the Division can be controlled by the Division's Head Office Departments.
In fact, there are circumstances outside the Group that could have varying levels of impact on the capacity to systematically manage CGU flows and control over their generation. These are circumstances largely determined in the wider sense by the conditions of the environment in which the various entities are located.
Indeed, for Banks operating abroad, the effects of country risk must be considered: i.e. the risk linked to economic, political and institutional events in the country in which the subsidiary and its business activities are based.
In view of the above, if the cash flows that the Parent Company expects from activities generated by a foreign subsidiary are deeply influenced - in terms of extent, quality and trends - by institutional, economic and political circumstances in the country in which the subsidiary is based, this subsidiary cannot be considered an integral part of the single management model for the CGU which it belongs to. The company in such a situation must, therefore, even if only temporarily, be excluded from the CGU, regardless of the Group Management's willingness to keep it within the CGU, due to the above-mentioned factors over which the Bank and Group's management clearly have no influence. The flows of the company, in fact, would be influenced to a greater extent by the country's conditions than by the unitary and centralised management policy adopted by the Division, and therefore for impairment testing purposes must be subjected to independent valuation until the conditions for the systemic central control of cash flows of the subsidiary are restored.

With regard to the Ukrainian Pravex Bank, for the purposes of 2008 impairment testing, careful consideration of the economic and institutional events unfolding in Ukraine, which was undergoing a deep economic and currency crisis, and prudent assessment of their impact on the operational variables of the subsidiary in question, especially from the point of view of their interdependence on variables of the entire CGU, resulted in classification of this company as a completely separate CGU, treating it separately from the Group's International Subsidiary Banks Division. These considerations had been confirmed in the subsequent years too.
Furthermore, at the beginning of 2014 negotiations were started for the sale of the stake. This factor supports the continuing choice in the 2014 financial statements to identify the investee as a separate, independent business, given that it is presumed that when the cash flows of an asset or group of assets derive primarily from sale rather than ongoing use they become less dependent on the cash flows deriving from the other CGUs.
With regard to the subsidiary Bank of Alexandria, for the purposes of 2011 impairment testing the bank was separated from the International Subsidiary Banks CGU due to a profound political crisis in Egypt.
For the purposes of the 2014 impairment testing, it was deemed appropriate to maintain the decisions made with respect to the previous financial statements, and thus to consider Pravex Bank and Bank of Alexandria as autonomous, distinct CGUs from the Group's International Subsidiary Banks Division in conducting the impairment test for the consolidated and separate financial statements. However, it bears recalling that the goodwill associated with Pravex Bank and Bank of Alexandria were fully written down in conjunction with the impairment tests for the 2008 and 2011 financial statements, respectively.
In the Bank of Alexandria's case, the separate assessment of the bank for impairment testing purposes, which will continue until conditions in Egypt have been stabilised, does not affect the Group's intention to support the development of its subsidiary.

Book value of the CGUs
The book value of the CGUs must be determined in a manner consistent with the criterion for estimating their recoverable amount. For a banking business the cash flows generated by a CGU cannot be identified without considering the cash flows deriving from financial assets/liabilities, as these represent the core business. In other words, the recoverable amount of the CGUs is influenced by the aforementioned cash flows and therefore the CGUs' book value must include financial assets/liabilities in accordance with the scope of the recoverable amount estimate process.
Consequently, these assets and liabilities must be properly allocated to the associated CGUs.
On this basis (so-called "equity side"), the book value of Intesa Sanpaolo's CGUs may be determined in terms of contribution to consolidated shareholders' equity including the minority interest.

The table below provides the book values of the CGUs and the goodwill and brand name allocations to each. The values (that take into account the reallocations of intangible assets and the goodwill deriving from the redefinition of the business units as already described), determined for impairment testing purposes, include the portion of goodwill attributable to minority interests (included in the last column with minority interests).

(millions of euro)

Values / CGU	Value as at 31.12.2014			
	Book value	*of which goodwill Group share*	*of which brand name*	*of which minority interests*
Banca dei Territori	16,265	*1,076*	*1,507*	*102*
Corporate and Investment Banking	12,807	-	-	*92*
Insurance	5,078	*494*	-	*1*
Asset Management	1,715	*1,038*	-	-
Private Banking	3,240	*1,291*	*375*	-
International Subsidiary Banks	5,414	-	-	*78*
Bank of Alexandria (Egypt)	546	-	-	*109*
Pravex Bank (Ukraine)	-	-	-	-
GROUP TOTAL	**45,065**	**3,899**	**1,882**	**382**

Criteria for estimates of CGUs' value in use

The value in use of CGUs is determined by estimating the present value of future cash flows that may be expected to be generated by the CGUs. These cash flows are normally estimated by using the latest publicly available business plan or, in its absence, through the drawing up by management of an internal forecast plan.

The forecasting period for the analysis usually consists of a maximum of five years. The cash flow of the final year of the forecast is projected in perpetuity (through the use of perpetual return formulae, or, alternatively, temporary return formulae, if it is not realistic to expect the assets subject to measurement to generate positive cash flows over the long term), using an appropriate growth rate "g" for the purposes of the so-called "terminal value." The rate "g" is determined by taking the rate of increase in the gross domestic product of the countries in which the cash flows are generated.

Alternatively, terminal value could be determined on the basis of a final sale or liquidation value.

For the determination of the value in use the cash flows must be discounted at a rate that reflects the present valuations of the time value of money and the asset's specific risks. Specifically, the discount rates to be used must incorporate the present market values with reference to the risk free component and the risk premium associated with the equity component observed over a sufficiently long time period to reflect different market conditions and economic cycles. Also, given the diverse risks of the respective operating areas, different Beta coefficients must be used for each CGU. All the resulting rates have been adjusted to take into account the "Country Risk".

Cash flow estimates

Also with regard to calculation of the value in use of CGUs for impairment testing purposes for the 2014 financial statements, the volatility of financial markets and the uncertainties regarding the future macroeconomic environment make the definition of near-term future cash flows from operating activities and the identification of growth rates in order to calculate the Terminal value of CGUs particularly complex.

The medium-term forecast scenario taken as a reference (only regarding the Eurozone and Italy, as no goodwill is recorded anymore with reference to the international network) differs from that used in the 2013 financial statements. Given a modest worsening of the growth estimates for the Italian economy in the short term, the decrease of the market rates and spreads foreseen appears more significant, also in consideration of the expansive monetary policies of the European Central Bank.

Firstly, in line with the analysis of the prospective scenario outlined between the end of 2013 and the beginning of 2014 (and used for impairment tests in the 2013 financial statements), the new scenario, internally developed and essentially supported by the forecasts of other institutions and research and analysis companies, envisages short-term rates remaining at very low levels in 2015 and the following three years. The scenario of growth at or below potential and inflation far from the 2% target continues to represent the main justifications for a scenario of official rates stable at levels near zero until the end of 2017. In this sense, compared to the previous forecasts, the estimates of the reference rate made were further lowered until 2017, when official European interest rates are expected to gradually increase.

The macro-economic scenario defined for the period 2015-2018 is based on an outlook of intensified recovery of the European economy and the more rapid growth of the U.S. economy, within a framework of slowdown for various emerging economies and general increase in the measures of dispersion of the economic performance.

The growth rate in the Eurozone, which amounted to 0.9% yoy in 2014, is expected to increase moderately in 2015 and in the years that immediately follow. This estimate is currently in line with the consensus average (January 2015 records). In 2014 the Italian economy recorded a decrease in GDP of -0.4%, consequently to the projections of slight increase that had been made one year earlier. Nevertheless, GDP is expected to increase (+0.4%) already in 2015; the growth is then predicted to stand at around 1% a year (or just above this value) in the following three years. These estimates, which are more moderate than those made at the start of 2014 with reference to the 2015/2016 period, do not differ significantly from the consensus average.

With regard to the scenario for the banking industry, on the basis of historical patterns, the resumption of loan growth is expected to start in 2015, after the decline that continued also in 2014. In particular, consequently to GDP going back to recording a positive performance, loans are expected to recover, especially from the second half of 2015 and, more considerably, in subsequent years.

As regards direct deposits, the trends seen in the previous two years were confirmed in 2014 (growth of deposits and sharp decline in bonds). Until 2018, banks' funding needs should remain limited, given the weakness of loans and the extensive refinancing from the ECB. These factors will favour a reduction in the cost of funding. At the same time, a reorganisation of banks' liabilities in favour of deposits and ECB funding will be confirmed, with the progressive repayment of the bonds placed with retail customers. As a consequence, the stock of bonds will continue to fall as an annual average in 2015-16 before growing (very moderately) in 2017-18, in connection with the gradual resumption of medium to long-term loans and fuelled mainly by the issues on wholesale markets.

In 2014 rates on loans started to drop, after they had been unyielding, due to repricing measures until the first half of the year. The cost of bank funding continued to decline throughout the year, consequently to a combination of falling rates on the individual components and an internal shift towards less costly types. Therefore, also as a result of the decrease in the cost of funding, in 2014 the spread between lending and funding rates improved compared to 2013. Looking ahead, in a scenario characterised by prudent credit access conditions, rates on loans are expected to essentially stabilise, continuing also over the years, characterised by the invariance of the monetary and policy rate framework.
As a consequence, due to the above-mentioned reduction in the cost of funding, in 2015-16 the spread between average lending and funding rates is forecast at the annual average of the levels reached in 2014.
For the third consecutive year, in 2014 the mark-down on demand deposits was in negative territory, where it is expected to remain until 2017, given the very low Euribor rates. In any case, the annual average improved compared to 2013, due to the drop in the rates on current accounts. The mark-down, expected to be stable in 2015/2016, is subsequently estimated to improve – owing to the forecast increase in the Euribor – in the 2017/2018 period. The mark-up on short-term rates, exceptionally high since 2012, contracted slightly in 2014. In 2015 and in the following years, the mark-up will remain extremely high from a historical perspective, due to the low level of monetary rates and persistently high credit risk (yet gradually improving).
The following tables present the forecasts of the main macro-economic indicators used.

(%)

Italy	2014	2015	2016	2017	2018
REAL ECONOMY					
Real GDP Italy	-0.4	0.4	1.0	1.2	1.1
Consumer prices Italy	0.2	0.3	1.2	1.6	1.6
Period-end ECB rate	0.05	0.05	0.05	0.25	1.25
3-month Euribor rate	0.21	0.07	0.08	0.21	1.36
10-year IRS	1.5	1.2	2.0	2.5	2.9
10-year BTP	2.9	1.9	2.8	3.4	4.0
Spread vs. Bund (basis points)	164	92	101	123	136
BANKING SECTOR					
Loans	-3.4	-0.4	1.1	1.7	2.1
Direct customer deposits	-1.6	-1.0	1.6	2.3	2.5
Loan rate	3.81	3.65	3.66	3.75	4.32
Funding rate	1.53	1.34	1.32	1.37	1.72
Average customer spread	2.28	2.31	2.33	2.38	2.60
Mutual funds	19.2	10.3	8.1	8.1	6.8
Portfolio management	7.7	5.0	5.1	5.6	4.4
Life technical reserves	10.9	6.0	6.0	6.0	6.0

The various CGUs' expected cash flows were estimated by following a two-stage assessment process.
For the first forecast period, confirmed as the last year out of four years, which means the 2015-2018 period, the in-house analytical estimates were used which, for the years until 2017, were determined on the basis of the 2014-2017 Business Plan, considering the reorganisation taking place, confirming the managerial actions envisaged by the Plan and incorporating the new macroeconomic and sector-specific scenario, while the flows of 2018 were estimated through an inertial projection of the flows of the last year of the plan, based on the forecasts relating to the macroeconomic scenario, without considering new and additional managerial actions.
The net income projected for the forecast years has been adjusted, in accordance with IAS 36, to account for non-monetary components and the minority-interest share of net income, as well as to exclude the effects of any reorganisation and restructuring transactions. In addition, cash flows include those allocated to the various CGU's deriving from central corporate assets. In accordance with the equity-side approach mentioned above in relation to the determination of the carrying values of CGUs, the cash flows used for impairment testing include the flows correlated with financial assets and liabilities, given that these represent the company's core business.

Among various financial valuation techniques, the value of a company at the end of the flow forecast period, the so-called Terminal value is normally determined by infinite compounding, at an appropriate "g" rate, of the cash flow achievable under normal conditions. This rate, even if subject to time variations, may be assumed to be constant or decreasing (or increasing in rarer circumstances).
As an alternative to the Terminal value estimation methodology, doctrine also envisages (i) the exit multiple approach and (ii) the approach based on an estimation of the liquidation value of the company. Specifically, with regard to approach (i) it should be mentioned that an exit multiple estimate has complex (and potentially subjective) elements that become even more marked at times of market uncertainty and volatility such as now. Approach (ii) is valid only for companies due to be wound up on termination of the forecasting period, and therefore not applicable with a view to a business as a going concern.
In the decisions to be taken with regard to the criteria for extrapolating cash flows beyond the forecasting period, account must be taken of the market context in which the prospective scenario is being determined.
Regarding the impairment test as at 31 December 2014, in line with the impairment tests of the previous years it has been determined the average growth rate of Italy's nominal GDP, observed and forecast in the 2008-2018 period (it should be noted that, in consideration of the impairment made in the 2013 financial statements, no goodwill is allocated to the International Subsidiary Banks CGU and, consequently, it is not necessary to calculate the g rate for the purpose of the goodwill test for the

foreign countries where the Group operates).
The decision made in terms of observation period for the growth rates, considering the current particular macroeconomic situation, calls for specific consideration.
Real GDP dynamics in recent years were negative or only marginally positive due to the economic-financial crisis. As already mentioned above, a turnaround from the current scenario of macroeconomic crisis is expected already in 2015, very gradually resulting in a process of growth in the following years.
In order to consider both the entire period of crisis experienced, beginning in 2008, and the prospects of an economic recovery beginning in 2015, the growth rate for estimating Terminal value was calculated as the average GDP rates for the 2008-2018 period, inasmuch as this period was deemed sufficiently extensive to include, and thus average, a period of severe crisis and a prospective period of a return to a scenario of economic growth.
The inclusion in the observation period of the final figures for the years from 2008 (which still did not fully show the consequences of the economic crisis) to 2014, as well as the reasonably estimable forecast values for the period 2015-2018, allows a balance to be struck between the previous observation assumptions and a reasonably prudent average rate to be determined.
In short, the reference period is characterised by logics of prudence since it considers, on the one side, the financial crisis beginning in 2008 and, on the other, the expectation of economic growth starting from 2015.
In particular for the CGUs that show intangibles with an indefinite life on the balance sheet date, and therefore to be subject to an impairment test, the g rate was determined with reference to Italy, since the country of operation of these CGUs (Banca dei Territori, Insurance, Asset Management, Private Banking) is mainly Italy.
Expected real GDP and inflation figures used to calculate g rate were drawn from forecasts prepared by the Intesa Sanpaolo Research Department described above.
Italy presents a negative value for its average real growth rate for the period 2008-2018. Since the "g" rate is used to determine Terminal value, it was considered realistic and rational not to assume negative real growth to be projected infinitely. Accordingly, for Italian CGUs, for calculation purposes, real growth was assumed to be zero and the "g" rate thus corresponded with the average increase in inflation for the period 2008-2018.
Furthermore, with a prudential approach, it was checked that the “g” rate was not higher than Italy’s GDP growth rate in 2018 or, for each CGU, the growth rate of the last year of analytical forecasting.

Cash flow discounting rates
For the determination of the value in use the cash flows must be discounted at a rate that reflects the present market valuations, the time value of money and the asset’s specific risks.
In practice, the first characteristic (current market conditions) translates into the calculation of all parameters based on the latest available information as at the reference date of the estimate, so as to best take into account the current market assessments. The second characteristic (consistency between risks/flows and rates) must follow the specificity of flows used for impairment testing of the CGUs. This rate (in its various components) must therefore be decided by observing the specific nature of flows used to assess each CGU, in order to maintain coherence and consistency with the flows. Specifically, consistency becomes important with regard to inflation, country risk and other risk factors that, according to IAS 36, may be expressed in the flows or rate. It is important to point out that a characteristic common to all CGUs recording goodwill (and, in general, intangibles with an indefinite life) is the long-term perspective of flows used to estimate the CGU value in use. In fact, by its very nature goodwill has an indefinite useful life, and therefore future cash flows are normally infinitely projectable.
This long term perspective should be reflected in all discounting rate benchmarks by means of the appropriate selection of each, in such a way that they express normalised conditions in the long term.
The discounting rate should normally include the cost of the various sources of funding of the asset to be assessed, in other words the equity cost and debt cost (i.e. WACC, weighted average capital cost). However, in the case of a banking entity, it is estimated according to an equity-side approach, that is to say by considering only the cost of equity capital (Ke), in a manner consistent with the methods for determining cash flows, which, as stated above, include those deriving from financial assets and liabilities.
The cost of capital is determined using the Capital Asset Pricing Model (CAPM). Based on this model the cost of capital is calculated as the sum of risk-free rate and a risk premium, in turn dependent on the specific risks implicit in the business activities (i.e. both business segment risk and country risk).
The cost of capital is determined net of taxes, in order to ensure consistency with the discounted cash flows.
As the various CGUs of the Intesa Sanpaolo Group operate in different business segments and with different risk factors, the specific costs of capital of each CGU were identified.
It should be noted that since cash flows were determined in nominal terms discounting rates were also determined in nominal terms, meaning that they incorporate inflation expectations.

Entering into the details of the various components that contribute to the determination of discounting rates, it may be remarked that:
– for impairment tests in the 2014 financial statements, special and notably prudent considerations were made referring to the risk free component. Although, as noted above, the current level of interest rates is not expected to increase significantly (at least in the short/medium-term), it is in any case worth reflecting on whether the current situation may or may not reasonably last also beyond the so-called “explicit period” of forecasting the financial flows for the assessments regarding the impairment tests. Specific importance is given to the time period during which rates are expected to return to such levels to be considered “normalised”, at least for historical comparison. As known, the Terminal Value is an important component to calculate the value of the CGUs: in this sense the reflection must focus on the analysis of the current macroeconomic context, to check whether the current level of interest rates may be representative of an “ordinary” situation and therefore can be incorporated in the discount rate of the flow implied in the Terminal Value, according to a long-term calculation logic, such as the one underlying the impairment test process. The reflection in this sense must necessarily start from the context of ultra-expansionary monetary policies that maintain the European government securities yields and the general level of the interest rates at extremely low values. This known context is closely connected to ECB’s contingent monetary policy and the mood of the international investors that, in their continuous search for “positive” yields on investments, push an “excess in demand” that leads to minimum levels the interest rates requested to subscribe debt securities and would seem not to fully consider – at least with a view to historical comparison – the intrinsic riskiness of national debt. It is difficult to consider these phenomena sustainable and recurring in the medium-long term of the analysis for the Value in use of the CGUs, as explained above.

Also due to the uncertainties inherent in the scenario of prospective evolution of rates, in consideration of the mentioned long-term prospects underlying the estimate of the Value in use and the fact that the current compression of the interest rates is unlikely to continue to be considered as occurring over a time period that goes significantly beyond the medium term, it is believed that, for the 2014 financial statements, it is necessary to implement an approach that provides for the use of differentiated discount rates for the discounting of the cash flows of the CGUs:

- concerning the risk free included in the discounting rate of the financial flows of the "explicit" forecasting horizon, the use of the average monthly return (month of December 2014) of the 10-year German Government bonds (Bund) was deemed appropriate, in line with the estimates for the 2013 Financial Statement;
- concerning the risk free included in the discounting rate of the financial flow of the Terminal Value, the use of the average return of the last twelve months (2014) of the 10-year German Government bonds (Bund) was deemed appropriate; The reduction in the yields was, as known, particularly felt in the last part of 2014. Having chosen a periodic average of an entire year, the calculation of the risk free also includes the yields that were not influenced by the "phase of euphoria" just mentioned (or were influenced only marginally) and are thus higher than those that would have been considered in the use of the "sole" monthly yield (possibly in perfect methodological continuity with the 2013 financial statements).

With the adoption of a "double" rate, in other words, if the use of "current market conditions" (as requested by IAS 36 for the calculation of the discount rate) is confirmed on the one hand, the prudential incorporation, in the discounting of the Terminal Value, of the yield effect is deemed appropriate on the other – though in the long term – at more "normalised" conditions of the general context of the interest rates, also consistently with the projections underlying the return forecasts of the Business Plan;

- the equity risk premium – represented by the difference between stock market yield and the Return on Investment on risk-free securities determined in reference to a sufficiently wide time horizon – was calculated on the basis of historical data, given its higher degree of reliability and visibility and also in the light of the current macroeconomic context, which reflects particularly volatile stock market prices not always representative of economic "fundamentals," while also creating a framework of uncertainty within which it is difficult to formulate reliable forecasts of results in order to estimate the equity risk premium implicit in stock market quotations. Specifically, the geometric mean for the equity risk premium was used, recorded on the US market for the period 1928-2014, adjusted for the differential between the US inflation rate and the German inflation rate (the market used as the basis for risk-free calculation);
- the Beta coefficient, which measures the specific degree of risk of an individual company or business sector, was calculated by identifying a sample of companies, comparable in business terms, for each CGU, and with reference to this sample the median Beta figure used was that recorded on a monthly basis over a five-year period;
- finally, some observations may be made with reference to the country risk premium, or CRP (the so-called "country risk"). Firstly, it is observed that there is no goodwill allocated to CGUs other than those (mainly) operating in Italy; for the purpose of the 2014 financial statements the "country risk" essentially coincides with the "Italy risk". In this context, and considering the provisions of IAS 36 concerning discount rates (which must reflect current market conditions), it was deemed suitable to adopt a CRP for Italy based on the values on the market of the spread between 10-year BTP and Bund.
  In line with the approach adopted to determine the risk free rate, also for the CRP a methodology was adopted that envisages the use of differentiated values; the considerations for this choice, as a consequence, are the same as those already shown above and are essentially based on the "exceptional nature" of the interest rate level observed at present. In conclusion, the CRP for the determination of the Ke for the impairment test of the goodwill for the purpose of the 2014 financial statements was calculated as follows:
  - concerning the CRP included in the discount rate of the financial flows of the "explicit" forecast time period (2015-2018), the average BTP-Bund spread of December 2014 was used;
  - concerning the CRP included in the discount rate of the financial flows of the Terminal Value, the average BTP-Bund spread of 2014 (calculation time period equal to twelve months) was used.

Summary of growth rates and discounting rates used

The following table presents a summary, for each CGU subject to impairment test, of the parameters relevant to determining value in use: weighted average 2015-2018 growth rates, the "g" growth rates for Terminal value purposes, the various discounting rates and inflation rates.

RATES/PARAMETERS / CGU	NOMINAL GROWTH RATES FOR IMPAIRMENT TEST (PERIOD 2015 - 2018)	NOMINAL DISCOUNTING RATES			LONG-TERM "G" GROWTH RATES		INFLATION RATES
		2014 flows	2014 Terminal Value	2013	2014	2013	2014
CGU subject to impairment test							
Banca dei Territori (1)	n.a.	8.02%	8.91%	10.21%	1.60%	1.89%	1.60%
Insurance	5.28%	7.84%	8.73%	n.d.	1.60%	n.d.	1.60%
Asset Management (2)	11.56%	8.25%	9.14%	11.30%	1.60%	1.89%	1.60%
Private Banking (3)	16.51%	7.49%	8.38%	10.10%	1.60%	1.89%	1.60%

(1) The nominal growth rate is not shown for the BdT CGU in consideration of the negative value of the cash flow for 2015, inclusive of the flows correlated to corporate assets.

(2) The values as at 31 December 2013 refer to the Eurizon Capital CGU.

(3) The values as at 31 December 2013 refer to the Banca Fideuram CGU.

Impairment testing results

The outcomes of the impairment test showed how, as at 31 December 2014, the values in use of each of the four CGUs that feature allocated goodwill were higher than the respective book values. Thus it was not necessary to proceed to any impairment of the intangible assets with an indefinite life.

It is specified that, for the sake of completeness of the analysis, the value in use was calculated also for the CGUs to which intangible assets with an indefinite life are no longer allocated, as they are written down in the previous financial statements. The Group's overall value in use is in any case higher than the sum of the book values of the individual CGUs.

The values in use calculated were higher than the market values, i.e., the share's price quotation, and thus market capitalisation. The price of Intesa Sanpaolo ordinary share as at 30 December 2014 (2.42 euro), though considerably growing compared to the values measured at the end of the previous year (about +35%), was still slightly lower than the value of the net book value per share (2.69 euro). However, it is observed that the price, though affected by the present difficult economic situation, performed positively in the first few weeks of 2015, also returning to above the net book value per share.
As for the target price estimates expressed in the final part of 2014 by investment houses and financial analysts, the net book value per share is in any case within the range of the values reported by the financial analysts. As a matter of fact, the assessment produced by some investment houses during the second half of 2014 reveal how the target price assigned by the analysts to the Intesa Sanpaolo Group are mostly within a range of 2.6 and 2.9 euro.
In any event, it bears observing that market valuations have different characteristics from the "fundamental" assessment represented by value in use.
The following may be observed regarding the valuations expressed by financial analysts:

- the prospective income flows for the years 2015 and 2016 forecast by analysts were higher, on average, than the flows considered for the purposes of the impairment test;
- the cost of the capital used (in not particularly frequent cases, where this parameter is explicitly stated) is often determined in overall terms at Group level and generally at values that are close to the average value calculated for the purpose of the Value in use for the impairment test shown previously;
- also the growth rates used for the purposes of Terminal value, where explicitly stated, were close to those used in impairment testing. As a consequence it is possible to note how – in general – where the cost of the capital used in the "external" analyses was (slightly) higher than the one determined for the purpose of the impairment test, the hypothesised growth rates were (slightly) higher than those used to determine the Value in use of the goodwill;
- similarly to the observations made for the impairment test of the 2013 financial statements, from the methodological standpoint, use was often made of multiples (in terms of P/E or ROE) applied to current market quotations or expected profitability for the coming years; these are thus methods that provide a fair value, rather than a long-term value in use.

It bears observing that the valuations in question were intended for financial investors and thus aimed to determine prices and values in the short term.

Finally, it is believed that impairment tests must be performed with the awareness of the fact that, although financial and monetary markets are in the process of returning to normality, the current crisis will continue to have a deep impact on expected short- and medium-term cash flows from operating activities, without however affecting the Intesa Sanpaolo Group's primary sources of income and competitive edges. In consideration of such factors, value in use is considered to be a better expression of the recoverable value of the Group's operating activities in the current market situation.
Accordingly, in developing the valuation model, caution was applied both when estimating projected cash flows and choosing financial parameters:

- expected cash flows take into account the full attribution to CGUs of the financial effects of the services provided by the Corporate Centre;
- the cost of capital was determined analytically, based on the parameters obtained from the markets for each CGU, depending on the different riskiness of the respective businesses, also considering analytically the various risk factors. In addition, the cost of capital used for the purpose of the Terminal Value considers the effect of a return to "normalised" conditions of the general context of the interest rates. As a consequence the average weighted value obtained is essentially in line with the Intesa Sanpaolo's cost of capital expressed by the market and generally in line with the average rates used by the investment houses in the latest reports on Intesa Sanpaolo's stock;
- the "g" rate, for the purpose of Terminal value for Italy, which represents the area of absolute prevalence for the CGUs with residual goodwill, has been set at zero in real terms.

The parameters and information used to test the recoverability of intangible assets with indefinite useful life are significantly influenced by the macroeconomic environment and financial market trends, which might undergo changes that cannot be predicted at the present time. If in the future the macroeconomic scenario should deteriorate with respect to assumptions, this would have effects on the estimate of the various CGUs' cash flows and on the main assumptions adopted, which could yield results in the financial statements of the coming years different from those outlined in these financial statements.

Sensitivity analyses
Since the value in use is determined by using estimates and assumptions that may contain some level of uncertainty, sensitivity analyses to verify the sensitivity of the results obtained to changes in the parameters and in the underlying hypotheses were carried out, as required by the IAS/IFRS.
In particular, for CGUs that present residual values of intangibles with indefinite useful lives, the impact on the value in use of an increase in discounting rates of up to 100 bps and a decrease in the growth rate for Terminal value purposes of up to 50 bps was verified. In addition, analyses were conducted of changes in the value in use resulting from a decrease in the cash flows used for Terminal value purposes.
The table below illustrates the sensitivity (in percentage terms) of the value in use of the CGUs that present residual intangible assets with indefinite useful lives to changes in the "g" rate or discounting rate of -/+10 basis points, as well as a reduction in the cash flows used for Terminal value purposes of 10%.

Sensitivity / CGU	CHANGE IN VALUE IN USE		
	Sensitivity to growth rate "g" - 10 bps	**Sensitivity to discount rate + 10 bps**	**Sensitivity to Terminal value cash flows - 10%**
Banca dei Territori	-1.24%	-1.46%	-8.54%
Insurance	-1.11%	-1.32%	-7.49%
Asset Management	-1.06%	-1.27%	-7.56%
Private Banking	-1.23%	-1.44%	-7.92%

Based on the table above, changes in the Ke (increasing) or the g (decreasing) values within the 10 bps would lead to a general decrease in the Values in use ranging between 1.06% and 1.46%. Regarding the financial flow considered for the purpose of the Terminal value, a 10% decrease of the same would lead to reductions in the Values in use ranging between 7.49% and 8.54%. No cases of impairment emerge in the analysed cases for the CGUs subject to check.
Also the extremely penalising adoption of discounting rates above 100 bps and "g" growth rates below 50 bps (and thus negative in real terms for Italy) would not suggest an estimate of the Value in use that is lower than the book value for the CGUs subject to check.

In other stress testing, analyses were performed with the aim of determining the limits for the main inputs, beyond which impairment testing of the CGUs would require the recognition of impairment. The following table presents the "g" growth rates and discounting rates for each CGU that would result in a value in use in line with its carrying amounts, assuming equal cash flows to be discounted.

Sensitivity / CGU	"g" growth rate	Difference compared to the "g" rate used	Ke discounting rate	Difference compared to the Ke discounting rate used
Banca dei Territori	-2.10%	-370 bps	11.96%	305 bps
Insurance	-1.40%	-300 bps	11.23%	250 bps
Asset Management	-17.16%	-1.876 bps	22.89%	1.375 bps
Private Banking	-47.81%	-4.941 bps	43.02%	3.464 bps

As shown by the data contained in table, the values in use of the CGUs would reduce until the book values, with consequent impairment problems, only in correspondence with the significant worsening of the discounting rates (Ke) and the "g" growth rates.

It is worth noting that even using only the residual period of the 2014-2017 Business Plan (i.e. an analytical flow forecasting period of 3 years), no impairment situations for any CGU emerged.

SECTION 14 – TAX ASSETS AND LIABILITIES – CAPTION 140 OF ASSETS AND CAPTION 80 OF LIABILITIES

14.1 Deferred tax assets: breakdown

Deferred tax assets, recognised with regard to deductible temporary differences, totalled 11,410 million euro, of which 10,231 million refers to taxes recorded through profit and loss and 1,179 million euro for taxes with a balancing entry under shareholders' equity.
The first of these amounts refer to tax losses brought forward, to the portion of tax benefits not offset in relation to adjustments to loans deductible in future years, to provisions for risks and charges, and to the benefit from realignment of the taxable value of goodwill, trademarks and other intangible assets pursuant to Article 15, par. 10, of Law Decree 185/2008 and Law Decree 98/11. Deferred tax assets recorded as a balancing entry under shareholders' equity almost exclusively refer to tax on negative valuation reserves for financial assets available for sale and cash flow hedges.

14.2 Deferred tax liabilities: breakdown

Deferred tax liabilities amounted to 1,661 million euro and the balancing entry is mostly in the income statement (1,031 million euro) as well as in shareholders' equity (630 million euro).

14.3 Changes in deferred tax assets (through profit and loss)

(millions of euro)

	31.12.2014	Of which:			31.12.2013
		Banking group	*Insurance companies*	*Other companies*	
1. Initial amount	**10,246**	***10,061***	***185***	**-**	**8,900**
2. Increases	**1,736**	***1,642***	***94***	**-**	**2,538**
2.1 Deferred tax assets recognised in the period	1,313	*1,234*	*79*	-	2,294
a) related to previous years	*1*	*1*	-	-	*49*
b) due to changes in accounting criteria	-	-	-	-	-
c) value recoveries	-	-	-	-	-
d) other	*1,312*	*1,233*	*79*	-	*2,245*
2.2 New taxes or tax rate increases	-	-	-	-	-
2.3 Other increases	423	*408*	*15*	-	244
2.4 Business combinations	-	-	-	-	-
3. Decreases	**-1,751**	***-1,688***	***-63***	**-**	**-1,192**
3.1 Deferred tax assets eliminated in the period	-605	*-542*	*-63*	-	-986
a) reversals	*-431*	*-424*	*-7*	-	*-793*
b) write-offs	*-32*	*-32*	-	-	*-40*
c) due to changes in accounting criteria	-	-	-	-	-
d) other	*-142*	*-86*	*-56*	-	*-153*
3.2 Tax rate reductions	-	-	-	-	-
3.3 Other decreases	-1,146	*-1,146*	-	-	-206
a) changes into tax credits pursuant to Law no. 214/2011	*-869*	*-869*	-	-	*-72*
b) other	*-277*	*-277*	-	-	*-134*
3.4 Business combinations	-	-	-	-	-
4. Final amount	**10,231**	***10,015***	***216***	**-**	**10,246**

Other increases recorded under point 2.3 mainly include the reversal of netting performed in the previous year.
Other decreases as per point 3.3 essentially include netting performed during the year between deferred tax assets and liabilities.

Other decreases a) changes into tax credits pursuant to Law no. 214/2011 refers to the deferred tax assets pursuant to Law no. 214/2011 deriving from Adjustments to loans deductible in future years and Goodwill, trademarks and other intangibles transformed into tax credits equal in amount to the product of the loss for the year recognised in the financial statements of the consolidated companies as at 31 December 2013 and the ratio of deferred tax assets to the sum of share capital and reserves presented in the aforementioned financial statements, as also shown in the following detail table.

14.3.1 Changes in deferred tax assets eligible for transformation into tax credits (through profit and loss) (Law no. 214/2011)

(millions of euro)

	31.12.2014	Of which:			31.12.2013
		Banking group	*Insurance companies*	*Other companies*	
1. Initial amount	**8,644**	***8,632***	***12***	**-**	**5,984**
2. Increases	**1,341**	***1,339***	***2***	**-**	**2,961**
3. Decreases	**-1,161**	***-1,161***	**-**	**-**	**-301**
3.1 Reversals	-271	*-271*	-	-	-180
3.2 Changes into tax credits	-869	*-869*	-	-	-72
a) from losses for the year	*-868*	*-868*	-	-	*-72*
b) from fiscal losses	*-1*	*-1*	-	-	-
3.3 Other decreases	-21	*-21*	-	-	-49
4. Final amount	**8,824**	***8,810***	***14***	**-**	**8,644**

14.4 Changes in deferred tax liabilities (through profit and loss)

(millions of euro)

	31.12.2014	Of which: Banking group	Of which: Insurance companies	Of which: Other companies	31.12.2013
1. Initial amount	**1,021**	***697***	***324***	**-**	**1,636**
2. Increases	**369**	***317***	***52***	**-**	**288**
2.1 Deferred tax liabilities recognised in the period	117	*80*	*37*	-	37
a) related to previous years	*51*	*51*	*-*	*-*	*4*
b) due to changes in accounting criteria	*-*	*-*	*-*	*-*	*-*
c) other	*66*	*29*	*37*	*-*	*33*
2.2 New taxes or tax rate increases	-	-	-	-	-
2.3 Other increases	252	*237*	*15*	-	251
2.4 Business combinations	-	-	-	-	-
3. Decreases	**-359**	***-297***	***-62***	**-**	**-903**
3.1 Deferred tax liabilities eliminated in the period	-136	*-74*	*-62*	-	-753
a) reversals	*-70*	*-63*	*-7*	*-*	*-332*
b) due to changes in accounting criteria	*-*	*-*	*-*	*-*	*-*
c) other	*-66*	*-11*	*-55*	*-*	*-421*
3.2 Tax rate reductions	-	-	-	-	-
3.3 Other decreases	-223	*-223*	-	-	-150
3.4 Business combinations	-	-	-	-	-
4. Final amount	**1,031**	***717***	***314***	**-**	**1,021**

Other increases recorded under point 2.3 mainly include the reversal of netting performed in the previous year.
Other decreases as per point 3.3 essentially include netting performed during the year between deferred tax assets and liabilities.

14.5 Changes in deferred tax assets (recorded in equity)

(millions of euro)

	31.12.2014	Of which: Banking group	Of which: Insurance companies	Of which: Other companies	31.12.2013
1. Initial amount	**733**	*696*	*37*	-	**1,043**
2. Increases	**561**	*464*	*97*	-	**88**
2.1 Deferred tax assets recognised in the period	524	*427*	*97*	-	79
a) related to previous years	-	-	-	-	-
b) due to changes in accounting criteria	-	-	-	-	-
c) other	*524*	*427*	*97*	-	*79*
2.2 New taxes or tax rate increases	-	-	-	-	-
2.3 Other increases	37	*37*	-	-	9
2.4 Business combinations	-	-	-	-	-
3. Decreases	**-115**	*-115*	-	-	**-398**
3.1 Deferred tax assets eliminated in the period	-84	*-84*	-	-	-395
a) reversals	*-69*	*-69*	-	-	*-322*
b) write-offs	-	-	-	-	-
c) due to changes in accounting criteria	-	-	-	-	-
d) other	*-15*	*-15*	-	-	*-73*
3.2 Tax rate reductions	-	-	-	-	-
3.3 Other decreases	-31	*-31*	-	-	-3
3.4 Business combinations	-	-	-	-	-
4. Final amount	**1,179**	*1,045*	*134*	-	**733**

14.6 Changes in deferred tax liabilities (recorded in equity)

(millions of euro)

	31.12.2014	Of which:			31.12.2013
		Banking group	*Insurance companies*	*Other companies*	
1. Initial amount	**318**	***116***	***202***	**-**	**241**
2. Increases	**585**	***320***	***265***	**-**	**168**
2.1 Deferred tax liabilities recognised in the period	532	*272*	*260*	-	153
a) related to previous years	-	-	-	-	-
b) due to changes in accounting criteria	-	-	-	-	-
c) other	*532*	*272*	*260*	-	*153*
2.2 New taxes or tax rate increases	-	-	-	-	-
2.3 Other increases	53	*48*	*5*	-	15
2.4 Business combinations	-	-	-	-	-
3. Decreases	**-273**	***-260***	***-13***	**-**	**-91**
3.1 Deferred tax liabilities eliminated in the period	-220	*-207*	*-13*	-	-89
a) reversals	*-115*	*-115*	-	-	*-14*
b) due to changes in accounting criteria	-	-	-	-	-
c) other	*-105*	*-92*	*-13*	-	*-75*
3.2 Tax rate reductions	-	-	-	-	-
3.3 Other decreases	-53	*-53*	-	-	-2
3.4 Business combinations	-	-	-	-	-
4. Final amount	**630**	***176***	***454***	**-**	**318**

Probability test on deferred taxation

IAS 12 requires for deferred tax assets and liabilities to be recognised according to the following criteria:

– taxable temporary differences: a deferred tax liability must be recognised for all taxable temporary differences;
– deductible temporary differences: a deferred tax asset must be recognised for all deductible temporary differences to the extent that it is probable that taxable income will be available against which the deductible temporary difference can be utilised. Deferred tax assets not recognised in the past - inasmuch as the requirements for recognition have not been met - must be recognised during the year in which those requirements are met.

The book value of deferred tax assets must therefore be tested each year to determine whether it is reasonably certain that taxable income will be earned in the future and thus that the deferred tax assets may be recovered.

Given the significant amount of deferred tax assets carried among the Group’s assets, including in the 2014 financial statements, as for previous financial statements, an analysis was conducted to verify projections of future profitability sufficient to ensure the recovery of those deferred tax assets and thus justify recognising and continuing to carrying them (a procedure known as a "probability test").

In conducting the probability test for the deferred tax assets carried in the Group’s financial statements as at 31 December 2014, as in the case of the 2011 and -2013 financial statements, nevertheless assets arising from temporary deductible differences associated with impairment losses on loans, goodwill and other intangible assets with indefinite useful lives (“eligible deferred tax assets” and “eligible temporary differences”) were considered separately. In this regard, it bears noting that effective the tax period ended 31 December 2011 deferred tax assets (for corporate income tax or IRES) recognised to account for tax losses due to the deferred deduction of eligible temporary differences are eligible for conversion into tax credits (article 2, paragraph 56-bis, of Law Decree 225 of 29 December 2010, introduced by article 9 of Law Decree 201 of 6 December 2011). Effective the 2013 tax period, a similar conversion is allowed where the regional business tax (IRAP) return shows a negative net production value in relation to deferred tax assets (IRAP) that refer to eligible temporary differences that have contributed to determining the negative net production value (article 2, paragraph 56-bis, of Law Decree 225 of 29 December 2010, introduced by Law 147/2013). The above conversion processes – which are in addition to that already envisaged for cases in which the separate financial statements show a loss for the year (article 2, paragraphs 55 and 56, of Law Decree 225/2010, as most recently amended by Law 147/2013) – have introduced an additional, supplementary recovery method suited to ensuring the recovery of eligible deferred tax assets in all situations, regardless of the company’s future profitability. If in a given year there are surplus eligible temporary differences with respect to taxable income or net production value, the recovery of deferred tax assets takes the form not of a decrease in current taxes, but rather the recognition of deferred tax assets on the tax loss or the negative net production value, convertible into tax credits pursuant to article 2, paragraphs 56-bis and 56-bis.1, of Law Decree 225/2010. The convertibility of deferred tax assets on tax losses and negative net production values that result from eligible temporary differences is therefore a sufficient condition for the recognition of eligible deferred tax assets, effectively resulting in implicit passage of the associated probability test. This arrangement is also borne out by the joint Bank of Italy, Consob and ISVAP document no. 5 of 15 May 2012 (issued in the context of the Coordination Board for the application of IAS/IFRS) concerning the “Accounting treatment of deferred tax assets deriving from Law 214/2011” and the subsequent IAS ABI document no. 112 of 31 May 2012 (“Tax credits deriving from the transformation of deferred tax assets: clarification from the Bank of Italy, Consob and ISVAP regarding the application of IAS/IFRS”).

On this basis, the test consisted of:

a) identifying deferred tax assets, other than those associated with impairment losses on loans, goodwill and other intangible assets with indefinite useful lives (“ineligible deferred tax assets”) carried in the consolidated financial statements;
b) analysing such ineligible deferred tax assets and the deferred tax liabilities carried in the consolidated financial statements, distinguishing them by type of origin and thus by foreseeable recovery timing;
c) provisionally determining the amount of the Group's future earnings in order to verify its ability to recover the recognised deferred tax assets set forth in point a) above.

The detailed analysis set out in points b) and c) was not required for deferred tax assets (and thus deferred tax liabilities) recognised for the purposes of regional production tax, inasmuch as almost all of these met the requirements for prospective certain use within the meaning of article 2, paragraph 56-bis.1, of Law Decree 225/2010 and the resulting "ineligible" IRAP deferred tax assets of a negligible amount.

The analysis conducted indicated a taxable base that was more than sufficient and adequate to allow recovery of the deferred tax assets carried in the financial statements as at 31 December 2014.

Unused tax losses

In the 2014 financial statements, deferred tax assets are entered, which derive from tax losses brought forward for about 270 million euro, mainly referring to the Luxembourg subsidiary Intesa Sanpaolo Holding International (ISPHI).

As at 31 December 2008, ISPHI had accumulated past tax losses estimated at more than 2 billion euro, mainly as a consequence of the impairment and disposal of the South American investments. These losses can be used, based on Luxembourg regulations, without time limits. At the end of 2008, following the restructuring of the Group's business in Luxembourg (which also led to the corporate and private banking activities being centralised on SEB, a subsidiary of ISPHI) and the project aiming to rationalise the finance activities towards the Group companies, the prospect of using the above-mentioned losses had become a reality. Specifically, the loss recovery methods are based on the profitability produced by the Luxembourg fiscal consolidation deriving from SEB's operating activities and the other Luxembourg companies participating in this consolidation (Servitia SA and Lux Gest Asset Management SA) and the loans disbursed by ISPHI and SEB to the Group companies. Based on the latest forecasts of future profitability of the Luxembourg consolidation, carried out with prudential criteria, the total use of the tax losses is expected in 2021. The tax losses still to be absorbed at the end of 2014 amount to 924 million euro.

It is noted that, compared to the 2013 financial statements, almost all of the Deferred tax assets referring to the tax losses of the Luxembourg subsidiary Private Equity International (PEI) were written down; the company derives from the merger in 2009 of PEI and NHS Investments, two Luxembourg companies operating in the "private equity" sector. NHS had tax losses before the merger, to be reported for an indefinite period, amounting to about 157 million euro. At the time of the 2014 financial statements, the disposals made during the year in the private equity segment are considered to be very likely to deprive PEI of productive taxable income sources for the coming years, with which to absorb the deferred taxes in question, with the exception of a taxable portion of the capital gain deriving from the above-mentioned disposals to which the recovery of the deferred taxes corresponds for about 4 million euro. Therefore, the remaining deferred taxes, amounting to about 32 million euro, were subject to impairment, with a corresponding charge in the 2014 consolidated income statement.

SECTION 15 - NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS AND RELATED LIABILITIES - CAPTION 150 OF ASSETS AND CAPTION 90 OF LIABILITIES

15.1 Non-current assets held for sale and discontinued operations: breakdown by type of asset

(millions of euro)

	31.12.2014	Of which:			31.12.2013
		Banking group	*Insurance companies*	*Other companies*	
A. Non-current assets held for sale					
A.1 Financial assets	-	-	-	-	-
A.2 Investments in associates and companies subject to joint control	-	-	-	-	79
A.3 Property and equipment	24	*24*	-	-	29
A.4 Intangible assets	-	-	-	-	-
A.5 Other	-	-	-	-	-
Total A	**24**	***24***	**-**	**-**	**108**
of which cost	*24*	*24*	*-*	*-*	*108*
of which Fair value Level 1	*-*	*-*	*-*	*-*	*-*
of which Fair value Level 2	*-*	*-*	*-*	*-*	*-*
of which Fair value Level 3	*-*	*-*	*-*	*-*	*-*
B. Discontinued operations					
B.1 Financial assets held for trading	-	-	-	-	-
B.2 Financial assets designated at fair value through profit and loss	-	-	-	-	-
B.3 Financial assets available for sale	26	*26*	-	-	-
B.4 Investments held to maturity	-	-	-	-	-
B.5 Due from banks	2	*2*	-	-	-
B.6 Loans to customers	143	*143*	-	-	-
B.7 Investments in associates and companies subject to joint control	-	-	-	-	-
B.8 Property and equipment	21	*21*	-	-	-
B.9 Intangible assets	10	*10*	-	-	-
B.10 Other	3	*3*	-	-	-
Total B	**205**	***205***	**-**	**-**	**-**
of which cost	*179*	*179*	*-*	*-*	*-*
of which Fair value Level 1	*-*	*-*	*-*	*-*	*-*
of which Fair value Level 2	*26*	*26*	*-*	*-*	*-*
of which Fair value Level 3	*-*	*-*	*-*	*-*	*-*
C. Liabilities associated with non-current assets held for sale					
C.1 Debts	-	-	-	-	-
C.2 Securities	-	-	-	-	-
C.3 Other	-	-	-	-	-
Total C	**-**	**-**	**-**	**-**	**-**
of which cost	*-*	*-*	*-*	*-*	*-*
of which Fair value Level 1	*-*	*-*	*-*	*-*	*-*
of which Fair value Level 2	*-*	*-*	*-*	*-*	*-*
of which Fair value Level 3	*-*	*-*	*-*	*-*	*-*
D. Liabilities associated with discontinued operations					
D.1 Due to banks	-	-	-	-	-
D.2 Due to customers	194	*194*	-	-	-
D.3 Securities issued	-	-	-	-	-
D.4 Financial liabilities held for trading	-	-	-	-	-
D.5 Financial liabilities designated at fair value through profit and loss	-	-	-	-	-
D.6 Allowances	-	-	-	-	-
D.7 Other	7	*7*	-	-	-
Total D	**201**	***201***	**-**	**-**	**-**
of which cost	*201*	*201*	*-*	*-*	*-*
of which Fair value Level 1	*-*	*-*	*-*	*-*	*-*
of which Fair value Level 2	*-*	*-*	*-*	*-*	*-*
of which Fair value Level 3	*-*	*-*	*-*	*-*	*-*

The caption includes real-estate assets to be sold in the near future by Cassa di Risparmio del Veneto and banks belonging to the Cassa di Risparmio di Firenze Group and the assets and liabilities attributable to the stake in Pravex Bank, for which sale negotiations are underway.

15.2 Other information

There is no other significant information to note as at 31 December 2014.

15.3 Information on companies subject to significant influence not carried at equity

As at 31 December 2014, there were no investments in companies subject to significant influence not carried at equity and classified as held for sale.

SECTION 16 – OTHER ASSETS – CAPTION 160

16.1 Other assets: breakdown

(millions of euro)

	Total	*Of which:*		
		Banking group	***Insurance companies***	***Other companies***
Amounts to be debited - under processing	1,547	*1,547*	-	-
Amounts due from tax authorities relating to insurance business	1,365	-	*1,365*	-
Amounts to be debited - deriving from securities transactions	374	*371*	*3*	-
Assets originating from financial leases and loan recovery	345	*75*	-	*270*
Leasehold improvements	129	*128*	-	*1*
Cheques and other instruments held	222	*222*	-	-
Transit items	111	*111*	-	-
Other	3,974	*2,899*	*1,050*	*25*
TOTAL 31.12.2014	**8,067**	***5,353***	***2,418***	***296***
TOTAL 31.12.2013	**7,872**	***5,865***	***1,712***	***295***

LIABILITIES

SECTION 1 – DUE TO BANKS – CAPTION 10

1.1 Due to banks: breakdown

(millions of euro)

	31.12.2014	Of which: Banking group	Of which: Insurance companies	Of which: Other companies	31.12.2013
1. Due to Central Banks	**26,090**	***26,090***	**-**	**-**	**26,385**
2. Due to banks	**25,405**	***25,392***	***13***	**-**	**25,859**
2.1 Current accounts and deposits	5,887	*5,876*	*11*	-	4,094
2.2 Time deposits	5,083	*5,083*	-	-	5,316
2.3 Loans	13,776	*13,776*	-	-	15,970
2.3.1 Repurchase agreements	*4,994*	*4,994*	-	-	*6,386*
2.3.2 Other	*8,782*	*8,782*	-	-	*9,584*
2.4 Debts for commitments to repurchase own equity instruments	447	*447*	-	-	456
2.5 Other debts	212	*210*	*2*	-	23
TOTAL (Book value)	**51,495**	***51,482***	***13***	**-**	**52,244**
Fair value - Level 1	4	*4*	-	-	528
Fair value - Level 2	35,887	*35,885*	*2*	-	33,319
Fair value - Level 3	15,571	*15,560*	*11*	-	17,894
TOTAL (fair value)	**51,462**	***51,449***	***13***	**-**	**51,741**

The illustration of the criteria to determine fair value is contained in Part A – Accounting policies.
Repurchase agreements related to assets sold not derecognised are detailed in Part E - Section C.2.
The amount under Debts for commitments to repurchase own equity instruments refers to put options sold with minority stakes of fully consolidated equity investments as underlying asset, attributable to:
- Put & Call Agreement to purchase 20.88% of Privredna Banka Zagreb for a total of approximately 285 million euro;
- Put & Call Agreement to purchase 9.75% of Bank of Alexandria for a total of approximately 162 million euro;

The repurchase agreements presented in the table include long-term repurchase transactions with a total carrying amount of 1,098 million euro, of which 643 million euro is attributable to the Parent Company, relating to the various cases described below.
The first case involves de-risking transactions finalised in previous years with the twofold aim of both funding the Group's operations (through repurchase transactions) and reducing the credit risks associated with the portfolio of securities issued (through the acquisition of financial guarantees)..
The repurchase transactions, with a carrying amount of 693 million euro (of which 237 million euro attributable to the Parent Company) have a non-replaceable underlying portfolio of Italian government securities (with maturities from 2019 to 2033). In addition, with reference to the Parent Company, securities issued by local and public corporate entities of Eurozone nations (with maturities from 2015 to 2018), hedged against interest rate risk through IRS (asset swap) contracts. These contracts already recorded in the financial statements at the time of execution of the repurchase transactions and recognised under financial assets available for sale and, in the case of the Parent Company, as loans to customers. Their maturity and nominal value coincide with those of the securities; the financial guarantees have a duration shorter than the maturity of the underlying securities.
The second case regards transactions with a book value of 310 million euro (of which 113 million euro attributable to the Parent Company), with total duration of approximately 4 years and, in some cases, amortisation of the notional amount over time. These transactions were finalised in previous years in the context of public finance activity and consist of medium-/long-term repurchase agreements aimed at funding the purchase of securities issued by Italy and by Italian regions. These transactions have been carried out with various counterparties and, only in some cases, have maturities that correspond to those of the securities purchased. In addition, an IRS has also been entered into between the parties to hedge interest rate risk. Lastly, the Group has provided additional collateral for the counterparty.
Being collateralised, this form of medium-/long-term funding has allowed the Bank to obtain a better net return on its investments in securities than it would have obtained by raising funds through other forms of financing with the same time horizon but not collateralised by the same guarantee structure.
For the sake of completeness, a third case is reported: it consists of long-term repurchase agreements with a book value of 293 million euro (entirely attributable to the Parent Company), entered into with the sole purpose of raising new funding using securities already outstanding in the Bank's portfolio, mainly classified as loans to customers (already hedged against interest-rate risk with IRS contracts). The maturities of the repurchase agreements (to 2017 and in one case to 2019) are in

some cases equal to the maturities of the underlying securities. It is possible to substitute securities, which are sold but not derecognised.

For recognition purposes, an assessment was conducted aimed at understanding the purpose underlying the contractual agreements, taking into account the instructions provided by the supervisory authorities in Bank of Italy/Consob/IVASS Document No. 6 of 8 March 2013, "Accounting treatment of 'long-term structured repurchase agreements'."

The analysis focused on the structure, cash flows and risks associated with the transactions and was aimed at verifying whether the cases described above were similar to the long-term structured repurchase agreements,described in the above Document, and, in order to be compliant with the principle of the prevalence of substance over form, if were present the indicators illustrated in IAS 39, the Guidance on Implementing, paragraph B.6, according to which the transaction may be considered substantially similar to a credit derivative contract, and, in particular, a credit default swap.

With respect to the first case, the repurchase agreements were not concurrent with the purchases of the securities and execution of the interest rate swaps, inasmuch as the securities and derivative instruments were already present in the portfolio. In addition, buying securities and entering into derivatives occured with market counterparties other than those with which the repurchase agreements were entered into.

With respect to the second case, although the repurchase agreements were concurrent with the purchases of the securities and execution of the interest rate swaps, those agreements were entered into with different counterparties and, in some cases, for nominal values and maturities less than those of the securities.

Lastly, with respect to the third case, the specific purpose for which they were undertaken, demonstrated by the substitutability of the securities underlying the repurchase agreements, excludes a correlation between the various phases and differentiates the transactions from those described in the above-mentioned Document. The securities had already been recognised and the counterparties with which the transactions were undertaken were different.

Consequently, in all cases the analysis shows elements of differentiation between the long-term structured repurchase agreements described in the aforementioned Document and grounds supporting the inapplicability of the guidelines envisaged in IAS 39, Guidance on Implementing, paragraph B.6. All of the transactions pertaining to the cases described above have therefore been recognised, considering the individual contractual components separately.

1.2 Breakdown of caption 10 Due to banks: subordinated debts

There are no subordinated debts as at 31 December 2014.

1.3 Breakdown of caption 10 Due to banks: structured debts

There are no structured debts as at 31 December 2014.

1.4 Due to banks with specific hedges

As at 31 December 2014, debts with fair value hedges against interest rate risk amounted to 12,948 million euro.

1.5 Financial lease payables

There are no financial lease payables due to banks as at 31 December 2014.

SECTION 2 – DUE TO CUSTOMERS – CAPTION 20

2.1 Due to customers: breakdown

(millions of euro)

	31.12.2014	Of which: Banking group	Insurance companies	Other companies	31.12.2013
1. Current accounts and deposits	162,825	*162,825*	-	-	149,500
2. Time deposits	36,797	*36,797*	-	-	54,087
3. Loans	25,559	*25,559*	-	-	21,050
3.1 Repurchase agreements	*20,572*	*20,572*	-	-	*15,633*
3.2 Other	*4,987*	*4,987*	-	-	*5,417*
4. Debts for commitments to repurchase own equity instruments	367	*367*	-	-	340
5. Other debts	5,190	*5,150*	*40*	-	4,080
TOTAL (Book value)	**230,738**	***230,698***	***40***	**-**	**229,057**
Fair value - Level 1	110	*70*	*40*	-	
Fair value - Level 2	194,483	*194,483*	-	-	
Fair value - Level 3	36,685	*36,685*	-	-	
TOTAL (fair value)	**231,278**	***231,238***	***40***	**-**	**229,063**

The illustration of the criteria, used to determine the fair value is contained in Part A – Accounting policies.
Repurchase agreements related to assets sold not derecognised are detailed in Part E - Section C.2.
The amount under Debts for commitments to repurchase own equity instruments refers to put options sold with minority stakes of fully consolidated equity investments as underlying asset, mainly attributable to:

- Put & Call Agreement to purchase the remaining 10.26% of Cassa di Risparmio di Firenze for a total of approximately 168 million euro;
- Put & Call Agreement to purchase 16.52% of Cassa di Risparmio di Pistoia for a total of approximately 85 million euro;
- Put & Call Agreement to purchase the remaining 7.00% of Banca Intesa a.d. Beograd for a total of approximately 70 million euro.

2.2 Breakdown of caption 20 Due to customers: subordinated debts

There are no subordinated debts as at 31 December 2014.

2.3 Breakdown of caption 20 Due to customers: structured debts

As at 31 December 2014, the amount under Due to customers included structured debts of 37 million euro.

2.4 Due to customers with specific hedges

As at 31 December 2014, debts with specific hedges included under Due to customers are immaterial.

2.5 Financial lease payables

As at 31 December 2014, financial lease payables included under Due to customers are immaterial.

SECTION 3 – SECURITIES ISSUED - CAPTION 30

3.1 Securities issued: breakdown

(millions of euro)

	31.12.2014				31.12.2013			
	Book value	Fair value			Book value	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
Securities								
1. bonds	114,617	63,636	52,830	-	131,956	61,475	70,941	302
1.1 structured	*13,962*	*3,736*	*9,975*	-	*23,991*	*6,536*	*16,966*	*12*
1.2 other	*100,655*	*59,900*	*42,855*	-	*107,965*	*54,939*	*53,975*	*290*
2. other	9,151	-	6,237	3,332	6,241	-	5,032	1,209
2.1 structured	-	-	-	-	-	-	-	-
2.2 other	*9,151*	-	*6,237*	*3,332*	*6,241*	-	*5,032*	*1,209*
TOTAL	**123,768**	**63,636**	**59,067**	**3,332**	**138,197**	**61,475**	**75,973**	**1,511**

Embedded derivatives that have satisfied the conditions set forth by IAS 39 as at their issue date for separation from the host contract as at 31 December 2014 have a negative fair value of 623 million euro.
The illustration of the criteria used to determine fair value is contained in Part A – Accounting policies.

3.1 Of which Banking group

(millions of euro)

	31.12.2014				31.12.2013			
	Book value	Fair value			Book value	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
Securities								
1. bonds	113,369	63,636	51,582	-	131,202	61,475	70,227	262
1.1 structured	*13,962*	*3,736*	*9,975*	-	*23,991*	*6,536*	*16,966*	*12*
1.2 other	*99,407*	*59,900*	*41,607*	-	*107,211*	*54,939*	*53,261*	*250*
2. other	8,999	-	6,085	3,332	5,962	-	4,753	1,209
2.1 structured	-	-	-	-	-	-	-	-
2.2 other	*8,999*	-	*6,085*	*3,332*	*5,962*	-	*4,753*	*1,209*
TOTAL	**122,368**	**63,636**	**57,667**	**3,332**	**137,164**	**61,475**	**74,980**	**1,471**

3.1 Of which Insurance companies

As at 31 December 2014, a total of 1,248 million euro related to insurance companies, fully attributable to other bonds (fair value 1,248 million euro), which at the end of 2013 amounted to 502 million euro.

3.1 Of which Other companies

(millions of euro)

	31.12.2014				31.12.2013			
	Book value	Fair value			Book value	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
Securities								
1. bonds	-	-	-	-	252	-	212	40
1.1 structured	-	-	-	-	-	-	-	-
1.2 other	-	-	-	-	*252*	-	*212*	*40*
2. other	152	-	152	-	279	-	279	-
2.1 structured	-	-	-	-	-	-	-	-
2.2 other	*152*	-	*152*	-	*279*	-	*279*	-
TOTAL	**152**	**-**	**152**	**-**	**531**	**-**	**491**	**40**

3.2 Breakdown of caption 30 Securities issued: subordinated securities

The complete list of subordinated securities eligible for regulatory purposes is presented in Part F – Information on capital. The amount of subordinated securities included under Securities issued totalled 15,753 million euro.

3.3 Breakdown of caption 30 Securities issued: securities with specific hedges

(millions of euro)

	31.12.2014	31.12.2013
1. Securities with specific fair value hedges	**95,796**	**106,774**
a) Interest rate risk	93,063	104,502
b) Foreign exchange risk	-	-
c) Various risks	2,733	2,272
2. Securities with specific cash flow hedges	**180**	**214**
a) Interest rate risk	180	214
b) Foreign exchange risk	-	-
c) Other	-	-
TOTAL	**95,976**	**106,988**

SECTION 4 – FINANCIAL LIABILITIES HELD FOR TRADING – CAPTION 40

4.1 Financial liabilities held for trading: breakdown

(millions of euro)

	31.12.2014					31.12.2013				
	Nominal or notional value	Fair value Level 1	Fair value Level 2	Fair value Level 3	Fair value (*)	Nominal or notional value	Fair value Level 1	Fair value Level 2	Fair value Level 3	Fair value (*)
A. CASH LIABILITIES										
1. Due to banks	**1,720**	**1,930**	**31**	**-**	**1,961**	**2,705**	**2,926**	**3**	**-**	**2,929**
2. Due to customers	**227**	**229**	**-**	**-**	**229**	**107**	**107**	**-**	**-**	**107**
3. Debt securities	**4,625**	**354**	**4,260**	**-**	**X**	**4,095**	**-**	**4,129**	**-**	**X**
3.1 Bonds	-	-	-	-	X	-	-	-	-	X
3.1.1 structured	*-*	*-*	*-*	*-*	*X*	*-*	*-*	*-*	*-*	*X*
3.1.2 other bonds	*-*	*-*	*-*	*-*	*X*	*-*	*-*	*-*	*-*	*X*
3.2 Other	4,625	354	4,260	-	X	4,095	-	4,129	-	X
3.2.1 structured	*4,625*	*354*	*4,260*	*-*	*X*	*4,095*	*-*	*4,129*	*-*	*X*
3.2.2 other	*-*	*-*	*-*	*-*	*X*	*-*	*-*	*-*	*-*	*X*
Total A	**6,572**	**2,513**	**4,291**	**-**	**2,190**	**6,907**	**3,033**	**4,132**	**-**	**3,036**
B. DERIVATIVES										
1. Financial derivatives	**X**	**1,640**	**36,276**	**255**	**X**	**X**	**3,959**	**25,980**	**371**	**X**
1.1 Trading	X	1,639	35,690	216	X	X	3,959	25,246	275	X
1.2 Fair value option	X	1	-	-	X	X	-	-	-	X
1.3 Other	X	-	586	39	X	X	-	734	96	X
2. Credit derivatives	**X**	**36**	**1,347**	**18**	**X**	**X**	**72**	**1,643**	**29**	**X**
2.1 Trading	X	36	1,347	18	X	X	72	1,643	29	X
2.2 Fair value option	X	-	-	-	X	X	-	-	-	X
2.3 Other	X	-	-	-	X	X	-	-	-	X
Total B	**X**	**1,676**	**37,623**	**273**	**X**	**X**	**4,031**	**27,623**	**400**	**X**
TOTAL (A+B)	**X**	**4,189**	**41,914**	**273**	**X**	**X**	**7,064**	**31,755**	**400**	**X**

(*) Fair value calculated excluding changes in creditworthiness of the issuer after issue date.

4.1 Of which Banking group

(millions of euro)

	31.12.2014					31.12.2013				
	Nominal or notional value	Fair value Level 1	Fair value Level 2	Fair value Level 3	Fair value (*)	Nominal or notional value	Fair value Level 1	Fair value Level 2	Fair value Level 3	Fair value (*)
A. CASH LIABILITIES										
1. Due to banks	**1,720**	**1,930**	**31**	**-**	**1,961**	**2,705**	**2,926**	**3**	**-**	**2,929**
2. Due to customers	**227**	**229**	**-**	**-**	**229**	**107**	**107**	**-**	**-**	**107**
3. Debt securities	**4,625**	**354**	**4,260**	**-**	**X**	**4,095**	**-**	**4,129**	**-**	**X**
3.1 Bonds	-	-	-	-	X	-	-	-	-	X
3.1.1 structured	*-*	*-*	*-*	*-*	*X*	*-*	*-*	*-*	*-*	*X*
3.1.2 other bonds	*-*	*-*	*-*	*-*	*X*	*-*	*-*	*-*	*-*	*X*
3.2 Other	4,625	354	4,260	-	X	4,095	-	4,129	-	X
3.2.1 structured	*4,625*	*354*	*4,260*	*-*	*X*	*4,095*	*-*	*4,129*	*-*	*X*
3.2.2 other	*-*	*-*	*-*	*-*	*X*	*-*	*-*	*-*	*-*	*X*
Total A	**6,572**	**2,513**	**4,291**	**-**	**2,190**	**6,907**	**3,033**	**4,132**	**-**	**3,036**
B. DERIVATIVES										
1. Financial derivatives	**X**	**1,631**	**35,994**	**255**	**X**	**X**	**3,959**	**25,736**	**371**	**X**
1.1 Trading	X	1,631	35,408	216	X	X	3,959	25,002	275	X
1.2 Fair value option	X	-	-	-	X	X	-	-	-	X
1.3 Other	X	-	586	39	X	X	-	734	96	X
2. Credit derivatives	**X**	**-**	**1,340**	**18**	**X**	**X**	**26**	**1,637**	**29**	**X**
2.1 Trading	X	-	1,340	18	X	X	26	1,637	29	X
2.2 Fair value option	X	-	-	-	X	X	-	-	-	X
2.3 Other	X	-	-	-	X	X	-	-	-	X
Total B	**X**	**1,631**	**37,334**	**273**	**X**	**X**	**3,985**	**27,373**	**400**	**X**
TOTAL (A+B)	**X**	**4,144**	**41,625**	**273**	**X**	**X**	**7,018**	**31,505**	**400**	**X**

(*) Fair value calculated excluding changes in creditworthiness of the issuer after issue date.

A.1 Due to banks and A.2 Due to customers include short selling.
A.3.2.1 Other structured debt securities includes capital protected certificates for 4,614 million euro, which amounted to 4,129 million euro at the end of 2013.

4.1 Of which Insurance companies

(millions of euro)

	31.12.2014					31.12.2013				
	Nominal or notional value	Fair value			Fair value (*)	Nominal or notional value	Fair value			Fair value (*)
		Level 1	Level 2	Level 3			Level 1	Level 2	Level 3	
A. CASH LIABILITIES										
1. Due to banks	-	-	-	-	-	-	-	-	-	-
2. Due to customers	-	-	-	-	-	-	-	-	-	-
3. Debt securities	-	-	-	-	X	-	-	-	-	X
3.1 Bonds	-	-	-	-	X	-	-	-	-	X
3.1.1 structured	-	-	-	-	*X*	-	-	-	-	*X*
3.1.2 other bonds	-	-	-	-	*X*	-	-	-	-	*X*
3.2 Other	-	-	-	-	X	-	-	-	-	X
3.2.1 structured	-	-	-	-	*X*	-	-	-	-	*X*
3.2.2 other	-	-	-	-	*X*	-	-	-	-	*X*
Total A	-	-	-	-	-	-	-	-	-	-
B. DERIVATIVES										
1. Financial derivatives	X	9	282	-	X	X	-	244	-	X
1.1 Trading	X	8	282	-	X	X	-	244	-	X
1.2 Fair value option	X	1	-	-	X	X	-	-	-	X
1.3 Other	X	-	-	-	X	X	-	-	-	X
2. Credit derivatives	X	36	7	-	X	X	46	6	-	X
2.1 Trading	X	36	7	-	X	X	46	6	-	X
2.2 Fair value option	X	-	-	-	X	X	-	-	-	X
2.3 Other	X	-	-	-	X	X	-	-	-	X
Total B	X	45	289	-	X	X	46	250	-	X
TOTAL (A+B)	X	45	289	-	X	X	46	250	-	X

(*) Fair value calculated excluding changes in creditworthiness of the issuer after issue date.

4.2 Breakdown of caption 40 Financial liabilities held for trading: subordinated liabilities

There are no subordinated liabilities classified under Financial liabilities held for trading as at 31 December 2014.

4.3 Breakdown of caption 40 Financial liabilities held for trading: structured debts

The Group has structured debts of 4,714 million euro classified under Financial liabilities held for trading as at 31 December 2014.

4.4 Financial cash liabilities (excluding "short selling") held for trading: annual changes

As at 31 December 2014, Financial cash liabilities is almost exclusively made up of short positions.

SECTION 5 – FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT AND LOSS – CAPTION 50

5.1 Financial liabilities designated at fair value: breakdown

(millions of euro)

	31.12.2014					31.12.2013				
	Nominal value	Fair value			Fair value (*)	Nominal value	Fair value			Fair value (*)
		Level 1	Level 2	Level 3			Level 1	Level 2	Level 3	
1.Due to banks	-	-	-	-	-	-	-	-	-	-
1.1 structured	-	-	-	-	*X*	-	-	-	-	*X*
1.2 other	-	-	-	-	*X*	-	-	-	-	*X*
2. Due to customers	37,622	-	37,622	-	37,622	30,723	-	30,723	-	30,723
2.1 structured	-	-	-	-	*X*	-	-	-	-	*X*
2.2 other	*37,622*	-	*37,622*	-	*X*	*30,723*	-	*30,723*	-	*X*
3. Debt securities	-	-	-	-	-	10	-	10	-	10
3.1 structured	-	-	-	-	*X*	-	-	-	-	*X*
3.2 other	-	-	-	-	*X*	*10*	-	*10*	-	*X*
TOTAL	**37,622**	**-**	**37,622**	**-**	**37,622**	**30,733**	**-**	**30,733**	**-**	**30,733**

(*) Fair value calculated excluding changes in creditworthiness of the issuer after issue date.

5.1 Of which Banking group

As at 31 December 2014, there are no financial liabilities designated at fair value through profit and loss; while at the end of 2013, these amounted to 10 million euro for other debt securities (nominal value 10 million).

5.1 Of which Insurance companies

(millions of euro)

	31.12.2014					31.12.2013				
	Nominal value	**Fair value**			**Fair value (*)**	**Nominal value**	**Fair value**			**Fair value (*)**
		Level 1	Level 2	Level 3			Level 1	Level 2	Level 3	
1.Due to banks	-	-	-	-	-	-	-	-	-	-
1.1 structured	-	-	-	-	*X*	-	-	-	-	*X*
1.2 other	-	-	-	-	*X*	-	-	-	-	*X*
2. Due to customers	37,622	-	37,622	-	37,622	30,723	-	30,723	-	30,723
2.1 structured	-	-	-	-	*X*	-	-	-	-	*X*
2.2 other	*37,622*	-	*37,622*	-	*X*	*30,723*	-	*30,723*	-	*X*
3. Debt securities	-	-	-	-	-	-	-	-	-	-
3.1 structured	-	-	-	-	*X*	-	-	-	-	*X*
3.2 other	-	-	-	-	*X*	-	-	-	-	*X*
TOTAL	**37,622**	**-**	**37,622**	**-**	**37,622**	**30,723**	**-**	**30,723**	**-**	**30,723**

(*) Fair value calculated excluding changes in creditworthiness of the issuer after issue date.

Liabilities designated at fair value through profit and loss as at 31 December 2014 included amounts collected by the Group's insurance companies through the issuing of mainly financial policies related to investments where the risks are borne wholly by subscribers.

5.2 Breakdown of caption 50 Financial liabilities designated at fair value: subordinated liabilities

There are no subordinated liabilities classified under Financial liabilities designated at fair value as at 31 December 2014.

5.3 Financial liabilities designated at fair value: annual changes

(millions of euro)

	Due to banks	Due to customers	Securities issued	Total
A. Initial amount	**-**	**30,723**	**10**	**30,733**
B. Increases	**-**	**10,296**	**-**	**10,296**
B.1 issues	-	366	-	366
B.2 sales	-	5,559	-	5,559
of which business combinations	-	-	-	-
B.3 positive fair value differences	-	1,986	-	1,986
B.4 other changes	-	2,385	-	2,385
C. Decreases	**-**	**-3,397**	**-10**	**-3,407**
C.1 purchases	-	-1,121	-	-1,121
C.2 reimbursements	-	-1,623	-10	-1,633
C.3 negative fair value differences	-	-	-	-
C.4 other changes	-	-653	-	-653
D. Final amount	**-**	**37,622**	**-**	**37,622**

SECTION 6 - HEDGING DERIVATIVES – CAPTION 60

6.1. Hedging derivatives: breakdown by type of hedge and level

(millions of euro)

	Fair value 31.12.2014			Notional value	Fair value 31.12.2013			Notional value
	Level 1	Level 2	Level 3		Level 1	Level 2	Level 3	
A. Financial derivatives	**-**	**10,291**	**9**	**97,587**	**-**	**7,577**	**13**	**90,020**
1. Fair value	-	7,887	5	88,844	-	5,910	13	79,738
2. Cash flows	-	2,404	4	8,743	-	1,667	-	10,282
3. Foreign investments	-	-	-	-	-	-	-	-
B. Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1. Fair value	-	-	-	-	-	-	-	-
2. Cash flows	-	-	-	-	-	-	-	-
TOTAL	**-**	**10,291**	**9**	**97,587**	**-**	**7,577**	**13**	**90,020**

6.1 Of which Banking group

(millions of euro)

	Fair value 31.12.2014			Notional value	Fair value 31.12.2013			Notional value
	Level 1	Level 2	Level 3		Level 1	Level 2	Level 3	
A. Financial derivatives	**-**	**10,242**	**5**	**95,500**	**-**	**7,571**	**13**	**90,007**
1. Fair value	-	7,838	5	86,923	-	5,904	13	79,725
2. Cash flows	-	2,404	-	8,577	-	1,667	-	10,282
3. Foreign investments	-	-	-	-	-	-	-	-
B. Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1. Fair value	-	-	-	-	-	-	-	-
2. Cash flows	-	-	-	-	-	-	-	-
TOTAL	**-**	**10,242**	**5**	**95,500**	**-**	**7,571**	**13**	**90,007**

6.1 Of which Insurance companies

(millions of euro)

	Fair value 31.12.2014			Notional value	Fair value 31.12.2013			Notional value
	Level 1	Level 2	Level 3		Level 1	Level 2	Level 3	
A. Financial derivatives	**-**	**49**	**-**	**1,921**	**-**	**6**	**-**	**13**
1. Fair value	-	49	-	1,921	-	6	-	13
2. Cash flows	-	-	-	-	-	-	-	-
3. Foreign investments	-	-	-	-	-	-	-	-
B. Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1. Fair value	-	-	-	-	-	-	-	-
2. Cash flows	-	-	-	-	-	-	-	-
TOTAL	**-**	**49**	**-**	**1,921**	**-**	**6**	**-**	**13**

6.1 Of which Other companies

As at 31 December 2014, there are 4 million euro attributable to other companies, referring to cash flow hedge through level 3 financial derivatives (nominal value 166 million).

6.2. Hedging derivatives: breakdown by hedged portfolio and type of hedge

(millions of euro)

Operations/Type of hedge	FAIR VALUE						CASH FLOWS		FOREIGN INVESTM.
	Specific					Generic	Specific	Generic	
	interest rate risk	foreign exchange risk	credit risk	price risk	various risks				
1. Financial assets available for sale	1,416	-	-	-	33	X	-	X	X
2. Loans	5,594	-	-	X	254	X	-	X	X
3. Investments held to maturity	X	-	-	X	-	X	-	X	X
4. Portfolio	X	X	X	X	X	24	X	-	X
5. Other transactions	-	-	-	-	-	X	-	X	-
Total assets	**7,010**	**-**	**-**	**-**	**287**	**24**	**-**	**-**	**-**
1. Financial liabilities	517	-	-	X	47	X	134	X	X
2. Portfolio	X	X	X	X	X	7	X	2,274	X
Total liabilities	**517**	**-**	**-**	**-**	**47**	**7**	**134**	**2,274**	**-**
1. Forecast transactions	X	X	X	X	X	X	-	X	X
2. Financial assets and liabilities portfolio	X	X	X	X	X	-	X	-	-

6.2 Of which Banking group

(millions of euro)

Operations/Type of hedge	FAIR VALUE						CASH FLOWS		FOREIGN INVESTM.
	Specific					Generic	Specific	Generic	
	interest rate risk	foreign exchange risk	credit risk	price risk	various risks				
1. Financial assets available for sale	1,416	-	-	-	33	X	-	X	X
2. Loans	5,594	-	-	X	254	X	-	X	X
3. Investments held to maturity	X	-	-	X	-	X	-	X	X
4. Portfolio	X	X	X	X	X	24	X	-	X
5. Other transactions	-	-	-	-	-	X	-	X	-
Total assets	**7,010**	**-**	**-**	**-**	**287**	**24**	**-**	**-**	**-**
1. Financial liabilities	468	-	-	X	47	X	130	X	X
2. Portfolio	X	X	X	X	X	7	X	2,274	X
Total liabilities	**468**	**-**	**-**	**-**	**47**	**7**	**130**	**2,274**	**-**
1. Forecast transactions	X	X	X	X	X	X	-	X	X
2. Financial assets and liabilities portfolio	X	X	X	X	X	-	X	-	-

The table indicates negative fair values of hedging derivatives, broken down in relation to asset or liability hedged and type of hedge.

These mainly refer to specific fair value hedges of loans disbursed and liabilities issued and generic cash flow hedge derivatives of portfolios of liabilities. These cash flow hedges refer to floating rate securities used to fund fixed rate investments.

There are also generic fair value hedges of core deposits.

6.2 Of which Insurance companies

As at 31 December 2014, 49 million euro was attributable to insurance companies, relating entirely to the hedging of interest rate risk on financial liabilities.

6.2 Of which Other companies

As at 31 December 2014, the amounts pertaining to other companies and referring entirely to specific hedges of financial liabilities totalled 4 million euro.

SECTION 7 - FAIR VALUE CHANGE OF FINANCIAL LIABILITIES IN HEDGED PORTFOLIOS - CAPTION 70

7.1 Fair value change of financial liabilities in hedged portfolios

(millions of euro)

	31.12.2014	Of which:			31.12.2013
		Banking group	*Insurance companies*	*Other companies*	
1. Positive fair value change of financial liabilities	1,455	*1,455*	-	-	1,057
2. Negative fair value change of financial liabilities	-6	*-6*	-	-	-9
TOTAL	**1,449**	***1,449***	**-**	**-**	**1,048**

7.2 Financial liabilities hedged by macrohedging of interest rate risk: breakdown

(millions of euro)

	31.12.2014	31.12.2013
1. Debts	-	-
2. Portfolio	36,149	34,693
TOTAL	**36,149**	**34,693**

The balance of the changes in value of liabilities subject to macrohedging (MCH) against interest rate risk is recorded in this caption. Taking advantage of the option emerged after the definition of the IAS 39 carve out, the Group adopted the abovementioned macrohedging, limited to coverage of core deposits.

SECTION 8 – TAX LIABILITIES – CAPTION 80

For information on this section, see Section 14 of Assets.

SECTION 9 - LIABILITIES ASSOCIATED WITH NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS – CAPTION 90

For information on this section, see Section 15 of Assets.

SECTION 10 – OTHER LIABILITIES – CAPTION 100

10.1 Other liabilities: breakdown

(millions of euro)

	31.12.2014	Of which:		
		Banking group	*Insurance companies*	*Other companies*
Due to suppliers	1,279	*1,241*	*34*	*4*
Amounts due to third parties	351	*351*	-	-
Transit items	34	*34*	-	-
Adjustments for portfolio items to be settled	594	*594*	-	-
Amounts to be credited and items under processing	1,398	*1,398*	-	-
Personnel charges	489	*484*	*5*	-
Due to social security entities	184	*183*	*1*	-
Guarantees given and commitments	554	*554*	-	-
Other items relating to insurance business	-	-	-	-
Due to tax authorities	2,010	*1,435*	*571*	*4*
Other	5,226	*4,185*	*1,034*	*7*
TOTAL 31.12.2014	**12,119**	***10,459***	***1,645***	***15***
TOTAL 31.12.2013	**12,317**	***11,145***	***1,159***	***13***

SECTION 11 – EMPLOYEE TERMINATION INDEMNITIES – CAPTION 110

11.1 Employee termination indemnities: annual changes

(millions of euro)

	31.12.2014	Of which:			31.12.2013
		Banking group	*Insurance companies*	*Other companies*	
A. Initial amount	**1,341**	***1,336***	***5***	**-**	**1,354**
B. Increases	**287**	***286***	***1***	**-**	**161**
B.1 Provisions in the year	41	*41*	-	-	42
B.2 Other	246	*245*	*1*	-	119
of which business combinations	-	-	-	-	-
C. Decreases	**-148**	***-148***	**-**	**-**	**-174**
C.1 Benefits paid	-51	*-51*	-	-	-83
C.2 Other	-97	*-97*	-	-	-91
of which business combinations	-	-	-	-	-
D. Final amount	**1,480**	***1,474***	***6***	**-**	**1,341**

C.1 refers to benefits paid as at 31 December 2014.
For greater detail on actuarial calculations, see Section 12.3 – Post employment defined benefit plans.

11.2 Other information

The value of employee termination indemnities qualifying as unfunded defined benefit plans totalled 1,480 million euro as at December 2014, while at the end of 2013 it amounted to 1,341 million euro.

SECTION 12 – ALLOWANCES FOR RISKS AND CHARGES – CAPTION 120

12.1 Allowances for risks and charges: breakdown

(millions of euro)

	31.12.2014	*Of which:*			31.12.2013
		Banking group	*Insurance companies*	*Other companies*	
1. Post employment benefits	**1,167**	***1,166***	***1***	**-**	**738**
2. Other allowances for risks and charges	**2,626**	***2,609***	***16***	***1***	**2,160**
2.1 Legal disputes	839	*833*	*5*	*1*	888
2.2 Personnel charges	681	*673*	*8*	-	486
2.3 Other	1,106	*1,103*	*3*	-	786
TOTAL	**3,793**	***3,775***	***17***	***1***	**2,898**

1 – Post employment benefits include allowances for defined benefit plans, illustrated in point 12.3 below.
The contents of 2 – Other allowances for risks and charges are illustrated in point 12.4 below.

12.2 Allowances for risks and charges: annual changes

(millions of euro)

	TOTAL		*Of which:*					
			Banking group		*Insurance companies*		*Other companies*	
	Post employment benefits	Other allowances	*Post employment benefits*	*Other allowances*	*Post employment benefits*	*Other allowances*	*Post employment benefits*	*Other allowances*
A. Initial amount	**738**	**2,160**	***738***	***2,147***	**-**	***12***	**-**	***1***
B. Increases	**490**	**1,041**	***489***	***1,035***	***1***	***6***	**-**	**-**
B.1 Provisions in the year	32	898	*32*	*893*	-	*5*	-	-
B.2 Time value changes	23	17	*23*	*17*	-	-	-	-
B.3 Changes due to discount rate variations	-	6	-	*6*	-	-	-	-
B.4 Other	435	120	*434*	*119*	*1*	*1*	-	-
of which business combinations	-	-	-	-	-	-	-	-
C. Decreases	**-61**	**-575**	***-61***	***-573***	**-**	***-2***	**-**	**-**
C.1 Uses in the year	-31	-329	*-31*	*-329*	-	-	-	-
C.2 Changes due to discount rate variations	-	-	-	-	-	-	-	-
C.3 Other	-30	-246	*-30*	*-244*	-	*-2*	-	-
of which business combinations	-	-	-	-	-	-	-	-
D. Final amount	**1,167**	**2,626**	***1,166***	***2,609***	***1***	***16***	**-**	***1***

As at 31 December 2014 the variations due to changes in the discounting rate totalled +6 million euro and were attributable to the Parent Company and network banks.

12.3 Post employment defined benefit plans

1. Illustration of the characteristics of the funds and related risks

As already illustrated in Part A – Accounting policies, for defined benefit plans, the liability of the Bank, according to IAS 19 “Employee Benefits”, is determined via the “projected unit credit method” by an independent actuary.

The defined benefit plans, in which the companies of the Intesa Sanpaolo Group are co-obliged, can be distinguished in:
- internal supplementary pension funds;
- external supplementary pension funds.

Internal funds include:
- Supplementary pension fund for tax-collection personnel formerly employed by Cariplo: the fund was established in implementation of collective agreements to guarantee the payment of integrations for personnel formerly in service at Cariplo passed to Esatri Esazione Tributi S.p.A. and operates solely via defined benefits in favour of employees already retired as at 31 December 2000. The size of the integration is determined, on the basis of payment criteria and in compliance with the principle of capitalisation, from the conversion of the capital matured by each plan participant at the time of retirement;
- Supplementary pension fund for employees of Mediocredito Lombardo “Trattamento integrativo delle pensioni di legge a favore dei dipendenti del Mediocredito Lombardo”: the fund involves all employees of Mediocredito Lombardo S.p.A. in service on 1 January 1967 or employed until 28 April 1993. Starting from 24 April 1993, with the enactment of the Law introducing pension funds (Legislative Decree 124 of 21 April 1993), personnel hired by Mediocredito Lombardo no longer joined this fund. The supplementary pension is determined as the difference between 80% of the last theoretical wage for pension purposes, adjusted to consider if the employee matured or not 35 years of service at the company, and the size of the pension matured according to the law; in any case the supplementary pension may not exceed an amount determined annually. An agreement was signed with Trade Unions in 2006 that set out the transformation of the regime for beneficiaries in service from “defined benefit” to “defined contribution”. For employees in service and

so-called "deferred beneficiaries" (who ceased service but have a right to future supplementary benefits) a lump sum has been determined which, based on the options exercised by the beneficiaries, was transferred to supplementary pension funds or collected by beneficiaries. After this transaction, the "employee in service" section was extinguished. The agreement with Trade Unions also provides for a process – still to be activated – destined to propose to pensioners, as an extraordinary measure, one-off payments to liquidate their pension position;
- Supplementary pension fund for top management of Banca Commerciale Italiana "Trattamento pensionistico complementare per i membri della Direzione Centrale della Banca Commerciale Italiana": the fund refers to integrative provisions allocated until a certain date on the basis of an institutive resolution made by the Board of Directors on 30 October 1963 in favour of top management of Banca Commerciale Italiana. The benefit is determined on the basis of a coefficient which is the combination of two parameters, age and period in the specific post. The integration is the difference between the total guaranteed pension treatment (measured by multiplying the coefficient by the annual gross compensation received at the cease of service with the exclusion of any variable components) and the gross annual pension, matured on the basis of the "Assicurazione generale obbligatoria" (AGO), and of "Fondo di Previdenza Integrativo Aziendale". In 2006, following the start of the liquidation of "Fondo pensione per il personale della Banca Commerciale Italiana", the Bank took over the charge corresponding to the difference between the value of the benefit borne by AGO and the higher value of the contractual commitment for the beneficiaries requesting liquidation;
- Three defined benefit plans in force for the London branch, relating to the former Cariplo, Banca Commerciale Italiana and Banco Ambrosiano Veneto branches. The private pension funds have been set up by the UK employers to integrate the levels of the local state pension, which has always been very low. The London branches of Banca Commerciale Italiana, Cariplo and Banco Ambrosiano Veneto set up defined benefit plans for their employees at the time of their opening, under the form of Trusts incorporated under English law and managed by Boards of Trustees, appointed partly by the employers and partly by beneficiaries. Such funds are operational for employees hired until the end of 1999 for Banco Ambrosiano Veneto and Cariplo and until the end of 2000 for Banca Commerciale Italiana. In general, all funds guarantee a pension payable when the beneficiary turns 65 and the benefit is determined, with different rules for the various funds, on the basis of the annual gross wage received in the last year of service;
- Funds recognised by the former Casse del Centro (Supplementary INPS benefits fund for employees of CR Città di Castello, Supplementary INPS benefits fund for employees of CR Foligno, Company supplementary pension AGO fund for employees of CR Spoleto, Supplementary/complementary pension fund for the mandatory pension for employees of CR Rieti, Pension fund for employees of CR Viterbo and Company supplementary pension fund for employees of CR Ascoli Piceno) operating as a defined benefit for both employees in service and retired employees. The purpose of such funds is to integrate the annual pensions paid by INPS to reach a combined total of 75% of the last wage received by each plan participant;
- Supplementary pension fund of Cassa di Risparmio di Mirandola: the fund is recognised by Cassa di Risparmio di Firenze and is a result of the incorporation of Cassa di Risparmio di Mirandola, which took place in 2006;
- Supplementary pension fund of Cassa di Risparmio di Civitavecchia: operates as a defined benefit exclusively for employees who retired prior to 30 June 1999;
- Post-retirement medical plan and other benefits for employees of Bank of Alexandria (Egypt): defined benefit plans providing health coverage and other benefits to employees, even after retirement. The bank is responsible for the costs and risks related to the disbursement of said benefits;
- Defined benefit plans in effect within Banca Intesa Beograd: these are long-term benefits established by the Collective Contract (which refers to provisions of law in the Republic of Serbia) for employees in service to be paid upon termination of employment.

External funds include:
- Supplementary pension fund for employees of Istituto Bancario San Paolo di Torino "Cassa di Previdenza Integrativa per il Personale dell'Istituto Bancario San Paolo di Torino", a fund with legal status, full economic independence and independent asset management;
- Complementary pension fund for the Employees of Banco di Napoli "Fondo di Previdenza Complementare per il Personale del Banco di Napoli – Sezione A", an entity with legal status and independent asset management. The fund includes the following: employees enrolled in the plan and other beneficiaries from former Banco di Napoli; retired employees receiving Supplementary Pension Cheques, formerly the SANPAOLO IMI internal fund; employees of the Cassa di Risparmio di Bologna, formerly enrolled in the Complementary pension fund for the Employees of said Cassa, transferred to the Complementary pension fund for the employees of the Banco di Napoli in 2004; current and retired employees of the Banca Popolare dell'Adriatico, formerly enrolled in the Company pension fund for the employees of the former Banca Popolare dell'Adriatico, transferred to the Fund in question on 30/06/2006; employees of the Cassa di Risparmio di Udine e Pordenone formerly enrolled in the Complementary pension fund of said Cassa, transferred to the fund during 2006; employees of the Cassa di Risparmio di Forlì, formerly enrolled in the Complementary pension fund for the employees of said Cassa, transferred to the mentioned fund as at 01/01/2007; retired employees enrolled in the former Carive internal fund, transferred to that Fund as at 01/01/2008; retired employees of the former CR Firenze FIP internal fund, transferred to the mentioned Fund as at 01.05.10; retired employees of the Cassa di Risparmio di Terni e Narni internal fund, transferred to the mentioned Fund as at 01.07.10; retired personnel of the Cassa di Risparmio di Pistoia e Pescia internal fund, transferred to that fund as at 1/09/2012. It is necessary to specify that if the Fund, after approval of the financial statements, shows a technical imbalance according to the statutory method, the Articles of Association envisage immediate settlement by the Banks jointly responsible;
- Pension fund for employees of the former Crediop hired before 30 September 1989, a fund with legal status and full economic independence; Intesa Sanpaolo and Dexia (which are the two banks jointly responsible) must, in the event of an imbalance, proceed to pay the capital necessary to cover the imbalance and, in the event of an insufficient yield, integrate it in an amount commensurate with the difference between actual return and the TUS (official discounting rate);

- Pension fund for the employees of Cariplo, a fund with legal status and full economic independence, whose aim is to guarantee supplementary pension treatment in addition to AGO cheques to former Cariplo employees already retired on 30 June 1998;
- A defined benefit plan at the New York branch: the fund was established in 1977 by the branch of Banca Commerciale Italiana and guarantees a pension treatment to all the employees resident in the United States who have been in service at the Bank for at least 5 years. The benefit is considered to be matured even if the employment relationship ceases in advance. The benefit is calculated based on the highest average wage considering three consecutive years out of the last 10 years of service, or, if the employment relationship ceases before, based on the average wage in the last three years of service. The fund is no longer managed by the New York branch, but has been fully transferred to the Prudential Fund (a defined benefit plan that manages the positions of members);
- Pension fund for employees of the Cassa di Risparmio di Padova e Rovigo – retired employee section. This fund has legal status, full economic independence pursuant to article 12 of the Italian Civil Code and is independently managed;
- Pension fund of Cassa di Risparmio di Firenze: fund with legal status and full economic independence, whose aim is to guarantee supplementary pension treatment to Cassa employees in service as at 31 December 1990 and already enrolled in the former "contracted-out" fund.
- Supplementary pension fund for the personnel of Banca Monte Parma: this is a corporate pension fund for the company's personnel and it is addressed towards all employees of the lending unit, Banks and Pledge sections, in service as at 31 October 1991.

With regard to the investment and integrated risk management policies, the Funds verify the level of coverage and the possible outcomes under various scenarios. For this purpose, various investment configurations and portfolio mixes and allocations are defined to satisfy the pension and profitability objectives as adequately as possible.

2. Changes in the year of net liabilities (assets) with defined benefits and redemption rights

As already illustrated in Part A – Accounting policies, for defined benefit plans, the liability is determined by the "projected unit credit method" and is recorded in the balance sheet net of any plan assets. Moreover, with application of the new revised IAS 19 from 1 January 2013, actuarial profits and losses calculated in the valuation process for the plans are immediately recognised in the statement of comprehensive income and, therefore, in shareholders' equity.

(millions of euro)

Pension plan liabilities defined benefit obligations	31.12.2014			31.12.2013		
	Employee termination indemnities	Internal plans	External plans	Employee termination indemnities	Internal plans	External plans
Initial amount	**1,341**	**275**	**3,237**	**1,354**	**282**	**3,246**
Current service costs	5	3	35	3	3	24
Recognised past service costs	-	-	-	-	-	-
Interest expense	36	15	97	39	13	99
Actuarial losses due to changes in financial assumptions	173	26	617	44	2	51
Actuarial losses due to changes in demographic assumptions	-	10	331	1	6	31
Actuarial losses based on past experience	-	-	-	-	-	162
Positive exchange differences	-	14	3	-	-	-
Increases - business combinations	-	-	-	-	-	-
Participants' contributions	X	-	-	X	-	-
Actuarial profits due to changes in financial assumptions	-	-	-	-	-	-18
Actuarial profits due to changes in demographic assumptions	-	-	-14	-	-1	-145
Actuarial profits based on past experience	-28	-10	-354	-19	-7	-7
Negative exchange differences	-	-	-	-	-10	-1
Benefits paid	-50	-15	-194	-83	-13	-206
Decreases - business combinations	-	-	-	-	-	-
Curtailments of the fund	X	-	-	X	-	-
Settlements of the fund	X	-	-	X	-	-
Other increases	80	-	-	74	-	1
Other decreases	-77	-	-	-72	-	-
Final amount	**1,480**	**318**	**3,758**	**1,341**	**275**	**3,237**

Liabilities of the defined benefit obligations pension plan	31.12.2014			31.12.2013		
	Employee termination indemnities	Internal plans	External plans	Employee termination indemnities	Internal plans	External plans
Unfunded plans	1,480	48	-	1,341	49	-
Partly funded plans	-	-	-	-	-	-
Wholly funded plans	-	270	3,758	-	226	3,237

3. Information on the fair value of plan assets

The following tables show the changes in plan assets for certain defined benefit plans and their composition.

(millions of euro)

Plan assets	31.12.2014 Internal plans	31.12.2014 External plans	31.12.2013 Internal plans	31.12.2013 External plans
Initial amount	**110**	**2,739**	**101**	**2,845**
Return on assets net of interest	13	147	11	45
Interest income	4	65	4	68
Positive exchange differences	6	2	-	-
Increases - business combinations	-	-	-	-
Employer contributions	3	2	3	-
Participants' contributions	-	-	-	-
Negative exchange differences	-	-	-2	-1
Decreases - business combinations	-	-	-	-
Benefits paid	-5	-193	-4	-206
Curtailments of the fund	-	-	-	-
Settlements of the fund	-	-	-	-
Other changes	-	-3	-3	-12
Final amount	**131**	**2,759**	**110**	**2,739**

(millions of euro)

	31.12.2014 Internal plans	%	31.12.2014 External plans	%	31.12.2013 Internal plans	%	31.12.2013 External plans	%
Equities	**55**	**42.0**	**367**	**13.3**	**49**	**44.6**	**323**	**11.9**
- of which level-1 fair value	55		367		49		323	
Mutual funds	**17**	**13.0**	**141**	**5.1**	**15**	**13.6**	**150**	**5.5**
- of which level-1 fair value	17		141		15		150	
Debt securities	**22**	**16.8**	**1,496**	**54.2**	**28**	**25.5**	**1,483**	**54.1**
- of which level-1 fair value	22		1,486		28		1,473	
Real estate assets and investments in real estate	**7**	**5.3**	**642**	**23.3**	**5**	**4.5**	**694**	**25.3**
- of which level-1 fair value	-		-		-		-	
Insurance business	**2**	**1.5**	**15**	**0.5**	**2**	**1.8**	**16**	**0.6**
- of which level-1 fair value	2		15		2		-	
Other assets	**28**	**21.4**	**98**	**3.6**	**11**	**10.0**	**73**	**2.6**
- of which level-1 fair value	-		-		-		-	
TOTAL ASSETS	**131**	**100.0**	**2,759**	**100.0**	**110**	**100.0**	**2,739**	**100.0**

(millions of euro)

	31.12.2014 Internal plans	%	31.12.2014 External plans	%	31.12.2013 Internal plans	%	31.12.2013 External plans	%
Equities	**55**	**42.0**	**367**	**13.3**	**49**	**44.6**	**323**	**11.8**
- of which financial companies	55		65		49		61	
- of which non financial companies	-		302		-		262	
Mutual funds	**17**	**13.0**	**141**	**5.1**	**15**	**13.6**	**150**	**5.5**
Debt securities	**22**	**16.8**	**1,496**	**54.2**	**28**	**25.5**	**1,483**	**54.1**
Government bonds	-		1,172		-		1,186	
- of which investment grade	-		*1,165*		-		*1,178*	
- of which speculative grade	-		*7*		-		*8*	
Financial companies	10		181		19		178	
- of which investment grade	*10*		*168*		*19*		*165*	
- of which speculative grade	-		*13*		-		*13*	
Non Financial companies	12		143		9		119	
- of which investment grade	*12*		*128*		*9*		*100*	
- of which speculative grade	-		*15*		-		*19*	
Real estate assets and investments in real estate companies	**7**	**5.3**	**642**	**23.3**	**5**	**4.5**	**694**	**25.3**
Insurance business	**2**	**1.5**	**15**	**0.5**	**2**	**1.8**	**16**	**0.6**
Other assets	**28**	**21.4**	**98**	**3.6**	**11**	**10.0**	**73**	**2.7**
TOTAL ASSETS	**131**	**100.0**	**2,759**	**100.0**	**110**	**100.0**	**2,739**	**100.0**

The difference between net defined benefit liabilities (Table 12.3.2) and the plan assets (Table 12.3.3) is recognised in the post employment plans and, in some cases, in other allowances for risks and charges.

4. Description of the main actuarial assumptions

The table below indicates the actuarial assumptions and interest rates used by the various funds.

Actuarial assumptions	31.12.2014				31.12.2013			
	Discount rates	Expected rate of return	Expected rates of wage rises	Annual inflation rate	Discount rates	Expected rate of return	Expected rates of wage rises	Annual inflation rate
EMPLOYEE TERMINATION INDEMNITIES	0.7-2.6%	X	2.5-2.7%	1.5%	2.1-3.9%	X	2.4-2.6%	2.0%
INTERNAL PLANS								
- of which Italy	0.6-1.1%	1.7-2.7%	1.1%	1.5%	1.7-2.7%	2.1-2.8%	1.5%	2.0%
- of which Egypt	11.0%	-	7.5%	7.5%	11.0%	-	7.0%	7.0%
- of which England	3.7%	4.4%	3.2%	2.2%	4.4%	4.3%	3.5%	2.5%
- of which Serbia	7.0%	-	8.0%	-	8.0%	-	9.0%	-
EXTERNAL PLANS								
- of which Italy	1.1-1.8%	2.3-3.5%	2.1-2.5%	1.5%	2.3-3.5%	2.8-3.4%	2.4%	2.0%
- of which USA	4.3%	4.5%	-	-	4.5%	3.8%	-	-

Starting from 2013, the Intesa Sanpaolo Group uses primarily the Eur Composite AA rate as its discounting rate, weighted by the ratio of payments and advances referring to each maturity, and the total amount of payments and advances to be made for the final fulfilment of the entire obligation. In the case of defined-benefit plans in particular, the rate used is the average rate that reflects the market parameters covered by the plan. The Eur Composite AA curve is obtained daily from the Bloomberg's information provider and refers to a basket of securities issued by investment-grade corporate issuers included in the AA rating class, residing in the Eurozone and belonging to various sectors.

5. Information on amount, timing and uncertainty of cash flows

Sensitivity analysis	31.12.2014					
	EMPLOYEE TERMINATION INDEMNITIES		INTERNAL PLANS		EXTERNAL PLANS	
	+50 bps	-50 bps	+50 bps	-50 bps	+50 bps	-50 bps
Discount rate	1,404	1,556	306	329	3,449	4,053
Rate of wage rises	1,477	1,477	204	204	3,810	3,567
Inflation rate	1,525	1,431	315	316	3,989	3,507

The sensitivity analysis is not conducted on the expected rate of return as it has no effect on the calculation of the liabilities.

The sensitivity analysis was carried out on the net defined benefit liabilities pursuant to Table 12.3.2. The absolute values of the data presented indicate the possible amount of net defined benefit liabilities in the event of a change in rate of +/- 50 bps.

The average duration of the defined benefit obligation is 15.83 years for pension funds and 10.36 years for employee termination indemnities.

Any outflows to be carried out over the next year (settlement of the technical imbalance envisaged by the Articles of Association of the former Banco di Napoli and former Crediop Funds) shall be determined upon preparation of the financial statements of said Funds, which will take place in the upcoming months of May/June.

6. Plans regarding more than one employer

The group has a defined benefit plan regarding more than one employer. It is the Pension Fund for employees of former Crediop hired before 30 September 1989.
The commitments of Dexia – Crediop and the former Sanpaolo IMI (now Intesa Sanpaolo) with regard to the Fund are governed by the agreement stipulated between the parties on 28/05/1999.
The agreement provides that, in the event of an imbalance from an actuarial valuation, as well as in the case of an annual effective yield of the assets used lower than the official discounting rate, Dexia-Crediop and Intesa Sanpaolo will have to pay the capital necessary to cover the imbalance and, and in the presence of an insufficient yield, the integration of the fund by an amount commensurate with the difference between the actual return obtained and the official discounting rate.
These payments must be made in proportion to the weight of mathematical reserves of the amounts recognised by each company over the total Fund assets.

7. Defined benefit plans that share risks among entities under joint control

The Supplementary Pension Fund for Employees of Instituto Bancario San Paolo di Torino and the Complementary Pension Fund for Employees of the former Banco di Napoli – Section A are defined benefit plans that share the risks among the various Group Companies. These Companies issue a joint guarantee for their registered employees and pensioners with respect to the subject pension entities.

The liabilities of each jointly responsible Company are determined by an Independent Actuary through the "projected unit credit method" and are recorded in the financial statements net of the plan assets. Similarly, the current service cost, which represents the average present value at the measurement date of the benefits accrued by workers in service during the year, is calculated for each Company by said Actuary.

Each jointly responsible company reports in this section, for each table, the total liabilities/assets of the Funds for which it is jointly responsible, highlighting at the bottom of the same tables the liability/asset amount under their responsibility.

12.4 Allowances for risks and charges – Other allowances

Allowances for legal disputes mainly refer to provisions for litigation and other revocatory actions.

The allowance for personnel charges includes charges for voluntary incentive-driven exit plans and charges for seniority bonuses to employees and other charges.

Other allowances mainly include provisions for tax litigation, fraud and other litigation. They also include provisions for the intervention by the National Interbank Deposit Guarantee Fund in the case of Banca Tercas.

(millions of euro)

	31.12.2014	31.12.2013
2. Other allowances		
2.1 legal disputes	839	888
2.2 personnel charges	681	486
incentive-driven exit plans	*202*	*167*
employee seniority bonuses	*171*	*162*
other personnel expenses	*308*	*157*
2.3 other risks and charges	1,106	786
other indemnities due to agents of the distribution network	*246*	*198*
other	*860*	*588*
TOTAL	**2,626**	**2,160**

SECTION 13 – TECHNICAL RESERVES – CAPTION 130

13.1 Technical reserves: breakdown

(millions of euro)

	Direct work	Indirect work	31.12.2014	31.12.2013
A. Non-life business	**484**	**-**	**484**	**475**
A.1 premiums reserves	308	-	308	312
A.2 claims reserves	175	-	175	162
A.3 other reserves	1	-	1	1
B. Life business	**73,903**	**-**	**73,903**	**56,995**
B.1 mathematical reserves	67,097	-	67,097	54,939
B.2 reserves for amounts to be disbursed	369	-	369	365
B.3 other reserves	6,437	-	6,437	1,691
C. Technical reserves for investment risks to be borne by the insured	**5,314**	**-**	**5,314**	**4,766**
C.1 reserves for contracts with disbursements connected with investment funds and market indices	2,233	-	2,233	3,670
C.2 reserves from pension fund management	3,081	-	3,081	1,096
D. Total insurance reserves carried by reinsurers	**79,701**	**-**	**79,701**	**62,236**

13.2 Technical reserves: annual changes

(millions of euro)

	31.12.2014	31.12.2013
A. Non-life business	**484**	**475**
Initial amount	475	419
Business combinations	-	-
Changes in the reserve (+/-)	9	56
B. Life business and other technical reserves	**79,217**	**61,761**
Initial amount	61,761	54,241
Business combinations	-	-
Change in premiums	16,214	11,792
Change in payments	-7,036	-6,773
Changes due to income and other bonuses recognised to insured parties (+/-)	1,787	1,525
Changes due to exchange differences (+/-)	2	-
Changes in other technical reserves (+/-)	6,489	976
C. Total technical reserves	**79,701**	**62,236**

SECTION 14 – REDEEMABLE SHARES – CAPTION 150

Not applicable to the Group.

SECTION 15 – GROUP SHAREHOLDERS' EQUITY – CAPTIONS 140, 160, 170, 180, 190, 200 AND 220

15.1 Share capital and Treasury shares: breakdown

For information of this section, see point 15.3 below.

15.2 Share capital – Parent Company's number of shares: annual changes

	Ordinary	Other
A. Initial number of shares	**15,501,622,147**	**932,490,561**
- fully paid-in	15,501,622,147	932,490,561
- not fully paid-in	-	-
A.1 Treasury shares (-)	**-10,114,426**	**-**
A.2 Shares outstanding: initial number	**15,491,507,721**	**932,490,561**
B. Increases	**368,893,870**	**-**
B.1 New issues	344,467,636	-
- for consideration	275,460,238	-
business combinations	*15,543,670*	-
conversion of bonds	-	-
exercise of warrants	-	-
other	*259,916,568*	-
- for free	69,007,398	-
in favour of employees	*69,007,398*	-
in favour of directors	-	-
other	-	-
B.2 Sale of treasury shares	-	-
B.3 Other	24,426,234	-
C. Decreases	**-23,013,047**	**-**
C.1 Annulment	-	-
C.2 Purchase of treasury shares	-23,013,047	-
C.3 Disposal of companies	-	-
C.4 Other	-	-
D. Shares outstanding: final number	**15,837,388,544**	**932,490,561**
D.1 Treasury shares (+)	8,701,239	-
D.2 Final number of shares	**15,846,089,783**	**932,490,561**
- fully paid-in	15,846,089,783	932,490,561
- not paid-in	-	-

15.3 Share capital: other information

The share capital of the Bank as at 31 December 2014 amounted to 8,725 million euro, divided into 15,846,089,783 ordinary shares and 932,490,561 non-convertible savings shares, with a nominal value of 0.52 euro per share. Each ordinary share gives the right to one vote in the Shareholders' Meeting.

Savings shares, which may be in bearer form, entitle the holder to attend and vote at the Special Meeting of savings shareholders.

Savings shares must be attributed a preferred dividend up to 5% of the nominal value of the share. If in one year the dividend is less than 5% of the nominal value of the non-convertible savings shares, the difference will be added to the preferred dividend paid in the following two accounting periods. Furthermore, retained earnings made available for distribution by the Shareholders' Meeting, net of the above dividend, will be allocated to all shares so that the dividend per non-convertible savings share will be 2% of nominal value higher than for ordinary shares.

In case of distribution of reserves the savings shares have the same rights as other shares. In the case of liquidation of the Company, savings shares shall have pre-emptive rights with regard to the reimbursement of the entire nominal value of the shares.

At the date of this document, the share capital was fully paid-in and liberated.

15.4 Reserves: other information

Reserves amounted to 9,093 million euro and included legal reserve, extraordinary reserve, concentration reserves (Law 218 of 30 July 1990, art. 7, par. 3 and Law 218 of 30 July 1990, art. 7) and other reserves for a total of 3,551 million euro, as well as the consolidation reserve equal to 5,542 million euro.

The legal reserve, set up as provided for by law, must be at least one fifth of share capital; in the past it was set up by allocating each year at least one twentieth of net income for the year. Should the reserve decrease, it must be reintegrated by allocating at least one twentieth of net income for the year.

Concentration reserves ex Law 218 of 30 July 1990 were set up at the time of reorganisations or concentrations carried out pursuant to the aforementioned law.
Other reserves included reserves pertaining to branches abroad and other reserves set up in the past following specific legal provisions.
Consolidation reserves were generated following the elimination of the book value of equity investments against the corresponding portion of the shareholders' equity of each investment.
The valuation reserves amounted to negative 1,631 million euro and included valuation reserves of financial assets available for sale for 834 million euro, reserves of cash flow hedge derivatives for -1,365 million euro, exchange rate valuation reserves (relating to fully consolidated investments) for -760 million euro and legally-required revaluation reserves for +350 million euro, as well as the negative reserve on actuarial profits (losses) from defined benefit pension plans for -780 million euro, in addition to approximately 90 million euro in valuation reserves connected to minority equity investments.

SECTION 16 - MINORITY INTERESTS – CAPTION 210

For details regarding the breakdown of minority interests, see section F, "Part B.1. Consolidated shareholders' equity: breakdown by type of company".

16.1 Breakdown of caption 210 Minority interests

(millions of euro)

		31.12.2014
Investments in consolidated companies with significant minority interests		**349**
1	Banka Koper D.D.	108
2	Cassa Dei Risparmi di Forlì e Della Romagna S.p.A.	48
3	Compagnia Italiana Finanziaria - CIF S.r.l.	62
4	Iniziative Logistiche S.r.l.	35
5	Privredna Banka Zagreb D.D.	28
6	T T 1 Lux S.A.	29
7	Vseobecna Uverova Banka A.S.	39
Other investments		30
TOTAL 2014		**379**
TOTAL 2013		**543**

16.2 Equity instruments: breakdown and annual changes

Minority interest amounted to 379 million euro as at 31 December 2014, compared to 543 million at the end of 2013, therefore down by 164 million euro.
For further details, see the changes in consolidated shareholders' equity.

Other information

1. Guarantees and commitments

(millions of euro)

	31.12.2014	Of which: Banking group	Insurance companies	Other companies	31.12.2013
1) Financial guarantees given	**10,882**	***10,882***	**-**	**-**	**15,524**
a) Banks	1,124	*1,124*	-	-	3,186
b) Customers	9,758	*9,758*	-	-	12,338
2) Commercial guarantees given	**30,940**	***30,940***	**-**	**-**	**30,546**
a) Banks	5,137	*5,137*	-	-	4,106
b) Customers	25,803	*25,803*	-	-	26,440
3) Irrevocable commitments to lend funds	**45,235**	***45,235***	**-**	**-**	**49,901**
a) Banks	3,339	*3,339*	-	-	7,914
- of certain use	*2,451*	*2,451*	-	-	*6,985*
- of uncertain use	*888*	*888*	-	-	*929*
b) Customers	41,896	*41,896*	-	-	41,987
- of certain use	*6,523*	*6,523*	-	-	*9,628*
- of uncertain use	*35,373*	*35,373*	-	-	*32,359*
4) Underlying commitments on credit derivatives: protection sales	**60,231**	***60,231***	**-**	**-**	**74,060**
5) Assets pledged as collateral of third party commitments	**78**	***78***	**-**	**-**	**30**
6) Other commitments	**1,125**	***1,124***	***1***	**-**	**853**
TOTAL	**148,491**	***148,490***	***1***	**-**	**170,914**

2. Assets pledged as collateral of liabilities and commitments

(millions of euro)

	31.12.2014	Of which: Banking group	Insurance companies	Other companies	31.12.2013
1. Financial assets held for trading	4,025	*4,025*	-	-	6,243
2. Financial assets designated at fair value through profit and loss	-	-	-	-	37
3. Financial assets available for sale	18,465	*18,465*	-	-	18,138
4. Investments held to maturity	194	*194*	-	-	452
5. Due from banks	6,956	*6,956*	-	-	4,502
6. Loans to customers	90,697	*90,697*	-	-	69,944
7. Property and equipment	-	-	-	-	-
TOTAL	**120,337**	***120,337***	**-**	**-**	**99,316**

Intragroup deposits of 3,178 million euro, established to serve securities lending with subjects outside the Group, were netted.

3. Information on operating leases

The costs recorded in the year referred to motor vehicles, office equipment and central and peripheral software, and are allocated to the various captions according to the nature of the asset. The amounts included as potential lease payments are immaterial.

4. Breakdown of investments related to unit-linked and index-linked policies

(millions of euro)

	Disbursements connected with pension funds and market indices	Disbursements in connection with pension fund management	31.12.2014
Assets in the balance sheet	38,500	3,076	41,576
Intra-group assets	1,584	16	1,600
Total Assets	**40,084**	**3,092**	**43,176**
Financial liabilities in the balance sheet	37,622	-	37,622
Technical reserves in the balance sheet	2,233	3,080	5,313
Intra-group liabilities	152	-	152
Total Liabilities	**40,007**	**3,080**	**43,087**

5. Management and dealing on behalf of third parties

(millions of euro)

	31.12.2014	31.12.2013
1. Trading on behalf of customers		
a) Purchases	1,574,953	1,140,299
1. settled	*1,560,717*	*1,137,674*
2. to be settled	*14,236*	*2,625*
b) Sales	1,505,499	1,112,659
1. settled	*1,505,439*	*1,111,756*
2. to be settled	*60*	*903*
2. Portfolio management		
a) individual	101,790	85,108
b) collective	81,528	70,596
3. Custody and administration of securities		
a) third party securities held in deposit: related to depositary bank activities (excluding portfolio management)	49,060	44,381
1. securities issued by companies included in the consolidation area	*255*	*278*
2. other securities	*48,805*	*44,103*
b) third party securities held in deposit (excluding portfolio management): other	393,997	534,703
1. securities issued by companies included in the consolidation area	*42,268*	*90,213*
2. other securities	*351,729*	*444,490*
c) third party securities deposited with third parties	341,282	460,101
d) portfolio securities deposited with third parties	178,293	161,020
4. Other	**235,421**	**215,552**

Note regarding to financial payables

In relation to point 3: "IFRS 7 – Contractual clauses of financial payables", of Bank of Italy/Consob/Isvap document no. 4 of March 2010, the following is specified:

– there were no cases of non-compliance by companies of the Intesa Sanpaolo Group with the relative contractual clauses set forth in bond issues, medium-/long-term loans received from financial entities and other debt contracts, which involved or which could involve the application of acceleration clauses;
– companies of the Intesa Sanpaolo Group provided, for their bond issues, for medium/long-term loans received from financial entities and for other debt contracts, negative pledges and covenants in accordance with the provisions of standard contracts and at the conditions currently in use.

Due to the nature of commitments undertaken, in line with market practices, and the remote probability of default, these clauses may be considered as immaterial.

6. Financial assets subject to offsetting in the financial statements or subject to netting framework arrangements or similar agreements

(millions of euro)

Types	Gross amount of financial assets (a)	Amount of financial liabilities offset in statement of financial position (b)	Net amount of financial assets presented in statement of financial position (c = a-b)	Amounts available to be offset but not offset in the statement of financial position: Financial instruments (d)	Amounts available to be offset but not offset in the statement of financial position: Cash collateral (e)	Net amount 31.12.2014 (f = c-d-e)	Net amount 31.12.2013
1. Derivatives	84,633	43,325	41,308	32,504	2,792	6,012	3,721
2. Repurchase agreements	18,460	-	18,460	18,449	-	11	276
3. Securities lending	-	-	-	-	-	-	-
4. Other	-	-	-	-	-	-	-
TOTAL 31.12.2014	**103,093**	**43,325**	**59,768**	**50,953**	**2,792**	**6,023**	**X**
TOTAL 31.12.2013	**74,201**	**24,456**	**49,745**	**43,412**	**2,336**	**X**	**3,997**

7. Financial liabilities subject to offsetting in the financial statements or subject to netting framework arrangements or similar agreements

(millions of euro)

Types	Gross amount of financial liabilities (a)	Amount of financial assets offset in statement of financial position (b)	Net amount of financial liabilities presented in statement of financial position (c = a-b)	Amounts available to be offset but not offset in the statement of financial position		Net amount 31.12.2014 (f = c-d-e)	Net amount 31.12.2013
				Financial instruments (d)	Cash deposits pledged as collateral (e)		
1. Derivatives	88,155	43,325	44,830	31,584	11,845	1,401	381
2. Repurchase agreements	19,909	-	19,909	19,748	12	149	760
3. Securities lending	-	-	-	-	-	-	-
4. Other	-	-	-	-	-	-	-
TOTAL 31.12.2014	**108,064**	**43,325**	**64,739**	**51,332**	**11,857**	**1,550**	**X**
TOTAL 31.12.2013	**78,764**	**24,456**	**54,308**	**46,061**	**7,106**	**X**	**1,141**

IFRS 7 requires specific disclosure for financial instruments that have been offset in the Balance Sheet pursuant to IAS 32 or that may be potentially offset, upon occurrence of specific conditions, but are recognised in the Balance Sheet without any netting since they are regulated by "netting framework arrangements or similar" that do not respect all of the criteria set forth by IAS 32, paragraph 42.
In this respect, the Intesa Sanpaolo Group has netting arrangements that meet the requirements envisaged by IAS 32.42 for offsetting in the financial statements. In particular, these are arrangements that regulate the clearing of Over the Counter derivatives through subscription to the SwapClear service (LCH Group). This circuit, replacing the original counterparties of the OTC derivatives, mitigates credit risk by calling daily margins on all positions transferred, so that the mutual credit and debt positions are automatically offset. In Table 6, therefore, the column regarding the amount of financial assets/liabilities offset in the balance sheet represents the negative fair values on interest rate derivatives offset with the positive fair values for representation in the financial statements. The information is presented in Table 7.
In terms of instruments that may be potentially offset upon occurrence of such events and to be presented in Tables 6 and 7, it is noted that the Group uses bilateral netting arrangements that allow, in the event of counterparty default, the netting of claims and obligations in relation to financial and credit derivatives, as well as securities financing transactions (SFTs). In particular, there are ISDA agreements (for transactions in derivatives) and GMRAs (for repurchase agreements).

For the purposes of preparing the tables and in compliance with the provisions of IFRS 7 and the new provisions that govern the financial statements of banks, the following are noted:

– the effects of the potential offsetting of the balance sheet values of financial assets and liabilities are indicated under column (d) "Financial instruments", together with the fair value of financial collateral consisting of securities;
– the effects of the potential offsetting of the exposure with the relative cash collateral are included under column (e) "Cash deposits received/provided as collateral";
– repurchase agreement transactions are recognised in the tables based on the amortised cost measurement criterion, while the relative collateral is measured at fair value. Derivatives transactions are recognised at fair value.

These effects are calculated for each individual counterparty included in a netting framework arrangement, to the extent of the exposure indicated in column (c).

Based on the preparation methods indicated above, the netting arrangements between financial instruments and the relative collateral permit a significant reduction in credit/debt exposure to the counterparty, as indicated under column (f) "Net amount".

8. Securities lending transactions

It is noted that the Group carried out a securities lending transaction with a major bank, in which the collateral consists of securities for approximately 2 billion euro, with the objective of increasing the portfolio available for refinancing transactions.
This operation added the banking service accessory securities lending offered mainly by Intesa Sanpaolo private Banking (ISPB) to customers (natural persons, legal entities and commercial entities). The contract involves transfer of the ownership of a certain quantity of securities of a specific type, with the obligation for ISPB to return them, paying a consideration amount as remuneration for their availability. The transaction involves government securities that ISPB in turn transfers to the Parent Company Intesa Sanpaolo for non-speculative purposes.
As at 31 December 2014, the collateral of transactions mainly referring to ISPB amounted to 3.2 billion euro.

9. Disclosure on joint-control assets

These are not present in the Intesa Sanpaolo Group.

Part C – Information on the consolidated income statement

SECTION 1 – INTEREST – CAPTIONS 10 AND 20

1.1. Interest and similar income: breakdown

(millions of euro)

	Debt securities	Loans	Other transactions	2014	2013
1. Financial assets held for trading	285	-	-	285	353
2. Financial assets designated at fair value through profit and loss	40	-	-	40	40
3. Financial assets available for sale	2,948	2	2	2,952	2,880
4. Investments held to maturity	56	-	-	56	79
5. Due from banks	25	407	6	438	405
6. Loans to customers	356	10,851	3	11,210	12,042
7. Hedging derivatives	X	X	917	917	1,247
8. Other assets	X	X	35	35	30
TOTAL	**3,710**	**11,260**	**963**	**15,933**	**17,076**

Interest and similar income also includes interest income on securities relating to repurchase agreements.
Loans to customers include interest of 162 million euro on doubtful loans, 423 million euro on substandard loans, 48 million euro on restructured loans and 70 million euro on past due loans.

1.1 Of which Banking group

(millions of euro)

	Debt securities	Loans	Other transactions	2014	2013
1. Financial assets held for trading	274	-	-	274	338
2. Financial assets designated at fair value through profit and loss	24	-	-	24	26
3. Financial assets available for sale	1,071	2	2	1,075	1,210
4. Investments held to maturity	56	-	-	56	79
5. Due from banks	25	407	6	438	404
6. Loans to customers	332	10,851	3	11,186	12,016
7. Hedging derivatives	X	X	917	917	1,273
8. Other assets	X	X	33	33	30
TOTAL	**1,782**	**11,260**	**961**	**14,003**	**15,376**

1.1 Of which Insurance companies

(millions of euro)

	Debt securities	Loans	Other transactions	2014	2013
1. Financial assets held for trading	11	-	-	11	15
2. Financial assets designated at fair value through profit and loss	16	-	-	16	14
3. Financial assets available for sale	1,877	-	-	1,877	1,670
4. Investments held to maturity	-	-	-	-	-
5. Due from banks	-	-	-	-	1
6. Loans to customers	3	-	-	3	2
7. Hedging derivatives	X	X	-	-	-26
8. Other assets	X	X	-	-	-
TOTAL	**1,907**	**-**	**-**	**1,907**	**1,676**

11.1 Of which Other companies

As at 31 December 2014, 23 million euro was attributable to other companies, of which 21 million euro to debt securities under loans to customers and 2 million euro to other transactions involving other assets. At the end of 2013, they amounted to 24 million euro, consisting entirely of debt securities under loans to customers.

1.2 Interest and similar income: differentials on hedging transactions

(millions of euro)

	2014	*Of which:*			2013
		Banking group	*Insurance companies*	*Other companies*	
A. Positive differentials on hedging transactions	6,454	*6,454*	-	-	3,172
B. Negative differentials on hedging transactions	-5,537	*-5,537*	-	-	-1,925
BALANCE (A - B)	**917**	***917***	**-**	**-**	**1,247**

1.3 Interest and similar income: other information

1.3.1 Interest income on foreign currency financial assets

The balance as at 31 December 2014 includes 2,189 million euro relating to financial assets in foreign currency.

1.3.2 Interest income on financial lease receivables

As at 31 December 2014, interest income on financial leases amounted to 581 million euro.

1.4 Interest and similar expense: breakdown

(millions of euro)

	Debts	Securities	Other transactions	2014	2013
1. Due to Central Banks	37	X	-	37	202
2. Due to banks	395	X	1	396	437
3. Due to customers	1,186	X	-	1,186	1,705
4. Securities issued	X	4,491	-	4,491	5,147
5. Financial liabilities held for trading	-	-	3	3	2
6. Financial liabilities designated at fair value through profit and loss	-	-	-	-	-
7. Other liabilities and allowances	X	X	3	3	3
8. Hedging derivatives	X	X	-	-	-
TOTAL	**1,618**	**4,491**	**7**	**6,116**	**7,496**

Due to banks and Due to customers also include interest expense on repurchase agreements, even if the transaction referred to securities recorded under assets.

1.4 Of which Banking group

(millions of euro)

	Debts	Securities	Other transactions	2014	2013
1. Due to Central Banks	37	X	-	37	202
2. Due to banks	395	X	1	396	429
3. Due to customers	1,186	X	-	1,186	1,705
4. Securities issued	X	4,453	-	4,453	5,133
5. Financial liabilities held for trading	-	-	3	3	2
6. Financial liabilities designated at fair value through profit and loss	-	-	-	-	-
7. Other liabilities and allowances	X	X	3	3	3
8. Hedging derivatives	X	X	-	-	-
TOTAL	**1,618**	**4,453**	**7**	**6,078**	**7,474**

1.4 Of which Insurance companies

As at 31 December 2014, the amount attributable to insurance companies amounted to 29 million euro, consisting entirely of securities issued, while at the end of 2013, interest expense amounted to a total of 9 million euro.

1.4 Of which Other companies

As at 31 December 2014, the amount attributable to insurance companies was 29 million euro, consisting entirely of securities issued, while at the end of 2013, it cost interest a total of 9 million euro.

1.5 Interest and similar expense: differentials on hedging transactions

Information on differentials on hedging transactions is illustrated in table 1.2, since the balance for 2014 is included under interest income.

1.6 Interest and similar expense: other information

1.6.1 Interest expense on foreign currency financial liabilities

Interest and similar expense as at 31 December 2014 included 1,409 million euro relative to financial liabilities in foreign currency.

1.6.2 Interest expense on financial lease payables

As at 31 December 2014, interest expense on financial leases was immaterial.

SECTION 2 – NET FEE AND COMMISSION INCOME - CAPTIONS 40 AND 50

2.1 Fee and commission income: breakdown

(millions of euro)

	2014	Of which:			2013
		Banking group	*Insurance companies*	*Other companies*	
A) Guarantees given	**371**	***371***	**-**	**-**	**412**
B) Credit derivatives	**36**	***36***	**-**	**-**	**98**
C) Management, dealing and consultancy services	**3,645**	***3,644***	**-**	***1***	**3,052**
1. trading in financial instruments	92	*92*	-	-	72
2. currency dealing	43	*43*	-	-	43
3. portfolio management	2,504	*2,504*	-	-	2,048
3.1. individual	*515*	*515*	-	-	*451*
3.2. collective	*1,989*	*1,989*	-	-	*1,597*
4. custody and administration of securities	58	*58*	-	-	59
5. depositary bank	23	*23*	-	-	22
6. placement of securities	264	*264*	-	-	232
7. reception and transmission of orders	187	*187*	-	-	191
8. consultancy services	130	*130*	-	-	122
8.1. on investments	*100*	*100*	-	-	*81*
8.2. on financial structure	*30*	*30*	-	-	*41*
9. distribution of third party services	344	*343*	-	*1*	263
9.1. portfolio management	*129*	*129*	-	-	*127*
9.1.1. individual	*7*	*7*	-	-	*8*
9.1.2. collective	*122*	*122*	-	-	*119*
9.2. insurance products	*214*	*213*	-	*1*	*134*
9.3. other products	*1*	*1*	-	-	*2*
D) Collection and payment services	**451**	***451***	**-**	**-**	**431**
E) Servicing related to securitisations	**-**	**-**	**-**	**-**	**-**
F) Services related to factoring	**142**	***142***	**-**	**-**	**155**
G) Tax collection services	**-**	**-**	**-**	**-**	**-**
H) Management of multilateral trading facilities	**-**	**-**	**-**	**-**	**-**
I) Management of current accounts	**1,104**	***1,104***	**-**	**-**	**1,139**
J) Other services	**2,309**	***1,680***	***627***	***2***	**2,237**
TOTAL	**8,058**	***7,428***	***627***	***3***	**7,524**

Other services mostly recorded fees on credit and debit cards of 845 million euro as well as commissions on loans of 611 million euro.

2.2 Fee and commission income: distribution channels of products and services – Banking group

(millions of euro)

	2014	2013
A) Group branches	**2,541**	**1,674**
1. portfolio management	1,980	1,253
2. placement of securities	260	220
3. third party services and products	301	201
B) "Door-to-door" sales	**521**	**764**
1. portfolio management	482	719
2. placement of securities	3	10
3. third party services and products	36	35
C) Other distribution channels	**49**	**102**
1. portfolio management	42	76
2. placement of securities	1	2
3. third party services and products	6	24

2.3 Fee and commission expense: breakdown

(millions of euro)

	2014	Of which: Banking group	Of which: Insurance companies	Of which: Other companies	2013
A) Guarantees received	**40**	***40***	**-**	**-**	**111**
B) Credit derivatives	**1**	***1***	**-**	**-**	**39**
C) Management, dealing and consultancy services	**859**	***852***	***7***	**-**	**780**
1. trading in financial instruments	52	*52*	-	-	37
2. currency dealing	2	*2*	-	-	2
3. portfolio management:	95	*95*	-	-	82
3.1 own portfolio	*94*	*94*	-	-	*81*
3.2 third party portfolio	*1*	*1*	-	-	*1*
4. custody and administration of securities	49	*42*	*7*	-	50
5. placement of financial instruments	93	*93*	-	-	82
6. "door-to-door" sale of financial instruments, products and services	568	*568*	-	-	527
D) Collection and payment services	**76**	***76***	**-**	**-**	**93**
E) Other services	**615**	***473***	***142***	**-**	**581**
TOTAL	**1,591**	***1,442***	***149***	**-**	**1,604**

E - Other services includes 331 million euro fees on credit and debit cards, 132 million euro on the placement of investment insurance products, 66 million euro on banking services to Italian branches, 76 million euro on banking services to foreign branches and 10 million euro on other minor services.

SECTION 3 – DIVIDEND AND SIMILAR INCOME - CAPTION 70

3.1 Dividend and similar income: breakdown

(millions of euro)

	2014		Of which:						2013	
			Banking group		*Insurance companies*		*Other companies*			
	Dividends	**Income from quotas of UCI**	*Dividends*	*Income from quotas of UCI*	*Dividends*	*Income from quotas of UCI*	*Dividends*	*Income from quotas of UCI*	**Dividends**	**Income from quotas of UCI**
A. Financial assets held for trading	32	1	32	1	-	-	-	-	89	2
B. Financial assets available for sale	209	62	*180*	*13*	*29*	*49*	-	-	47	39
C. Financial assets designated at fair value through profit and loss	10	1	-	-	*10*	*1*	-	-	8	1
D. Investments in associates and companies subject to joint control	-	X	-	*X*	-	*X*	-	*X*	30	X
TOTAL	**251**	**64**	***212***	***14***	***39***	***50***	**-**	**-**	**174**	**42**

SECTION 4 – PROFITS (LOSSES) ON TRADING - CAPTION 80

4.1 Profits (Losses) on trading: breakdown

(millions of euro)

	Revaluations	Profits on trading	Write-downs	Losses on trading	Net result
1. Financial assets held for trading	**303**	**721**	**-123**	**-565**	**336**
1.1 Debt securities	249	529	-55	-411	312
1.2 Equities	7	162	-42	-138	-11
1.3 Quotas of UCI	47	28	-26	-15	34
1.4 Loans	-	-	-	-	-
1.5 Other	-	2	-	-1	1
2. Financial liabilities held for trading	**15**	**948**	**-24**	**-1,004**	**-65**
2.1 Debt securities	-	-	-	-	-
2.2 Payables	-	-	-	-	-
2.3 Other	15	948	-24	-1,004	-65
3. Financial assets and liabilities: foreign exchange differences	**X**	**X**	**X**	**X**	**749**
4. Derivatives	**24,900**	**39,076**	**-25,398**	**-39,089**	**-810**
4.1 Financial derivatives	24,700	38,056	-25,163	-38,058	-764
- on debt securities and interest rates	*18,107*	*28,055*	*-18,974*	*-27,265*	*-77*
- on equities and stock indexes	*5,578*	*9,562*	*-5,432*	*-10,099*	*-391*
- on currencies and gold	*X*	*X*	*X*	*X*	*-299*
- other	*1,015*	*439*	*-757*	*-694*	*3*
4.2 Credit derivatives	200	1,020	-235	-1,031	-46
TOTAL	**25,218**	**40,745**	**-25,545**	**-40,658**	**210**

"Net result" includes profits, losses, revaluations and write-downs on currency and gold derivatives.
For detailed information on structured financial products and their impact on the income statement, please refer to Part E of these Notes to the consolidated financial statements - Information on risks and relative hedging policies.

4.1 Of which Banking group

(millions of euro)

	Revaluations	Profits on trading	Write-downs	Losses on trading	Net result
1. Financial assets held for trading	**261**	**719**	**-122**	**-565**	**293**
1.1 Debt securities	220	528	-54	-411	283
1.2 Equities	7	162	-42	-138	-11
1.3 Quotas of UCI	34	27	-26	-15	20
1.4 Loans	-	-	-	-	-
1.5 Other	-	2	-	-1	1
2. Financial liabilities held for trading	**15**	**948**	**-24**	**-1,004**	**-65**
2.1 Debt securities	-	-	-	-	-
2.2 Payables	-	-	-	-	-
2.3 Other	15	948	-24	-1,004	-65
3. Financial assets and liabilities: foreign exchange differences	**X**	**X**	**X**	**X**	**636**
4. Derivatives	**24,841**	**39,065**	**-25,232**	**-38,980**	**-505**
4.1 Financial derivatives	24,650	38,048	-24,998	-37,970	-469
- on debt securities and interest rates	*18,057*	*28,048*	*-18,809*	*-27,178*	*118*
- on equities and stock indexes	*5,578*	*9,561*	*-5,432*	*-10,098*	*-391*
- on currencies and gold	*X*	*X*	*X*	*X*	*-199*
- other	*1,015*	*439*	*-757*	*-694*	*3*
4.2 Credit derivatives	191	1,017	-234	-1,010	-36
TOTAL	**25,117**	**40,732**	**-25,378**	**-40,549**	**359**

4.1 Of which Insurance companies

(millions of euro)

	Revaluations	Profits on trading	Write-downs	Losses on trading	Net result
1. Financial assets held for trading	**42**	**2**	**-1**	**-**	**43**
1.1 Debt securities	29	1	-1	-	29
1.2 Equities	-	-	-	-	-
1.3 Quotas of UCI	13	1	-	-	14
1.4 Loans	-	-	-	-	-
1.5 Other	-	-	-	-	-
2. Financial liabilities held for trading	**-**	**-**	**-**	**-**	**-**
2.1 Debt securities	-	-	-	-	-
2.2 Payables	-	-	-	-	-
2.3 Other	-	-	-	-	-
3. Financial assets and liabilities: foreign exchange differences	**X**	**X**	**X**	**X**	**113**
4. Derivatives	**59**	**11**	**-166**	**-109**	**-305**
4.1 Financial derivatives	50	8	-165	-88	-295
- on debt securities and interest rates	*50*	*7*	*-165*	*-87*	*-195*
- on equities and stock indexes	*-*	*1*	*-*	*-1*	*-*
- on currencies and gold	*X*	*X*	*X*	*X*	*-100*
- other	*-*	*-*	*-*	*-*	*-*
4.2 Credit derivatives	9	3	-1	-21	-10
TOTAL	**101**	**13**	**-167**	**-109**	**-149**

SECTION 5 – FAIR VALUE ADJUSTMENTS IN HEDGE ACCOUNTING - CAPTION 90

5.1 Fair value adjustments in hedge accounting: breakdown

(millions of euro)

	2014	*Of which:* Banking group	Insurance companies	Other companies	2013
A. Income from					
A.1 fair value hedge derivatives	2,073	*2,073*	-	-	3,190
A.2 financial assets hedged (fair value)	3,142	*3,105*	*37*	-	694
A.3 financial liabilities hedged (fair value)	557	*557*	-	-	4,720
A.4 cash flow hedge: derivatives	7	*7*	-	-	9
A.5 currency assets and liabilities	19	*19*	-	-	-
Total income from hedging (A)	**5,798**	***5,761***	***37***	**-**	**8,613**
B. Expenses for					
B.1 fair value hedge derivatives	-2,965	*-2,925*	*-40*	-	-4,284
B.2 financial assets hedged (fair value)	-105	*-105*	-	-	-3,078
B.3 financial liabilities hedged (fair value)	-2,841	*-2,841*	-	-	-1,270
B.4 cash flow hedge: derivatives	-	-	-	-	-
B.5 currency assets and liabilities	-26	*-26*	-	-	-9
Total expense from hedging (B)	**-5,937**	***-5,897***	***-40***	**-**	**-8,641**
C. Fair value adjustments in hedge accounting (A - B)	**-139**	***-136***	***-3***	**-**	**-28**

Fair value adjustments in hedge accounting are mainly due to relative widening of the Eonia/Euribor bases following the decrease in rates during the year.

SECTION 6 – PROFITS (LOSSES) ON DISPOSAL OR REPURCHASE - CAPTION 100

6.1 Profits (Losses) on disposal or repurchase: breakdown

(millions of euro)

	2014			2013		
	Profits	**Losses**	**Net result**	**Profits**	**Losses**	**Net result**
Financial assets						
1. Due from banks	34	-	34	1	-1	-
2. Loans to customers	109	-57	52	55	-54	1
3. Financial assets available for sale	1,349	-78	1,271	972	-233	739
3.1 Debt securities	*1,119*	*-34*	*1,085*	*677*	*-176*	*501*
3.2 Equities	*134*	*-19*	*115*	*270*	*-13*	*257*
3.3 Quotas of UCI	*96*	*-25*	*71*	*25*	*-44*	*-19*
3.4 Loans	-	-	-	-	-	-
4. Investments held to maturity	-	-	-	-	-2	-2
Total assets	**1,492**	**-135**	**1,357**	**1,028**	**-290**	**738**
Financial liabilities						
1. Due to banks	-	-	-	-	-	-
2. Due to customers	-	-	-	-	-	-
3. Securities issued	-	-283	-283	79	-89	-10
Total liabilities	**-**	**-283**	**-283**	**79**	**-89**	**-10**

6.1 Of which Banking group

(millions of euro)

	2014			2013		
	Profits	**Losses**	**Net result**	**Profits**	**Losses**	**Net result**
Financial assets						
1. Due from banks	34	-	34	1	-1	-
2. Loans to customers	109	-57	52	55	-54	1
3. Financial assets available for sale	783	-37	746	583	-12	571
3.1 Debt securities	*655*	*-11*	*644*	*342*	*-11*	*331*
3.2 Equities	*101*	*-17*	*84*	*240*	*-*	*240*
3.3 Quotas of UCI	*27*	*-9*	*18*	*1*	*-1*	*-*
3.4 Loans	-	-	-	-	-	-
4. Investments held to maturity	-	-	-	-	-2	-2
Total assets	**926**	**-94**	**832**	**639**	**-69**	**570**
Financial liabilities						
1. Due to banks	-	-	-	-	-	-
2. Due to customers	-	-	-	-	-	-
3. Securities issued	-	-283	-283	79	-89	-10
Total liabilities	**-**	**-283**	**-283**	**79**	**-89**	**-10**

6.1 *Of which Insurance companies*

(millions of euro)

	2014			2013		
	Profits	Losses	Net result	Profits	Losses	Net result
Financial assets						
1. Due from banks	-	-	-	-	-	-
2. Loans to customers	-	-	-	-	-	-
3. Financial assets available for sale	566	-41	525	389	-221	168
3.1 Debt securities	*464*	*-23*	*441*	*335*	*-165*	*170*
3.2 Equities	*33*	*-2*	*31*	*30*	*-13*	*17*
3.3 Quotas of UCI	*69*	*-16*	*53*	*24*	*-43*	*-19*
3.4 Loans	-	-	-	-	-	-
4. Investments held to maturity	-	-	-	-	-	-
Total assets	**566**	**-41**	**525**	**389**	**-221**	**168**
Financial liabilities						
1. Due to banks	-	-	-	-	-	-
2. Due to customers	-	-	-	-	-	-
3. Securities issued	-	-	-	-	-	-
Total liabilities	**-**	**-**	**-**	**-**	**-**	**-**

SECTION 7 – PROFITS (LOSSES) ON FINANCIAL ASSETS AND LIABILITIES DESIGNATED AT FAIR VALUE - CAPTION 110

7.1 Profits (losses) on financial assets/liabilities designated at fair value: breakdown

(millions of euro)

	Revaluations	Profits on trading	Write-downs	Losses on trading	Net result
1. Financial assets	**2,465**	**873**	**-205**	**-175**	**2,958**
1.1 Debt securities	159	125	-10	-35	239
1.2 Equities	57	58	-26	-29	60
1.3 Quotas of UCI	2,246	683	-169	-109	2,651
1.4 Loans	3	7	-	-2	8
2. Financial liabilities	**-**	**-**	**-1,986**	**-**	**-1,986**
2.1 Debt securities	-	-	-	-	-
2.2 Due to banks	-	-	-	-	-
2.3 Due to customers	-	-	-1,986	-	-1,986
3. Foreign currency financial assets and liabilities: foreign exchange differences	**X**	**X**	**X**	**X**	**-**
4. Credit and financial derivatives	**-**	**-**	**-1**	**-**	**-1**
TOTAL	**2,465**	**873**	**-2,192**	**-175**	**971**

The fair value change attributable to the Intesa Sanpaolo Group credit rating did not entail the recognition of charges/income during the year. In fact, issues designated at fair value generating such charges were redeemed in full.
For information on the methods used to determine credit spread, reference should be made to Part A.4 of the Notes to the consolidated financial statements - Information on fair value.

7.1 Of which Banking group

(millions of euro)

	Revaluations	Profits on trading	Write-downs	Losses on trading	Net result
1. Financial assets	**25**	**-**	**-8**	**-2**	**15**
1.1 Debt securities	25	-	-3	-2	20
1.2 Equities	-	-	-	-	-
1.3 Quotas of UCI	-	-	-5	-	-5
1.4 Loans	-	-	-	-	-
2. Financial liabilities	**-**	**-**	**-**	**-**	**-**
2.1 Debt securities	-	-	-	-	-
2.2 Due to banks	-	-	-	-	-
2.3 Due to customers	-	-	-	-	-
3. Foreign currency financial assets and liabilities: foreign exchange differences	**X**	**X**	**X**	**X**	**-**
4. Credit and financial derivatives	**-**	**-**	**-**	**-**	**-**
TOTAL	**25**	**-**	**-8**	**-2**	**15**

7.1 Of which Insurance companies

(millions of euro)

	Revaluations	Profits on trading	Write-downs	Losses on trading	Net result
1. Financial assets	**2,440**	**873**	**-197**	**-173**	**2,943**
1.1 Debt securities	134	125	-7	-33	219
1.2 Equities	57	58	-26	-29	60
1.3 Quotas of UCI	2,246	683	-164	-109	2,656
1.4 Loans	3	7	-	-2	8
2. Financial liabilities	**-**	**-**	**-1,986**	**-**	**-1,986**
2.1 Debt securities	-	-	-	-	-
2.2 Due to banks	-	-	-	-	-
2.3 Due to customers	-	-	-1,986	-	-1,986
3. Foreign currency financial assets and liabilities: foreign exchange differences	**X**	**X**	**X**	**X**	**-**
4. Credit and financial derivatives (*)	**-**	**-**	**-1**	**-**	**-1**
TOTAL	**2,440**	**873**	**-2,184**	**-173**	**956**

(*) Write-downs refer to currencies and gold

SECTION 8 – NET LOSSES/RECOVERIES ON IMPAIRMENT – CAPTION 130

8.1 Net impairment losses on loans: breakdown

(millions of euro)

	IMPAIRMENT LOSSES			RECOVERIES				2014	2013
	Individual		Collective	Individual		Collective			
	write-offs	other		of interest	other	of interest	other		
A. Due from banks	**-**	**-1**	**-22**	**-**	**6**	**-**	**8**	**-9**	**-11**
- Loans	*-*	*-1*	*-20*	*-*	*6*	*-*	*8*	*-7*	*-11*
- Debt securities	*-*	*-*	*-2*	*-*	*-*	*-*	*-*	*-2*	*-*
B. Loans to customers	**-111**	**-5,713**	**-475**	**493**	**1,382**	**1**	**330**	**-4,093**	**-6,585**
Non-performing loans purchased	-	-40	-	15	5	-	-	-20	-17
- Loans	*-*	*-40*	*X*	*15*	*5*	*X*	*X*	*-20*	*-17*
- Debt securities	*-*	*-*	*X*	*-*	*-*	*X*	*X*	*-*	*-*
Other	-111	-5,673	-475	478	1,377	1	330	-4,073	-6,568
- Loans	*-111*	*-5,651*	*-459*	*478*	*1,372*	*1*	*321*	*-4,049*	*-6,544*
- Debt securities	*-*	*-22*	*-16*	*-*	*5*	*-*	*9*	*-24*	*-24*
C. Total	**-111**	**-5,714**	**-497**	**493**	**1,388**	**1**	**338**	**-4,102**	**-6,596**

The financial effects due to release of time value on discounted non-performing loans, recognised under "Recoveries - Individual – of interest", amount to a total of 493 million euro. Of this amount, 89 million euro relates to substandard loans, 13 million euro to restructured loans and 391 million euro to doubtful loans.

8.1 Of which Banking group

(millions of euro)

	IMPAIRMENT LOSSES			RECOVERIES				2014	2013
	Individual		Collective	Individual		Collective			
	write-offs	other		of interest	other	of interest	other		
A. Due from banks	**-**	**-1**	**-22**	**-**	**6**	**-**	**8**	**-9**	**-11**
- Loans	*-*	*-1*	*-20*	*-*	*6*	*-*	*8*	*-7*	*-11*
- Debt securities	*-*	*-*	*-2*	*-*	*-*	*-*	*-*	*-2*	*-*
B. Loans to customers	**-111**	**-5,713**	**-475**	**493**	**1,382**	**1**	**330**	**-4,093**	**-6,585**
Non-performing loans purchased	-	-40	-	15	5	-	-	-20	-17
- Loans	*-*	*-40*	*X*	*15*	*5*	*X*	*X*	*-20*	*-17*
- Debt securities	*-*	*-*	*X*	*-*	*-*	*X*	*X*	*-*	*-*
Other	-111	-5,673	-475	478	1,377	1	330	-4,073	-6,568
- Loans	*-111*	*-5,651*	*-459*	*478*	*1,372*	*1*	*321*	*-4,049*	*-6,544*
- Debt securities	*-*	*-22*	*-16*	*-*	*5*	*-*	*9*	*-24*	*-24*
C. Total	**-111**	**-5,714**	**-497**	**493**	**1,388**	**1**	**338**	**-4,102**	**-6,596**

8.2 Net impairment losses on financial assets available for sale: breakdown

(millions of euro)

	IMPAIRMENT LOSSES		RECOVERIES		2014	2013
	Individual		Individual			
	write-offs	other	of interest	other		
A. Debt securities	-	-2	-	-	-2	-2
B. Equities	-	-174	X	X	-174	-260
C. Quotas of UCI	-	-5	X	-	-5	-34
D. Due from banks	-	-6	-	-	-6	-
E. Loans to customers	-	-	-	-	-	-
F. Total	**-**	**-187**	**-**	**-**	**-187**	**-296**

8.2 Of which Banking group

(millions of euro)

	IMPAIRMENT LOSSES		RECOVERIES		2014	2013
	Individual		Individual			
	write-offs	other	of interest	other		
A. Debt securities	-	-2	-	-	-2	-2
B. Equities	-	-172	X	X	-172	-239
C. Quotas of UCI	-	-5	X	-	-5	-34
D. Due from banks	-	-6	-	-	-6	-
E. Loans to customers	-	-	-	-	-	-
F. Total	**-**	**-185**	**-**	**-**	**-185**	**-275**

8.2 Of which Insurance companies

(millions of euro)

	IMPAIRMENT LOSSES		RECOVERIES		2014	2013
	Individual		Individual			
	write-offs	other	of interest	other		
A. Debt securities	-	-	-	-	-	-
B. Equities	-	-2	X	X	-2	-21
C. Quotas of UCI	-	-	X	-	-	-
D. Due from banks	-	-	-	-	-	-
E. Loans to customers	-	-	-	-	-	-
F. Total	**-**	**-2**	**-**	**-**	**-2**	**-21**

8.3 Net impairment losses on investments held to maturity: breakdown

In 2014, net recoveries on impairment of investments held to maturity attributable to debt securities of the banking group amounted to +1 million euro.

8.4 Net impairment losses on other financial activities: breakdown

(millions of euro)

	IMPAIRMENT LOSSES			RECOVERIES				2014	2013
	Individual		Collective	Individual		Collective			
	write-offs	other		of interest	other	of interest	other		
A. Guarantees given	-	-90	-18	-	30	-	59	-19	-108
B. Credit derivatives	-	-	-	-	-	-	2	2	-
C. Commitments to lend funds	-	-16	-17	-	18	-	10	-5	-1
D. Other operations	-1	-5	-10	-	1	-	11	-4	-3
E. Total	**-1**	**-111**	**-45**	**-**	**49**	**-**	**82**	**-26**	**-112**

8.4 Of which Banking group

(millions of euro)

	IMPAIRMENT LOSSES			RECOVERIES				2014	2013
	Individual		Collective	Individual		Collective			
	write-offs	other		of interest	other	of interest	other		
A. Guarantees given	-	-90	-18	-	30	-	59	-19	-108
B. Credit derivatives	-	-	-	-	-	-	2	2	-
C. Commitments to lend funds	-	-16	-17	-	18	-	10	-5	-1
D. Other operations	-1	-1	-10	-	1	-	11	-	-3
E. Total	**-1**	**-107**	**-45**	**-**	**49**	**-**	**82**	**-22**	**-112**

8.4 Of which Other companies

In 2014, there were -4 million euro in net impairment losses on other financial activities attributable to other companies.

SECTION 9 - NET INSURANCE PREMIUMS - CAPTION 150

9.1 Net insurance premiums: breakdown

(millions of euro)

Premiums deriving from insurance business	Direct work	Indirect work	2014	2013
A. Life business				
A.1 Gross accounted premiums (+)	16,394	-	16,394	11,716
A.2 Premiums ceded for reinsurance (-)	-1	X	-1	-1
A.3 Total	**16,393**	**-**	**16,393**	**11,715**
B. Non-life business				
B.1 Gross accounted premiums (+)	211	-	211	232
B.2 Premiums ceded for reinsurance (-)	-6	X	-6	-6
B.3 Changes in the gross amount of premium reserve (+/-)	4	-	4	-19
B.4 Changes in premium reserves reassured with third parties (-/+)	-2	-	-2	-1
B.5 Total	**207**	**-**	**207**	**206**
C. Total net premiums	**16,600**	**-**	**16,600**	**11,921**

SECTION 10 - OTHER NET INSURANCE INCOME (EXPENSE) - CAPTION 160

10.1 Other net insurance income (expense): breakdown

(millions of euro)

	2014	2013
1. Net change in technical reserves	-11,061	-6,369
2. Claims accrued and paid during the year	-7,097	-6,843
3. Other income/expenses arising from insurance business	-647	-547
TOTAL	**-18,805**	**-13,759**

10.2 Breakdown of Net change in technical reserves

(millions of euro)

Net change in technical reserves	2014	2013
1. Life business		
A. Mathematical reserves	-10,406	-7,817
A.1 Gross annual amount	*-10,405*	*-7,816*
A.2 Amount reinsured with third parties (-)	*-1*	*-1*
B. Other technical reserves	-144	-61
B.1 Gross annual amount	*-144*	*-61*
B.2 Amount reinsured with third parties (-)	-	-
C. Technical reserves for investment risks to be borne by the insured	-511	1,509
C.1 Gross annual amount	*-511*	*1,509*
C.2 Amount reinsured with third parties (-)	-	-
Total "life business reserves"	**-11,061**	**-6,369**
2. Non-life business	**-**	**-**
Changes in other technical reserves of non-life business other than claims fund, net of ceded reinsurance	-	-

10.3 Breakdown of Claims accrued and paid during the year

(millions of euro)

Charges associated to claims	2014	2013
Life business: charges associated to claims, net of reinsurance ceded	**-7,005**	**-6,745**
A. Amounts paid	-7,001	-6,735
A.1 Gross annual amount	*-7,001*	*-6,736*
A.2 Amount reinsured with third parties (-)	-	*1*
B. Change in funds for amounts to be disbursed	-4	-10
B.1 Gross annual amount	*-4*	*-10*
B.2 Amount reinsured with third parties (-)	-	-
Non-life business: charges associated to claims, net of recoveries and reinsurance ceded	**-92**	**-98**
C. Amounts paid	-87	-66
C.1 Gross annual amount	*-90*	*-70*
C.2 Amount reinsured with third parties (-)	*3*	*4*
D. Change in recoveries net of quotas borne by reinsurers	1	1
E. Change in damage fund	-6	-33
E.1 Gross annual amount	*-13*	*-35*
E.2 Amount reinsured with third parties (-)	*7*	*2*

10.4 Breakdown of Other income/expenses arising from insurance business

(millions of euro)

	2014	2013
Other income	**60**	**82**
Life business	51	73
Non-life business	9	9
Other expenses	**-707**	**-629**
Life business	-669	-593
Non-life business	-38	-36

SECTION 11 - ADMINISTRATIVE EXPENSES - CAPTION 180

11.1 Personnel expenses: breakdown

(millions of euro)

	2014	Of which:			2013
		Banking group	*Insurance companies*	*Other companies*	
1) Personnel employed	**5,232**	***5,177***	***54***	***1***	**4,915**
a) wages and salaries	3,599	*3,562*	*36*	*1*	3,412
b) social security charges	911	*902*	*9*	-	862
c) termination indemnities	52	*52*	-	-	48
d) supplementary benefits	3	*2*	*1*	-	6
e) provisions for termination indemnities	41	*41*	-	-	41
f) provisions for post employment benefits	55	*55*	-	-	42
- defined contribution plans	-	-	-	-	-
- defined benefit plans	*55*	*55*	-	-	*42*
g) payments to external pension funds	259	*256*	*3*	-	268
- defined contribution plans	*258*	*255*	*3*	-	*267*
- defined benefit plans	*1*	*1*	-	-	*1*
h) costs from share based payments	*25*	*24*	*1*	-	-
i) other benefits in favour of employees	287	*283*	*4*	-	236
2) Other non-retired personnel	**9**	***9***	**-**	**-**	**6**
3) Directors and statutory auditors	**27**	***26***	***1***	**-**	**30**
4) Early retirement costs	**-**	**-**	**-**	**-**	**-**
TOTAL	**5,268**	***5,212***	***55***	***1***	**4,951**

It should be specified that 3) Directors and Statutory Auditors includes remuneration to members of the Supervisory and Management Boards of the Parent Company and members of the Board of Directors and the Board of Statutory Auditors of the various Group companies.

11.2 Average number of employees by categories

	2014	Of which:			2013
		Banking group	*Insurance companies*	*Other companies*	
Personnel employed	**84,938**	***84,306***	***632***	**-**	**86,492**
a) managers	1,513	*1,484*	*29*	-	1,596
b) total officers	32,240	*31,989*	*251*	-	32,617
c) other employees	51,185	*50,833*	*352*	-	52,279
Other personnel	**108**	***107***	***1***	**-**	**120**
TOTAL	**85,046**	***84,413***	***633***	**-**	**86,612**

11.3 Post employment defined benefit plans: costs and revenues

(millions of euro)

	2014			2013		
	Employee Termination Indemnities	Internal plans	External plans	Employee Termination Indemnities	Internal plans	External plans
Current service cost	-5	-3	-35	-3	-3	-24
Interest expense	-36	-15	-97	-39	-13	-99
Interest income	-	4	65	-	4	68
Reimbursement from third parties	-	-	-	-	-	-
Past service cost	-	-	-	-	-	-
Curtailment of the fund	X	-	-	X	-	-
Settlement of the fund	X	-	-	X	-	-

This table illustrates the economic components referred to "Allowances for risks and charges - post employment benefits" recorded under liabilities line 120-a in the Consolidated balance sheet.

11.4 Other benefits in favour of employees

The balance as at 31 December 2014 amounted to 287 million euro, of which 105 million euro referred to charges for incentive-driven exit plans. The remaining 182 million euro mainly referred to contributions for health insurance scheme, lunch vouchers, premiums of insurance policies stipulated in favour of employees and provisions for seniority bonuses.

11.5 Other administrative expenses: breakdown

(millions of euro)

	2014	2013
Expenses for maintenance of information technology and electronic equipment	567	584
Telephonic, teletransmission and transmission expenses	86	97
Information technology expenses	**653**	**681**
Rentals and service charges - real estate	313	348
Security services	49	57
Cleaning of premises	46	50
Expenses for maintenance of real estate assets	70	75
Energy costs	119	130
Property costs	33	27
Management of real estate assets	**630**	**687**
Printing, stationery and consumables expenses	56	53
Transport and related services expenses (including counting of valuables)	107	105
Information expenses	149	150
Postal and telegraphic expenses	95	104
General structure costs	**407**	**412**
Expenses for consultancy fees	180	142
Legal and judiciary expenses	180	162
Insurance premiums - banks and customers	66	60
Professional and legal expenses	**426**	**364**
Advertising and promotional expenses	**162**	**156**
Services rendered by third parties	**210**	**196**
Indirect personnel costs	**97**	**92**
Other costs	**152**	**148**
Indirect taxes and duties	**952**	**874**
Recovery of taxes and duties	**-24**	**-18**
Recovery of other expenses	**-91**	**-85**
TOTAL	**3,574**	**3,507**

* * * * *

Administrative expenses for 2014, included in tables 11.1 "Personnel expenses: breakdown" and 11.5 "Other administrative expenses: breakdown", include charges for integration and exit incentives, gross of the tax effect detailed below, for 144 million euro.

Charges for integration and exit incentives: breakdown

(millions of euro)

	2014	2013
Personnel expenses	**105**	**77**
- expenses for incentive-driven exit plans	105	77
Other administrative expenses	**39**	**32**
- information technology expenses	17	26
- management of real estate assets	-	-
- professional and legal expenses	19	4
- advertising and promotional expenses	-	-
- services rendered by third parties	2	1
- indirect personnel costs	-	-
- other costs	1	1
TOTAL	**144**	**109**

SECTION 12 - NET PROVISIONS FOR RISKS AND CHARGES - CAPTION 190

12.1 Net provisions for risks and charges: breakdown

(millions of euro)

	Provisions	Uses	2014
Net provisions for legal disputes	-157	27	-130
Net provisions for other personnel charges	-2	-	-2
Net provisions for risks and charges	-457	43	-414
TOTAL	**-616**	**70**	**-546**

The amounts listed above include a 4 million euro funds increase due to time value.

SECTION 13 – NET ADJUSTMENTS TO/RECOVERIES ON PROPERTY AND EQUIPMENT – CAPTION 200

13.1 Net adjustments to property and equipment: breakdown

(millions of euro)

	Depreciation	Impairment losses	Recoveries	Net result
A. Property and equipment				
A.1 Owned	-325	-16	-	-341
- used in operations	*-323*	*-16*	-	*-339*
- investment	*-2*	-	-	*-2*
A.2 Acquired under finance lease	-1	-	-	-1
- used in operations	*-1*	-	-	*-1*
- investment	-	-	-	-
TOTAL	**-326**	**-16**	**-**	**-342**

For the determination of impairment losses, see the illustration provided in Part A – Accounting policies.

SECTION 14 – NET ADJUSTMENTS TO/RECOVERIES ON INTANGIBLE ASSETS - CAPTION 210

14.1 Net adjustments to intangible assets: breakdown

(millions of euro)

	Amortisation	Impairment losses	Recoveries	Net result
A. Intangible assets				
A.1 Owned	-623	-8	-	-631
- internally generated	*-257*	*-4*	*-*	*-261*
- other	*-366*	*-4*	*-*	*-370*
A.2 Acquired under finance lease	-	-	-	-
TOTAL	**-623**	**-8**	**-**	**-631**

With regard to the method of the impairment testing for intangible assets and related impairment recognised to the income statement, see Part B – Section 13 – Intangible Assets in these Notes to the consolidated financial statements.

14.1 Of which Banking group

(millions of euro)

	Amortisation	Impairment losses	Recoveries	Net result
A. Intangible assets				
A.1 Owned	-568	-8	-	-576
- internally generated	*-257*	*-4*	*-*	*-261*
- other	*-311*	*-4*	*-*	*-315*
A.2 Acquired under finance lease	-	-	-	-
TOTAL	**-568**	**-8**	**-**	**-576**

14.1 Of which Insurance companies

As at 31 December 2014 there were 55 million euro in impairment losses pertaining to insurance companies, entirely attributable to amortisation of other owned intangible assets.

SECTION 15 – OTHER OPERATING EXPENSES (INCOME) - CAPTION 220

15.1 Other operating expenses: breakdown

(millions of euro)

	2014	*Of which:*		
		Banking group	*Insurance companies*	*Other companies*
Other expenses for consumer credit and leasing transactions	31	*31*	*-*	*-*
Settlements for legal disputes	7	*7*	*-*	*-*
Amortisation of leasehold improvements	51	*50*	*-*	*1*
Contributions to Interbank Deposit Protection Fund	-	*-*	*-*	*-*
Other non-recurring expenses	116	*83*	*6*	*27*
Other	117	*114*	*3*	*-*
TOTAL 2014	**322**	***285***	***9***	***28***
TOTAL 2013	**453**	***348***	***13***	***92***

15.2 Other operating income: breakdown

(millions of euro)

	2014	Of which: Banking group	Of which: Insurance companies	Of which: Other companies
Recovery of expenses	782	*782*	-	-
Income IT companies	37	*37*	-	-
Insurance reimbursements	1	*1*	-	-
Reimbursements for services rendered to third parties	14	*14*	-	-
Income related to consumer credit and leasing	36	*36*	-	-
Rentals and recovery of expenses on real estate	24	*17*	-	*7*
Other non-recurring income	99	*83*	*9*	*7*
Other	49	*48*	*1*	-
TOTAL 2014	**1,042**	***1,018***	***10***	***14***
TOTAL 2013	**1,096**	***1,076***	***14***	***6***

SECTION 16 – PROFITS (LOSSES) ON EQUITY INVESTMENTS – CAPTION 240

16.1 Profits (Losses) on disposal of equity investments: breakdown

(millions of euro)

	2014	Of which: Banking group	Of which: Insurance companies	Of which: Other companies	2013
1) Companies subject to joint control					
A. Revenues	42	*32*	-	*10*	21
1. Revaluations	*42*	*32*	-	*10*	*21*
2. Profits on disposal	-	-	-	-	-
3. Write-backs	-	-	-	-	-
4. Other	-	-	-	-	-
B. Charges	-23	*-23*	-	-	-4
1. Write-downs	*-21*	*-21*	-	-	*-2*
2. Impairment losses	*-2*	*-2*	-	-	*-2*
3. Losses on disposal	-	-	-	-	-
4. Other	-	-	-	-	-
Net result	**19**	***9***	**-**	***10***	**17**
2) Investments in associates					
A. Revenues	478	*478*	-	-	2,687
1. Revaluations	*124*	*124*	-	-	*108*
2. Profits on disposal	*327*	*327*	-	-	*21*
3. Write-backs	*27*	*27*	-	-	-
4. Other	-	-	-	-	*2,558*
B. Charges	-157	*-157*	-	-	-378
1. Write-downs	*-75*	*-75*	-	-	*-210*
2. Impairment losses	*-81*	*-81*	-	-	*-168*
3. Losses on disposal	*-1*	*-1*	-	-	-
4. Other	-	-	-	-	-
Net result	**321**	***321***	**-**	**-**	**2,309**
TOTAL	**340**	***330***	**-**	***10***	**2,326**

For companies subject to joint control and significant influence, income from registration at fair value of the equity stakes is recorded under Revaluations.

SECTION 17 - VALUATION DIFFERENCES ON PROPERTY, EQUIPMENT AND INTANGIBLE ASSETS MEASURED AT FAIR VALUE – CAPTION 250

17.1 Valuation differences on property, equipment and intangible assets measured at fair value: breakdown

Not applicable to the Group.

SECTION 18 – GOODWILL IMPAIRMENT - CAPTION 260

18.1 Goodwill impairment: breakdown

The results of impairment testing on goodwill recorded in the financial statements did not lead to impairment losses in 2014. See Part A – Accounting policies for details on the means of determination of goodwill impairment.

For a description of the impairment testing methods for goodwill, reference should be made to Part B – Section 13 – Intangible Assets in these Notes to the consolidated financial statements.

SECTION 19 – PROFITS (LOSSES) ON DISPOSAL OF INVESTMENTS - CAPTION 270

19.1 Profits (Losses) on disposal of investments: breakdown

(millions of euro)

	2014	Of which:			2013
		Banking group	*Insurance companies*	*Other companies*	
A. Real estate assets	113	*113*	-	-	6
- profits on disposal	*125*	*125*	-	-	*7*
- losses on disposal	*-12*	*-12*	-	-	*-1*
B. Other assets [(a)]	1	*1*	-	-	9
- profits on disposal	*1*	*1*	-	-	24
- losses on disposal	-	-	-	-	-15
Net result	**114**	***114***	**-**	**-**	**15**

[(a)] Included profits and losses on disposal of subsidiaries.

SECTION 20 - TAXES ON INCOME FROM CONTINUING OPERATIONS - CAPTION 290

20.1 Taxes on income from continuing operations: breakdown

(millions of euro)

	2014	Of which:			2013
		Banking group	*Insurance companies*	*Other companies*	
1. Current taxes (-)	-2,127	*-1,865*	*-262*	-	-2,011
2. Changes in current taxes of previous years (+/-)	-336	*-336*	-	-	186
3. Reduction in current taxes of the year (+)	85	*85*	-	-	60
3bis. Reduction in current taxes of the year for tax credits pursuant to Law no. 214/2011 (+)	869	*869*	-	-	72
4. Changes in deferred tax assets (+/-)	-161	*-177*	*16*	-	1,240
5. Changes in deferred tax liabilities (+/-)	19	*-6*	*25*	-	716
6. Taxes on income for the year (-) (-1+/-2+3+3bis+/-4+/-5)	**-1,651**	***-1,430***	***-221***	**-**	**263**

The changes in current taxes of previous years includes 443 million euro from the increase in the substitute tax from 12% to 26%, due to realignment of the spread between historical tax value and nominal value of the new stake in the Bank of Italy.

20.2 Reconciliation of theoretical tax charge to total income tax expense for the period

(millions of euro)

	2014
Income before tax from continuing operations	3,009
Income before tax from discontinued operations	-48
Theoretical taxable income	**2,961**

Increases in taxes - Other includes 443 million euro from the increase in the substitute tax from 12% to 26%, due to realignment of the spread between historical tax value and nominal value of the new stake in the Bank of Italy.

	Taxes	%
Income taxes - theoretical tax charge	**979**	**33.1**
Increase of taxes	**984**	**32.7**
Non-deductible interest expense	116	3.9
Non-deductible costs due to goodwill impairment	-	0.0
Other non-deductible costs (personnel expenses, etc.)	235	7.8
Other	633	21.0
Decrease of taxes	**-312**	**-10.4**
Effects of the participation exemption	-124	-4.1
Effects of international companies lower rates	-169	-5.6
Capital gains on investments in associates and companies subject to joint control subject to substitute tax	-	0.0
Other	-19	-0.6
Total changes in taxes	**672**	**22.3**
Total income tax expense for the period	**1,651**	**55.4**
of which: - total income tax expense from continuing operations	**1,651**	**-**
- total income tax expense from discontinued operations	**-**	**-**

SECTION 21 – INCOME (LOSS) AFTER TAX FROM DISCONTINUED OPERATIONS - CAPTION 310

21.1 Income (Loss) after tax from discontinued operations: breakdown

(millions of euro)

	2014	*Of which:*			2013
		Banking group	*Insurance companies*	*Other companies*	
1. Income	45	*45*	-	-	54
2. Charges	-93	*-93*	-	-	-81
3. Valuation differences on discontinued operations and related liabilities	-	-	-	-	-
4. Profits (Losses) on disposal	-	-	-	-	-
5. Taxes and duties	-	-	-	-	-4
Income (Loss)	**-48**	***-48***	**-**	**-**	**-31**

21.2 Breakdown of taxes on discontinued operations

As at 31 December 2014, the taxes on discontinued operations were of an immaterial amount; at the end of 2013, following restatement of the stake in Pravex to discontinued operations, the changes in deferred tax assets amounted to - 4 million euro.

SECTION 22 – MINORITY INTERESTS - CAPTION 330

22.1 Breakdown of caption 330 Minority interests

(millions of euro)

		31.12.2014
Investments in consolidated companies with significant minority interests		
1	Banca Intesa A.D. - Beograd	-4
2	Banca Prossima S.p.A.	-1
3	Bank of Alexandria S.A.E.	-15
4	Cassa Dei Risparmi di Forlì e Della Romagna S.p.A.	-1
5	Cassa Di Risparmio Di Firenze S.p.A.	2
6	Privredna Banka Zagreb D.D.	-28
7	Vseobecna Uverova Banka A.S.	-4
	Other minor interests	-2
Other investments		
1	Re Consult Infrastrutture S.p.A.	-6
TOTAL 2014		**-59**
TOTAL 2013		**7**

SECTION 23 – OTHER INFORMATION

There is no information further to that already provided in the previous sections.

SECTION 24 – EARNINGS PER SHARE

Earnings per share

	31.12.2014		31.12.2013	
	Ordinary shares	Savings shares	Ordinary shares	Savings shares
Weighted average number of shares	15,511,213,093	932,490,561	15,482,226,826	932,139,199
Income attributable to the various categories of shares *(millions of euro)*	1,172	79	-4,292	-258
Basic EPS (*euro*)	0.08	0.08	-0.28	-0.28
Diluted EPS (*euro*)	0.08	0.08	-0.28	-0.28

24.1 Weighted average number of ordinary shares (fully diluted)

For further information on this section, see the chapter "Shareholder base, stock price performance and other information" in the Report on operations.

Part D – Consolidated comprehensive income

DETAILED STATEMENT OF CONSOLIDATED COMPREHENSIVE INCOME

(millions of euro)

		Gross amount	Income tax	Net amount
10.	**NET INCOME (LOSS)**	**X**	**X**	**1,310**
	Other comprehensive income that may not be reclassified to the income statement:	**-549**	**151**	**-398**
20.	Property and equipment	-	-	-
30.	Intangible assets	-	-	-
40.	Defined benefit plans	-549	151	-398
50.	Non current assets held for sale	-	-	-
60.	Share of valuation reserves connected with investments carried at equity	-	-	-
	Other comprehensive income that may be reclassified to the income statement:	**-122**	**-10**	**-132**
70.	Hedges of foreign investments:	-	-	-
	a) fair value changes	-	-	-
	b) reclassification to the income statement	-	-	-
	c) other changes	-	-	-
80.	Foreign exchange differences:	-177	-	-177
	a) fair value changes	-	-	-
	b) reclassification to the income statement	-	-	-
	c) other changes	-177	-	-177
90.	Cash flow hedges:	-736	244	-492
	a) fair value changes	-739	244	-495
	b) reclassification to the income statement	-	-	-
	c) other changes	3	-	3
100.	Property and equipment	719	-254	-258
	a) fair value changes	1,115	-392	-
	b) reclassification to the income statement	-321	106	-215
	- impairment losses	*25*	*-3*	*22*
	- gains/losses from disposals	*-346*	*109*	*-237*
	c) other changes	-75	32	-43
110.	Non current assets held for sale	-	-	-
	a) fair value changes	-	-	-
	b) reclassification to the income statement	-	-	-
	c) other changes	-	-	-
120.	Share of valuation reserves connected with investments carried at equity:	72	-	72
	a) fair value changes	-	-	-
	b) reclassification to the income statement	-	-	-
	- impairment losses	-	-	-
	- gains/losses from disposals	-	-	-
	c) other changes	72	-	72
130.	**Total other comprehensive income**	**-671**	**141**	**-530**
140.	**TOTAL COMPREHENSIVE INCOME**	**X**	**X**	**780**
150.	**Total consolidated comprehensive income pertaining to minority interests**	**X**	**X**	**67**
160.	**Total consolidated comprehensive income pertaining to the Parent Company**	**X**	**X**	**713**

Part E – Information on risks and relative hedging policies

INTRODUCTION

The table below shows the mapping of risk disclosures regarding the financial statements and Pillar 3, which is in compliance of the recommendations in "Enhancing the Risk Disclosures of Banks" drawn up by the Enhanced Disclosure Task Force.

	FINANCIAL STATEMENTS		PILLAR 3
	Section/Chapter	Paragraph	Section
RISKS OF THE BANKING GROUP	PART E - SECTION 1		
- Credit risk	Chapter 1.1		Sections 5-6-7-8
- Securitisations		*Paragraph C*	*Section 10*
- Counterparty risk	Chapter 1.1 - Chapter 1.2		Section 9
- Market risk	Chapter 1.2		
- Regulatory trading book		*Paragraph 1.2.1*	*Section 11*
- Banking book		*Paragraph 1.2.2*	*Sections 13-14*
- Sovereign risk	Chapter 1.3		
- Liquidity risk	Chapter 1.3		
- Operational risk	Chapter 1.4		Section 12
- Legal risk	Chapter 1.4		
RISKS OF INSURANCE COMPANIES	PART E - SECTION 2		
- Insurance risks	Chapter 2.1		
- Financial risks	Chapter 2.2		
RISKS OF OTHER COMPANIES	PART E - SECTION 3		

Basic principles

The Intesa Sanpaolo Group gives great importance to risk management and control to ensure reliable and sustainable value creation in a context of controlled risk.
The risk management strategy aims to achieve a complete and consistent overview of risks, given both the macroeconomic scenario and the Group's risk profile, by fostering a culture of risk-awareness and enhancing the transparent and accurate representation of the risk level of the Group's portfolios.
Risk-acceptance strategies are summarised in the Group's Risk Appetite Framework (RAF), approved by the Management Board and Supervisory Board. The RAF, introduced in 2011 to ensure that risk-acceptance activities remain in line with shareholders' expectations, is established by taking account of the Intesa Sanpaolo Group's risk position and the economic situation.
The general principles that govern the Group's risk-acceptance strategy may be summarised as follows:

– Intesa Sanpaolo is a banking group focused on a commercial business model in which domestic retail activity remains the Group's structural strength;
– the Group does not aim to eliminate risks, but rather attempts to understand and manage them so as to ensure an adequate return for the risks taken, while guaranteeing the Company's solidity and business continuity in the long term;
– Intesa Sanpaolo has a moderate risk profile in which capital adequacy, earnings stability, a sound liquidity position and a strong reputation are the key factors to protecting its current and prospective profitability;
– Intesa Sanpaolo aims at a capitalisation level in line with its main European peers (on average with ratings higher than those of the Italian government);
– Intesa Sanpaolo intends to maintain strong management of the main specific risks (not necessarily associated with macroeconomic shocks) to which the Group may be exposed;
– the Group attaches great importance to compliance and reputational risks: for compliance risk, the Group aims for formal and substantive compliance with rules in order to avoid penalties and maintain a solid relationship of trust with all of its stakeholders and customers. For reputational risk, the Intesa Sanpaolo Group strives to manage its image in the eyes of all stakeholders actively and aims to prevent and contain any negative effects on said image.

The Risk Appetite Framework thus represents the overall framework in which the risks assumed by the Group are managed, with the establishment of general principles of risk appetite and the resulting structuring of the management of:

– the overall risk profile; and
– the Group's main specific risks.

Management of the overall risk profile is based on the general principles laid down in the form of a framework of limits aimed at ensuring that the Group complies with minimum solvency, liquidity and profitability levels even under the conditions of severe stress. In addition, it aims to ensure the desired reputational and compliance risk profiles.
In detail, management of overall risk is aimed at maintaining adequate levels of:

– capitalisation, even under conditions of severe macroeconomic stress, with respect to both Pillar 1 and Pillar 2. In further detail, capital adequacy is assessed by monitoring:
  o Common Equity and the Total Ratio, for Pillar 1; and

  - o the Leverage Ratio and Risk-Bearing Capacity, for Pillar 2;
- liquidity, so as to respond to periods of tension, including extended periods of tension, on the various funding sourcing markets, with regard to both the short-term and structural situations; the Liquidity Coverage Ratio, the Net Stable Funding Ratio and the Funding/Lending Gap;
- earnings stability, so as to ensure profitability even in stress scenarios through an adequate mix of business;
- management of operational, compliance and reputational risk so as to minimise the risk of negative events that jeopardise the Group's economic stability and image.

Management of the main specific risks is aimed at determining the risk appetite that the Group intends to assume with regard to exposures that may represent especially significant concentrations. Such management is implemented by establishing ad hoc limits, management processes and mitigation measures to be taken in order to limit the impact of especially severe scenarios on the Group. Such risks are assessed on the basis of stress scenarios, are subject to periodic monitoring with the framework of Risk Management systems and constitute early warning indicators, especially as regards capital adequacy.
In detail, the main specific risks monitored are:
- especially significant risk concentrations (e.g., concentration on individual counterparties, sovereign risk or commercial real estate);
- the individual risks that make up the Group's overall risk profile and whose the operating limits, as envisaged in specific policies, complete the Risk Appetite Framework.

In light of the Italian macroeconomic context and its extreme uncertainty, credit risk was identified as a priority area for analysis, also considering its significant amount for the Group. Moreover, as Intesa Sanpaolo is part of the "leading group" of the top 30 banks in the Eurozone, whose prudential supervision shall be managed by a dedicated Division of the ECB, it was decided to develop, over 2015, a Credit Risk Appetite framework in order to ensure alignment with the emerging European standards.

In compliance with the recent instructions from the Bank of Italy, the Group Risk Appetite is organised (both in terms of the total risk and in terms of the main specific risks) on the subsidiaries that contribute significantly to risks and/or specific local characteristics: Banca IMI, Banca Fideuram, Intesa Sanpaolo Vita, Fideuram Vita and the international subsidiaries. Overall risk management is implemented by monitoring key aspects (capital adequacy, liquidity and reputation) according to an approach similar to that followed at the Group level.
The Risk Appetite Framework informs the Budget and Business Plan and is proposed by the Chief Risk Officer, after its compatibility is assessed together with the Chief Financial Officer and the Heads of the various Business Units. The risk-acceptance strategy and policy thus fall within the context of the Plan and Budget process. In accordance with regulatory constraints and in a manner consistent with the risk profile assumed by the Group, the Chief Financial Officer area lays down the strategic profitability, capital adequacy and liquidity objectives that the Group intends to pursue. These objectives then form the basis for identifying the assets and financial resources to be allocated to the individual business units, including the insurance segment, through a process that involves an assessment of their attractiveness, financial independence, growth potential and ability to create value.
The definition of the Risk Appetite Framework and the resulting operating limits for the main specific risks, the use of risk measurement instruments in loan management processes and controlling operational risk, the use of capital-at-risk measures for management reporting and assessment of capital adequacy within the Group represent fundamental milestones in the operational application of the risk strategy defined by the Supervisory Board and the Management Board along the Group's entire decision-making chain, down to the single operational units and to the single desks.
The Group sets out these general principles in policies, limits and criteria applied to the various risk categories and business areas with specific risk tolerance sub-thresholds, in a comprehensive framework of governance and control limits and procedures.
The assessment of the risk profile and periodic revision are conducted annually with the ICAAP, which represents the capital adequacy self-assessment process according to the Group's internal rules. Since 2013, the Group has also been completing a Recovery Plan process according to indications from the Supervisory Authority.

A culture of risk-awareness

The utmost attention is devoted to spreading and sharing a culture of risk-awareness through both periodic updates to the documents prepared (Tableau de Bord, ICAAP and Risk Appetite Framework) and initiatives undertaken with the aim of dealing with specific issues raised from time to time.
In addition, the Group guarantees the spread of the culture of risk-awareness through extensive training efforts aimed at ensuring the proper application of the internal risk management models.
The Risk Academy initiative, mainly addressed to the international subsidiaries, is a strategic project that pursues the goal of improving management of Risk Governance at Banking Group level.
The measures taken in pursuit of this goal are established with a coordinated approach to risk management and are compliance with supervisory regulations, as well as ongoing support from the Parent Company for the local growth of risk assessment and monitoring systems within the international subsidiaries.
The risk management approach aims to achieve increasingly integrated and consistent risk management, considering both the macroeconomic scenario and the Group's risk profile, by fostering a culture of risk-awareness through a transparent, thorough representation of the risk level of portfolios. The efforts made in recent years with the Basel 2 and 3 Project in order to obtain authorisation from the Supervisory Authorities for the use of internal ratings to calculate credit risk requirements and in order to secure validation of internal models for operational and market risks should be seen in this context.

Risk governance organisation

Risk-acceptance policies are defined by the Parent Company's Supervisory Board and Management Board. The Supervisory Board carries out its activity through specific internal Committees, among which mention should be made of the Internal Control Committee and the Risk Committee. The Management Board relies on the action of managerial committees, among which mention should be made of the Group Risk Governance Committee. Both corporate bodies receive support from the Chief Risk Officer, who is a member of the Management Board and reports directly to the Chief Executive Officer.
The **Chief Risk Officer** is responsible for proposing the Risk Appetite Framework, setting the Group's risk management and compliance guidelines and policies in accordance with Company strategies and objectives and coordinating and verifying the

implementation of those guidelines and policies by the responsible units of the Group, including within the various corporate departments. The Chief Risk Officer ensures management of the Group's overall risk profile by establishing methods and monitoring exposure to the various types of risk and reporting the situation periodically to the corporate bodies.

The **Group Risk Governance Committee**, chaired by the Managing Director and CEO, is a body with decision-making, consultative and reporting powers. It was established with the aim of ensuring the monitoring and management of risks and the safeguarding of corporate value at Group level, in implementation of the strategic guidelines and management policies defined by the corporate bodies.

The Committee is also responsible for Basel 3 project governance and supervising the projects and measures necessary to guarantee compliance.

The **Group Financial Risks Committee** is a technical body with a decision-making and reporting role that focuses on proprietary financial risk of banking and trading books, as well as on Active Value Management. This Committee, which meets in two separate periodic sessions, one of which is chaired by the Chief Risk Officer and the other by the Chief Financial Officer, is responsible for assessing the following, prior to approval by the corporate bodies:

- the methodological and measurement guidelines for financial risks;
- establishment of operational limits and assessment of the risk profile of the Group and its main operational units;
- strategic decisions relating to management of the banking book, to be submitted to the competent bodies;
- guidelines concerning liquidity, interest rate and foreign exchange risk.

In addition, it periodically assesses the Group's overall financial risk profile and acts appropriately to mitigate it.

The **Group Control Coordination and Operational Risk Committee** is a technical body that operates with the aim of stepping up coordination and interdepartmental cooperation mechanisms:

- as part of the Group internal control system, facilitating the integration of the risk management process;
- in relation to operational risks, including ICT risk, facilitating its effective management.

The Committee operates within the scope of the guidelines set by the corporate bodies, based on the operational and functional powers delegated by the Management Board of the Parent Company. The Functions of the Group Control **Coordination and Operational Risk Committee** are organised into specific, separate sessions:

- Integrated Internal Control System Session, for reporting and consulting purposes;
- Operational Risk session, with decision-making, reporting and consulting purposes (in this context, the Committee's duties include periodically reviewing the overall operational risk profile, authorising any corrective measures, coordinating and monitoring the effectiveness of the main mitigation activities and approving operational risk transfer strategies).

The Parent Company is in charge of overall direction, management and control of risks. Group companies that generate credit and/or financial risks are assigned autonomy limits and each has its own control structure. For the main Group subsidiaries, these functions are performed, based on an outsourcing contract, by the Parent Company's risk control functions, which periodically report to the Board of Directors and the Audit Committee of the subsidiary.

The Risk Management Department performs the following functions:

- it is responsible for risk exposure methods and controls implemented in each business unit, reporting on the overall situation to the corporate governance bodies;
- it proposes the annual update of the RAF to the Chief Risk Officer;
- it proposes to the top management, along with the other competent corporate functions, the guidelines for managing the overall risk for the Group and the definition of the related system of operational limits, in line with the allocated capital;
- it promotes the use of risk measurement tools during the credit granting and managing process and the concentration process;
- it oversees the methodological and organisational framework for operational risks;
- it adopts capital-at-risk measurements for management reporting and assessment of the Group's Economic Capital adequacy;
- it ensures that statutory reports on internal models are sent to the Supervisory Authorities;
- it is responsible for operational implementation of the management strategies and guidelines for risk along the Bank's entire decision-making chain, down to individual operational units and desks;
- as part of the Tableau de Bord and on a quarterly basis, it reports to the corporate bodies on the situation of the Group's overall risk profile; it compares that situation with the Risk Appetite Framework, highlighting any situations that require action by the boards;
- it draws up the annual update of the criteria for identifying Significant Transactions and provides a prior opinion on such transactions.

Scope of risks

The risks identified, covered and incorporated within the economic capital, considering the benefits of diversification, are as follows:

- credit and counterparty risk. This category also includes concentration risk, country risk and residual risks, both from securitisations and uncertainty on credit recovery rates;
- market risk (trading book), including position, settlement and concentration risk on the trading book;
- financial risk of the banking book, mostly represented by interest rate and foreign exchange rate risk;
- operational risk, also including legal risk, ICT risk and model risk;
- strategic risk;
- risk on equity investments not subject to line by line consolidation;
- risk on real estate assets owned for whichever purpose;
- insurance risk.

Risk hedging, given the nature, frequency and potential impact of the risk, is based on a constant balance between mitigation/hedging action, control procedures/processes and capital protection measures, including in the form of stress tests.

Particular attention is dedicated to managing the short-term and structural liquidity position by following specific policies and procedures to ensure full compliance with the limits set at the Group level and operating sub-areas in accordance with international regulations and the risk appetite approved at the Group level.

The Group also intends to maintain adequate levels of protection against reputational risk to minimise the risk of negative events

that might jeopardise its image. To that end, it has embarked upon an ex-ante risk management process to identify the major reputational and compliance risks for the Group, define prevention and mitigation tools and measures in advance and implement specific, dedicated reporting flows.
Assessments of each single type of risk for the Group are integrated in a summary amount – the economic capital – defined as the maximum "unexpected" loss the Group might incur over a year. This is a key measure for determining the Group's financial structure and its risk tolerance, and guiding operations, ensuring the balance between risks assumed and shareholder return. It is estimated based on the current situation and also as a forecast, based on the budget assumptions and projected economic scenario under normal and stress conditions.

For the purposes described above, the Intesa Sanpaolo Group uses a wide-ranging set of tools and techniques for risk assessment and management, detailed in this Part E of the Notes to the consolidated financial statements.
The information provided in this part of the document is based on internal management data and does not necessarily coincide with that contained in Parts B and C. Tables and information for which the indication of "book values" is specifically required represent an exception.

Other risks

In addition to credit, market, operational and insurance risks, discussed in detail in the following paragraphs, the Group has also identified and monitors the following other risks.

Strategic risk

The Intesa Sanpaolo Group defines current or prospective strategic risk as risk associated with a potential decline in profits or capital due to changes in the operating context, misguided Company decisions, inadequate implementation of decisions, or an inability to react sufficiently to changes in the competitive scenario.
The Group's response to strategic risk is represented first and foremost by policies and procedures that call for the most important decisions to be deferred to the Management Board and the Supervisory Board, supported by a current and forward-looking assessment of risks and capital adequacy. The high degree to which strategic decisions are made at the central level, with the involvement of the top corporate governance bodies and the support of various company functions ensures that strategic risk is mitigated.
An analysis of the definition of strategic risk leads to the observation that this risk is associated with two distinct fundamental components:

- a component associated with the possible impact of misguided Company decisions and an inability to react sufficiently to changes in the competitive scenario: this component does not require capital, but is one of the risks mitigated by the ways in which strategic decisions are reached and by their centralisation with top management, where all significant decisions are always supported by specific activities aimed at identifying and measuring the risks implicit in the initiative;
- the second component is more directly related to business risk; in other words, it is associated with the risk of a potential decline in profits as a result of the inadequate implementation of decisions and changes in the operating context. This component is handled not only by using systems for regulating Company management, but also via specific internal capital, determined according to the Variable Margin Volatility (VMV) approach, which expresses the risk arising from the business mix of the Group and its Business Units.

Strategic risk is assessed also as part of stress tests based on a multiple-factor model that describes the relations between changes in the economic scenario and the business mix resulting from planning hypotheses.

Reputational risk

The Intesa Sanpaolo Group attaches great importance to reputational risk, namely the current and prospective risk of a decrease in profits or capital due to a negative perception of the Bank's image by customers, counterparties, shareholders, investors and Supervisory Authorities.
The Group actively manages its image in the eyes of all stakeholders and aims to prevent and contain any negative effects on its image, including through robust, sustainable growth capable of creating value for all stakeholders, while also minimising possible adverse events through rigorous, stringent governance, control and guidance of the activity performed at the various service and function levels.

Management/mitigation of reputational risk is also achieved by limiting exposure to primary risks.

The reputational risk governance model of Intesa Sanpaolo envisages that management and mitigation of reputational risks is pursued:

- systematically and independently by the corporate structures with specific tasks aimed at preserving corporate reputation, through a structured system of organisational monitoring measures;
- across the various corporate functions, through the Reputational Risk Management process governed by specific Guidelines.

The 'systematic monitoring of reputational risk envisages:

- specific organisational structures which, each for its purview, monitor the Bank's reputation and manage the relationships with the various stakeholders;
- an integrated monitoring system for primary risks, to limit exposure to them;
- compliance with standards of ethics and conduct;
- establishing and managing customers' risk appetite, through the identification of their various risk tolerance profiles according to subjective and objective traits of each customer.

The "cross-function" monitoring of reputation risk is entrusted to the Reputational Risk Management (RRM) process. It is conducted yearly and aimed at integrating and consolidating the main findings provided by the organisational structures, which are more directly involved in monitoring the company's reputation. The objective of that process is to identify and mitigate the most significant reputational risk scenarios to which the Intesa Sanpaolo Group is exposed through:

- the identification of the main risk scenarios to which the Group is exposed, by the Risk Management Department, along with the Compliance Department as regards the compliance risks and with the cooperation of the other relevant corporate functions;
- the assessment of said scenarios by the Top Management;
- the definition and monitoring of adequate communication strategies and specific mitigation measures.

The Reputational Risk Management process of Intesa Sanpaolo is a cross-function process managed by the Risk Management Department, along with the Compliance Department as regards to compliance risks, and in cooperation with the other relevant functions, which involves the organisational structures of the Parent Company, Intesa Sanpaolo Group Services and the main Group companies.

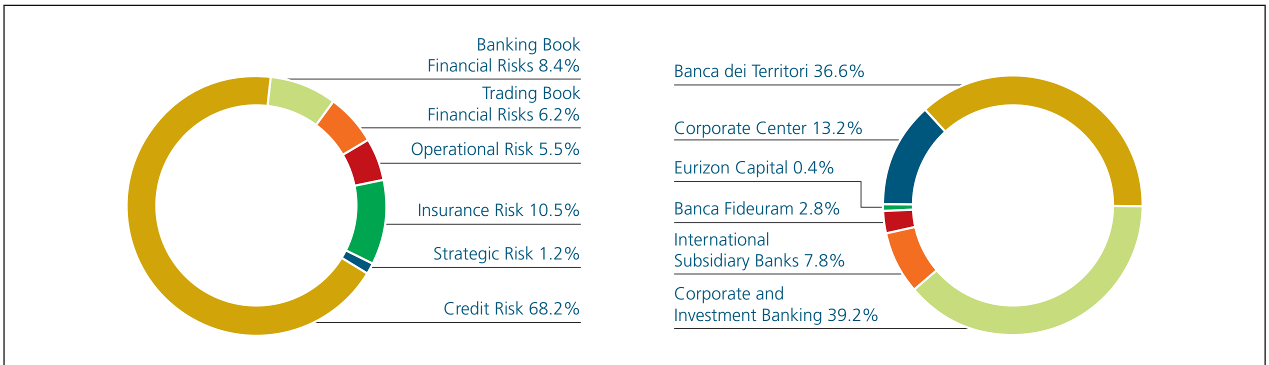
The Group adopts a Code of Ethics that sets out the basic values to which it intends to commit itself and enunciates the voluntary principles of conduct for dealings with all stakeholders (customers, employees, suppliers, shareholders, the environment and, more generally, the community) with broader objectives than those required by mere compliance with the law. The Group has also issued voluntary conduct policies (environmental policy and arms industry policy) and adopted international principles (UN Global Compact, UNEP FI, Equator Principles) aimed at pursuing respect for the environment and human rights.
The Group aims to achieve constant improvement of reputational risk governance also through an integrated compliance risk management system, as it considers compliance with the regulations and fairness in business to be fundamental to the conduct of banking operations, which by nature is founded on trust.
Particular attention is also devoted to establishing and managing customers' risk tolerance, through the identification of their various risk appetite profiles according to subjective and objective traits of each customer.
Particular consideration has been given to financial advisory services for customers, for which the MiFID Directive was taken as an opportunity to update the entire marketing process and associated controls.
Accordingly, the Group has reinforced its longstanding general arrangement, which calls for the adoption of processes supported by quantitative methods for managing the risk associated with customers' investments in accordance with a broad interpretation of the law with the aim of safeguarding customers' interests and the Group's reputation.
This has allowed assessments of adequacy during the process of structuring products and rendering advisory service to be supported by objective assessments that contemplate the true nature of the risks borne by customers when they undertake derivative transactions or make financial investments.
More in particular, the marketing of financial products is also governed by specific advance risk assessment from the standpoint of both the Bank (along with risks, such as credit, financial and operational risks, that directly affect the owner, whether credit, financial or operational) and the customer (portfolio risk, complexity and frequency of transactions, concentration on issuers or on foreign currency, consistency with objectives and risk tolerance profiles, and knowledge and awareness of the products and services offered).

Risk on owned real-estate assets

The risk on owned real-estate assets may be defined as risk associated with the possibility of suffering financial losses due to an unfavourable change in the value of such assets and is thus included in the category of banking book financial risks. Real-estate management is highly centralised and represents an investment that is largely intended for use in Company operations. The degree of risk in the portfolio of owned properties is represented by using a VaR-type model based on indexes of mainly Italian real estate prices, which is the main type of exposure associated with the Group's real-estate portfolio.

Absorption of Economic Capital by type of risk and Business Unit

The following is an illustration of the breakdown of the Group's Economic Capital by type of risk and Business Unit.



The absorption of Economic Capital by Business Unit reflects the distribution of the Group's various activities and the specialisations of the business areas.
The majority of risk is concentrated in the "Corporate & Investment Banking" Business Unit (39.2% of the total Economic Capital): this is attributable to the type of customers served (Corporate and Financial Institutions) and to the main activities (Investment Banking and Capital Market). In fact, a significant portion of credit risk and trading book risk is attributable to this Business Unit, as well as a significant portion of the Banking Book financial risk (mainly equity).
The "Banca dei Territori" Business Unit (36.6% of the total Economic Capital) is the second source of absorption of Internal Capital, in line with its role as core business of the Group, serving Retail, Private and Small/Middle Corporate customers. It has a sizeable portion of the credit risk component, as well as operational risk and insurance risk.
The "International Subsidiary Banks" and "Banca Fideuram" Business Units are assigned 7.8% and 2.8% of the total risk, predominantly credit risk respectively.

In addition to credit risk, the "Corporate Centre" is attributed with the risks typical of this Business Unit, namely those resulting from investments, as well as the Banking Book interest rate risk, specifically in the management of core deposits.
Absorption of Economic Capital by Eurizon Capital is marginal (0.4%) due to the nature of its business, which is predominantly oriented to asset management activities.

Basel 3 regulations and the Internal Project

With effect from 1 January 2014, the reforms of the accords by the Basel Committee ("Basel 3") were implemented in the EU legal framework. Their aim is to improve the banking sector's ability to absorb shocks arising from financial and economic stress, whatever the source, improve risk management and governance, and strengthen banks' transparency and disclosures. In doing so, the Committee maintained the approach based on three Pillars, which was at the basis of the previous capital accord, known as "Basel 2", supplementing and strengthening it to increase the quantity and quality of intermediaries' available capital as well as introducing counter-cyclical regulatory instruments, provisions on liquidity risk management and financial leverage containment.
The EU implemented "Basel 3" through two legislative acts:

– Regulation (EU) No. 575/2013 of 26 June 2013 (CRR), which governs the prudential supervision requirements of Pillar 1 and public disclosure requirements (Pillar 3);
– Directive 2013/36/EU of 26 June 2013 (CRD IV), which, among other things, deals with the access to the activity of credit institutions, freedom of establishment, freedom to provide services, supervisory review process, and additional equity reserves.

EU legislation is complemented by the provisions issued by the Bank of Italy and referring to Circular no. 285 of 17 December 2013, which contains the prudential supervision regulations applicable to banks and Italian banking groups. The provisions were reviewed and updated to adjust the internal regulations to include the new elements of the international regulatory framework, with special reference to the new regulatory and institutional structure of banking supervision of the European Union and to the needs detected while supervising banks and other intermediaries.

In order to comply with the new rules envisaged by Basel 3, the Group has undertaken adequate project initiatives, expanding the objectives of the Basel 2 Project in order to improve the measurement systems and the related risk management systems.
Additional information on own funds, which are now calculated according to the Basel 3 rules, and on capital ratios of the Group is provided in the section on balance sheet aggregates: Own funds and capital ratios, and in the document Basel 3 Pillar 3.

With respect to credit risks, the Group received authorisation to use internal ratings-based approaches effective from the report as at 31 December 2008 on the Corporate portfolio for a scope extending to the Parent Company, network banks in the Banca dei Territori Division and the main Italian product companies.
Progressively, the scope of application has been gradually extended to include the SME Retail and Retail Mortgage portfolios, as well as other Italian and international Group companies, as shown in the following table.

<table>
<tr><th></th><th>Corporate
FIRB</th><th>Corporate
AIRB LGD</th><th>SME Retail
IRB LGD</th><th>Retail Mortgage
IRB LGD</th></tr>
<tr><td>Intesa Sanpaolo</td><td rowspan="9">Dec - 2008</td><td rowspan="9">Dec - 2010</td><td rowspan="9">Dec - 2012</td><td rowspan="8">Jun - 2010</td></tr>
<tr><td>Banco di Napoli</td></tr>
<tr><td>Cassa di Risparmio del Veneto</td></tr>
<tr><td>Cassa di Risparmio in Bologna</td></tr>
<tr><td>Cassa di Risparmio del Friuli Venezia Giulia</td></tr>
<tr><td>Cassa dei Risparmi di Forlì e della Romagna</td></tr>
<tr><td>Banca dell'Adriatico</td></tr>
<tr><td>Banca di Trento e Bolzano</td></tr>
<tr><td>Mediocredito Italiano</td><td>n.a.</td></tr>
<tr><td>Gruppo Cassa di Risparmio di Firenze</td><td>Dec - 2009</td><td>Dec - 2010</td><td>Dec - 2012</td><td>Jun - 2010</td></tr>
<tr><td>Cassa di Risparmio dell'Umbria</td><td>n.a.</td><td>Dec - 2010</td><td>Dec - 2012</td><td>Dec - 2011</td></tr>
<tr><td>Cassa di Risparmio della Provincia di Viterbo</td><td>n.a.</td><td>Dec - 2010</td><td>Dec - 2012</td><td>Dec - 2011</td></tr>
<tr><td>Cassa di Risparmio di Rieti</td><td>n.a.</td><td>Dec - 2010</td><td>Dec - 2012</td><td>Dec - 2011</td></tr>
<tr><td>Banca Monte Parma</td><td>n.a.</td><td>Dec - 2013</td><td>Mar - 2014</td><td>Dec - 2013</td></tr>
<tr><td>Banca Prossima</td><td>n.a.</td><td>Dec - 2013</td><td>Dec - 2013</td><td>n.a.</td></tr>
<tr><td>Banca IMI</td><td>n.a.</td><td>Jun - 2012</td><td>n.a.</td><td>n.a.</td></tr>
<tr><td>Intesa Sanpaolo Bank Ireland</td><td>Mar - 2010</td><td>Dec - 2011</td><td>n.a.</td><td>n.a.</td></tr>
<tr><td>Vseobecna Uverova Banka</td><td>Dec - 2010</td><td>Jun - 2014</td><td>Jun - 2014</td><td>Jun - 2012</td></tr>
</table>

Compared to the situation reported as at 31 December 2013 note the mergers by incorporation into the Parent Company Intesa Sanpaolo of Cassa di Risparmio di Venezia and Banca di Credito Sardo and the mergers by incorporation into Mediocredito Italiano of Mediofactoring and Leasint.

Dedicated rating approaches have been developed for the Banks and Public Entities Portfolio, which were the subject of a pre-validation inspection by the Supervisory Authority conducted in December 2013 as part of the process leading up to the application for authorisation to be submitted in the first quarter of 2015.
The Group is also proceeding with development of the IRB systems for the other segments and the extension of the scope of

companies for their application in accordance with a plan presented to the Supervisory Authority.
With reference to the Parent Company Intesa Sanpaolo and to Banca IMI, the Bank of Italy granted the authorisation to use the internal counterparty risk model for regulatory purposes, starting from the first quarter of 2014.

With regard to Operational Risk, the Group obtained authorisation to use the Advanced Measurement Approach (AMA – internal model) to determine the associated capital requirement for regulatory purposes, with effect from the report as at 31 December 2009. The scope of application of the advanced approaches expanded progressively in accordance with the roll out plan presented to the Management and to the Supervisory Authorities. For additional details, see the section on operational risks.

The adequacy of the internal control system for risks is also illustrated in the annual Internal Capital Adequacy Assessment Process Report, based on the extensive use of internal approaches for the measurement of risks and for the calculation of internal capital and total capital available. The document was approved and sent to the Bank of Italy in April 2014.

As illustrated in details in the Report of Operations, the Intesa Sanpaolo Group has far exceeded the thresholds required by the 2014 EU-wide Comprehensive Assessment. The test was carried out on the balance sheets by the European Central Banks and by the authority of European bank at 31 December 2013 and the test consisted of an asset quality review (AQR), as well as an exercise examining the impact of a negative macroeconomic scenario on banks' capital (Stress Test).

As part of its adoption of Basel 3, the Group publishes information concerning capital adequacy, exposure to risks and the general characteristics of the systems aimed at identifying, monitoring and managing them in a document entitled "Basel 3 - Pillar 3" or simply "Pillar 3".
The document is published on the website (www.group.intesasanpaolo.com) each quarter.

The internal control system

To ensure a sound and prudent management, Intesa Sanpaolo combines business profitability with an attentive risk-acceptance activity and an operating conduct based on fairness.
Therefore, the Bank, in line with legal and supervisory regulations in force and consistently with the Corporate Governance Code for listed companies, has adopted an internal control system capable of identifying, measuring and continuously monitoring the risks typical of its business activities.
Intesa Sanpaolo's internal control system is built around a set of rules, functions, structures, resources, processes and procedures aimed at ensuring, in compliance with sound, prudent management, the achievement of the following objectives:
- the verification of the implementation of Company strategies and policies;
- the containment of risk within the limits indicated in the reference framework for determining the Bank's risk appetite (Risk Appetite Framework – RAF);
- the safeguarding of asset value and protection from losses;
- the effectiveness and efficiency of the Bank processes;
- the reliability and security of Company information and IT procedures;
- the prevention of the risk that the Bank may be involved, including involuntarily involved, in illegal activities (with especial regard to those relating to money-laundering, usury and financing for terrorism);
- the compliance of transactions with the law and supervisory regulations, as well as internal policies, procedures and regulations.

The internal control system plays a crucial role and involves the entire Company organisation (boards, units, hierarchical levels, all personnel). In compliance with the provisions set out in Chapter 7 of Circular no. 263 of 27 December 2006 - 15th update issued by the Bank of Italy in July 2013, the "Regulations regarding the integrated internal control system" were issued in July 2014. The purpose of these Regulations is to define the guidelines for the internal control system of Intesa Sanpaolo, as Bank and as the Parent Company of the group, by outlining the reference principles and defining the responsibilities of the bodies and functions with control duties that contribute, in various ways, to the correct operation of the internal control system, as well as identifying the coordination methods and information flows that favour the integration of the system. The structure of internal controls is also outlined by the entire set of company documentation (regulatory framework) that provides organised and systematic access to the guidelines, procedures, organisational structures, and risks and controls in force, incorporating all the Company policies, the instructions of the Supervisory Authorities, and provisions of law, including the principles laid down in Legislative Decree 231/2001 and Law 262/2005.
The regulatory framework consists of "Governance Documents" that oversee the operation of the Bank (Articles of Association, Code of Ethics, Group Regulations, Authorities and powers, Policies, Guidelines, Function charts of the Organisational Structures, Organisational Models, etc.) and of more strictly operational regulations that govern business processes, individual operations and the associated controls.

More specifically, the Company rules set out organisational solutions that:
- ensure sufficient separation between the operational and control functions and prevent situations of conflict of interest in the assignment of responsibilities;
- are capable of adequately identifying, measuring and monitoring the main risks assumed in the various operational segments;
- enable the recording, with an adequate level of detail, of every operational event and, in particular, of every transaction, ensuring their correct allocation over time;
- guarantee reliable information systems and suitable reporting procedures for the various managerial levels assigned the functions of governance and control;
- allow the prompt notification to the appropriate levels within the Company and the swift handling of any anomalies found by the business units and the control functions;
- ensure adequate levels of business continuity.

The Company's organisational solutions also enable the uniform and formalised identification of responsibilities, particularly in relation to the tasks of controlling and correcting the irregularities found.
At Corporate Governance level, Intesa Sanpaolo has adopted a dual corporate governance system, in which the functions of

control and strategic management, performed by the Supervisory Board, are separated from the management of the Company, which is exercised by the Management Board in accordance with the provisions of art. 2409-*octies* and subsequent of the Italian Civil Code and art. 147-*ter* and subsequent of the Consolidated Law on Finance.
The Supervisory Board established an Internal Control Committee within the Board (which replaced the Control Committee on 19 December 2014) which proposes, advises and enquires on matters regarding the internal control system. The Committee also performs the duties and tasks of a Surveillance Body pursuant to Legislative Decree 231/2001 on the administrative liability of companies, supervising operations and compliance with the Organisational, Management and Control Model adopted by the Bank.

The Intesa Sanpaolo Group adopts an internal control system based on three levels, in line with the legal and regulatory provisions in force.

This model envisages the following types of control:
- Level I: line controls which aimed at ensuring proper performance of operations (for example, hierarchical, systematic and sample-based controls) and which, to the extent possible, are incorporated in the IT procedures. These are conducted by the same operating and business structures, also through a unit dedicated exclusively to control duties or carried out by the back office;
- Level II:
- risk and compliance controls for the purpose of ensuring, inter alia:
  - the correct implementation of the risk management process;
  - compliance with the operating limits assigned to the various functions;
  - compliance of company operations with the rules, including self-governance rules.

  The functions in charge of said controls are separate from production functions and contribute to defining the risk governance policies and the risk management process. In the Intesa Sanpaolo Group, Level II includes the following Parent Company structures and the equivalent local units of the Group companies, where established:
  - Compliance Department, which carries out a compliance function, as defined by the reference regulations;
  - Anti-Money Laundering Service, which performs an "anti-money laundering function" as defined by the reference regulations;
  - Risk Management Department, Credit Quality Monitoring and Internal Validation Service, which perform, each to the extent of its responsibilities, the duties assigned to the "risk management function" as defined by the reference regulations.
- Level III: internal audit controls to identify breaches of procedures and regulations, as well as to assess periodically the completeness, adequacy, functionality (in terms of efficiency and effectiveness) and reliability of the organisational structure of the other components of the internal control system and the IT system at Group level, at scheduled deadlines in relation to the nature and intensity of the risks. In the Intesa Sanpaolo Group, internal auditing is carried out by the Internal Auditing Department of the Parent Company and the equivalent local units of Group companies, where established.

The internal control system is periodically reviewed and adapted in relation to business development and the reference context.

Intesa Sanpaolo has an internal control structure consistent with the indications provided by the Supervisory Authorities.

Manager responsible for preparing the Company's financial reports

Control of the reliability of the company's financial reports is carried out in compliance with the provisions of Art. 154-bis of the Consolidated Law on Finance and the other implementing provisions issued by regulators. The exercise of said role, assigned to the responsible Manager to prepare the Company's financial reports. It also extends to the function of supervision of the financial reporting process and statutory audit process, required of public interest entities (Art. 19 of Legislative Decree 39/2010), as well as the supervisory rules on the administrative and accounting system required of companies that control companies governed by laws of non-European Union countries (Article 36 of Consob Market Regulation).

For the purposes of a harmonised coordination of the regulatory provisions, the Manager responsible for preparing the Company's financial reports oversees the fulfilment of the obligations according to a shared approach at Group level, approved by the Management Board, with the favourable opinion of the Supervisory Board.
With regard to company financial reporting, said Manager:
- guides the Group companies, coordinating the instructions for the correct and uniform application of the accounting standards and measurement criteria, formalised as part of the Group Accounting Regulations, subject to regular periodic updates;
- prepares the management and accounting procedures, taking care of their adaptation in relation to the corporate disclosure requirements defined by Regulators;
- oversees the correspondence between the corporate reporting and the accounting records; to this end, it promptly makes use of any information deemed necessary for the performance of its duties and coordinates the exchange of information with the independent auditors;
- submits public disclosures to the Management Board and certifies the compliance of financial documents and reports with the law.

With regard to monitoring of the financial reporting process, the Manager responsible for preparing the Company's financial reports:
- maintains a system of Information reports and flows with the Parent Company and the Group functions, in order to ensure effective monitoring of the consistency of balance sheet, income statement and financial positions, especially with reference to the main risks and uncertainties to which the Group may be exposed, monitoring the reliability of the data acquisition process and the process of disclosure of the relevant information;
- oversees the internal control system on the financial reporting process, submitting to the Management Board audit plans to ensure the adequacy and effective application of management and accounting procedures over the period, also by subsidiaries subject to the laws of countries that are not European Union Member States, in accordance with the provisions

laid down by Article 36 of the Consob Market Regulation; following the assessment of the audit findings, a Report on the internal control system functional to the financial reporting process is drafted;
- provides feedback on recommendations formulated by the independent auditors at the end of the audit of the Parent Company's and consolidated financial statements for the purpose of continuous improvement of procedures affecting accounting data;
- monitors the assignments granted to independent auditors to supervise the auditors' independence and impartiality, in compliance with legal provisions and in accordance with methods governed by Company Regulations;
- shares with the Supervisory Board, pursuant to Law 231/2001 the findings of the audit plan carried out by the Manager responsible for preparing the Company's financial reports in implementation of the monitoring of the financial reporting process, for the prevention of criminal and administrative offences as described in the "Organisation, Management and Control Model pursuant to Legislative Decree No. 231 of 8 June 2001".

Certification as required by art. 154-bis of the Consolidated Law on Finance

As required by art. 154-bis of the Consolidated Law on Finance, the delegated administrative bodies and the Manager responsible for preparing the Company's financial reports are to certify the following for the separate and consolidated financial statements in specific reports:
- adequacy and actual application of administrative and accounting procedures;
- compliance with international accounting standards;
- documents matching the accounting books and records;
- suitability of the documents to provide a true and fair view of the assets, liabilities, profit or loss and financial position of the issuer and of the companies included in the scope of consolidation;
- the report on operations includes a reliable analysis of business performance and results, as well as of the position of the issuer and the companies included in the scope of consolidation, together with a description of the main risks and uncertainties to which they are exposed.

Within Intesa Sanpaolo, the monitoring of the accounting and financial reporting process is based on the review of:
- the completeness and consistency of the information disclosed to the market, enhanced by the supervision of the internal communications processes, through the management of a structured system of information flows that the functions of the Parent Company and Group Companies regularly submit, reporting significant events for the purposes of accounting and financial reporting, especially as regards the main risks and uncertainties to which they are exposed;
- compliance of the processes and procedures used for the preparation of the company financial reports, verifying, in particular, the consistency of the auditing approach and the proper conduct of the activities functional to the financial reporting process;
- the focus of the audits is represented by the work stages which, within business processes, entail the recording, processing, evaluation and presentation of data and information, as well as of the IT architecture and application monitoring rules, especially with reference to the management of operations and development interventions on the summary systems instrumental to the financial reporting process.

The principles, criteria and instructions applied to ensure the consistency and reliability of the information included in the company accounting documents are illustrated in detail in Part A of the Notes to the financial statements.
The organisational model of supervision of the adequacy of administrative and accounting procedures and the effectiveness of the control system on the financial reporting process are governed by the Company Regulations Guidelines for Administrative and Financial Governance.
Specifically, the supervisory model involves:
- the determination of the existence and compliance of the internal control system at corporate level, through the examination, conducted by the internal audit Function, of the governance systems, the presence and dissemination of standards of conduct inspired by ethics and integrity, consistency of the organisational structures and transparent attribution of powers and responsibilities, the effectiveness of risk policies, the soundness of fraud prevention systems and the impact of codes of conduct and personnel disciplinary systems;
- the formalisation of the significant company processes for financial reporting, with specific focus on risks and controls that characterise the phases of recording, processing, assessment and representation of data and information functional to preparing company accounting documents and financial communications to the market. In addition to the financial reporting processes (for example: accounting, financial statements, reporting, management control, risk control), business processes are also envisaged (for example: credit, finance, asset management, insurance), referring to the phases of measurement and reporting of assets and liabilities recorded in the accounting books and represented in corporate documents, and the operations processes supporting transactional and administrative records;
- the performance of an annual audit plan to certify the adequacy of the procedures and the effectiveness of the controls in place, by way of comparison of the methodologies that govern the management of transactions within the scope of business processes and the forms of monitoring of the stages associated with the recording, evaluation and presentation of accounting data and financial information;
- the conduct of an annual audit plan to certify the systematic application of IT architecture governance rules with reference to the processing steps instrumental to the preparation of accounting and financial reports;
- the preparation, for each significant Group Company, of an internal control system Report on the financial reporting process, which sets out: a) the main profiles of operational and valuation complexity of the business, indicating the organisational set up and the application architectures instrumental to the financial reporting process, together with the related control procedures; b) the findings of audits conducted during the year, indicating any shortcomings found and action taken to remedy them; and c) the recommendations expressed by the independent auditors in conducting the legal audit to improve procedures affecting the accounting data;
- the formulation of an opinion on the internal control system on the financial reporting process, upon the outcome of the monitoring over the correct implementation of the regulations, the audits conducted on the scope of companies and the

performance of the evaluation process on a consolidated basis to ensure the application of standard opinion-forming criteria, further studying the material nature of critical points found in relation to the consolidated financial statements;
- the management of the communication processes between the Manager responsible for preparing the Company’s financial reports and the Control Bodies, the corporate Control Functions and Internal Auditing function, in accordance with the provisions set out in the Regulations on the integrated internal control system;
- the management of the communication processes between the Manager responsible for preparing the Company’s financial reports and the corporate bodies and independent auditors pertaining to legal and regulatory obligations.

To conclude the preparation of the Company's financial reports according to the rules and criteria set out in Part A of the Notes to the financial statements, and the supervisory activities conducted on the financial reporting process set out in the Guidelines for Administrative and Financial Governance, Managing Director and CEO and the Manager responsible for preparing the Company's financial reports sign the certifications required by Art. 154 bis of the Consolidated Law on Finance.

The certifications are included in the reports (one for the consolidated financial statements and one for the Parent Company’s financial statements) and are provided to the public according to the model established by Consob Regulation (Annex 3c-ter of the Issuers Regulation).

In relation to the presentation of corporate documents, the correctness of the accounting records and the grounds for the representations in the financial statements are also subject to an independent assessment by the independent auditors. The auditors continuously exchange information with the Manager responsible for preparing the Company's financial reports, also in relation to any areas for improvement in the administrative and accounting procedures and the system of controls on financial reporting processes they may recommend.

Report pursuant to Art. 36 of the Market Regulation
As is common knowledge, Consob (the Italian Securities and Exchange Commission), in accordance with Law 262/2005 governing the protection of savings and the regulation of financial markets, has set certain conditions for the listing of companies that control companies incorporated and subject to the laws of non-EU member states (art. 36, paragraph 1 of the Market Regulation). In the cases of subsidiaries based in non-EU member states that are of material significance, the parent company listed in Italy is to:
a) provide the public with access to the accounting positions of subsidiaries prepared for the purposes of drafting the consolidated financial statements, including at least the balance sheet and income statement;
b) obtain from its subsidiaries their articles of association, membership and powers of the control bodies;
c) determine that their subsidiaries: provide the independent auditor of the parent company with the information necessary to perform annual and interim audits of the parent company; and ii) enjoy access to an administrative and accounting system appropriate for regular reporting to the management and independent auditor of the parent company of the income statement, balance sheet and cash flow data necessary for the preparation of the consolidated financial statements.

The administrative body of the listed parent company is to certify in the report on operations that the conditions required by this legislation are met, at the time of the approval of the annual financial statements. The control body of listed parent company is to inform Consob and the stock exchange company of any events and circumstances that entail the unsuitability of the subsidiary’s administrative and accounting system to the conditions mentioned above.

In this regard, with specific reference to the set of subsidiaries based in non-EU member states and the provisions of the above-mentioned article 36, Intesa Sanpaolo has implemented an audit plan aimed at verifying that the foregoing conditions are met:
- determining that the companies’ administrative and accounting systems are suited to regularly providing the competent department within the parent company and its independent auditors with the income statement, balance sheet and cash flow data required for the preparation of the consolidated financial statements and control activity;
- regularly obtaining the required company information and ensuring that the public is provided access to the accounting positions prepared by the companies for the purposes of drafting the consolidated financial statements.

On conclusion of the activities performed and the verifications conducted, compliance with the conditions required by Art. 36 of the Market Regulation is confirmed.

The Risk Committee, Management Board and Supervisory Board have been informed of compliance with the provisions which govern companies incorporated in and subject to the laws of non-EU member states, with a specific notice (provisions of article 36 of the Markets Regulation) in the broader periodic report on the internal control system for financial reporting already drafted pursuant to article 154-*bis* of the Consolidated Law on Finance (see point 3.2), and contains an illustration of the overall governance and control activities performed in accordance with the various provisions of laws and internal Group regulations governing the supervision of financial reporting, organically coordinated by the Manager responsible for preparing the Company’s financial reports.

Risk Management
The Risk Management Department is responsible for operational implementation of the management strategies and guidelines for risk along the Bank’s entire decision-making chain, down to individual operational units. The Risk Management Department is responsible for the risk exposure methods and controls implemented in each business unit, reporting on the overall situation to the corporate governance bodies. It proposes the annual update of the RAF to the Chief Risk Office and operational limits for financial risks (for both the banking and trading books, promotes the use of risk measurement tools during the credit granting and managing process and the concentration process; it oversees the methodological and organisational framework for operational risks, adopts capital-at-risk measurements for management reporting and assessment of the Group’s internal capital adequacy and ensures that statutory reports are sent to the Supervisory Authorities.
The Department’s tasks and functions are discussed in detail in the subsequent chapters of Part E.

Credit Quality Monitoring Unit

Credit Quality Monitoring, as a Group Level II Control Function, is responsible for the ongoing monitoring of the quality, composition and evolution of the Bank's credit portfolio.
It fulfils its mission through structured monitoring activities on the various credit granting and management processes, following the related steps for each administrative risk status, including with respect to credit deterioration, in terms of the consistency of classifications, provisioning and recovery processes. It also initiates any corrective measures that the Bank must implement and those in relation to the Chief Lending Officer and Loan Recovery Department, according to the responsibilities over the positions.
It also carries out monitoring and control of the rating allocation and update processes.
Credit Quality Monitoring gears its audit activities towards individual exposures or clusters of exposures with "risk based" criteria. In general, the development of the audit activities includes a preliminary examination of the individual credit processes in order to verify that level I controls are correctly put in place, as well as their regulatory framework and implementation methods.
It monitors the correct implementation by the Bank of regulations concerning control over credit quality. It ensures, in relation to the Bank, the periodic reporting one the evolution and quantitative and qualitative composition of its credit portfolio, its processes for granting and managing loans, the results of the monitoring and control activities performed and the remediation actions requested and implemented, which it submits to the corporate and control bodies of the Bank, if necessary, to the control bodies of the Parent Company.
Lastly, Credit Quality Monitoring assigns the Chief Risk Officer the powers to grant and manage loans, defining the limits and criteria for their determination as regards the Bank's levels of autonomy, above which it must request a compliance opinion from the Parent Company.
Moreover, the Unit examines and submits to the Chief Risk Officer for approval, the decision-making powers adopted by the Bank for limits lower than those set for the request for the compliance opinion. Lastly, it oversees the updating of the related regulations.

Internal Validation

The internal control system implemented by the Bank includes the validation function, the purpose of which is ongoing evaluation, in accordance with the New Supervisory Regulations for banks[8], of the compliance of internal risk measurement and management systems over time as regards determination of the capital requirements with regulatory provisions, Company needs and changes in the market of reference. The validation function is entrusted to Internal Validation, which is responsible for the activity at the Group level in accordance with the requirements of supervisory regulations governing uniform management of the control process on internal risk measurement systems. The Internal Validation Unit reports directly to the Chief Risk Officer and is independent of the units that manage internal system development activities and the internal auditing department. It ensures that internal models, whether already operational or in the development stages, are validated with regard to all risk profiles covered by Pillars 1 and 2 of the Basel Accord, in accordance with the independence requirements established by the reference regulations. With respect to the first pillar in particular, it conducts ongoing assessments of risk management and measurement systems in terms of models, processes, information technology infrastructure and their compliance over time with regulatory provisions, company needs and changes in the market of reference by developing adequate methodologies, tools and operating solutions.
Both during the initial application phase and on an ongoing basis (at least annually), the results of the Internal Validation Function’s activities, documented in accordance with pre-determined standards, are presented to the competent functions, transmitted to the Internal Auditing Department for its related internal auditing work, as well as to the competent managerial committees and governance bodies for the resolution certifying the compliance of internal systems with regulatory requirements, and forwarded to the Supervisory Authorities.
With respect to pillar-two risks, the Internal Validation Function conducts analyses of methodologies, verifying in particular that the measurement or assessment metrics adopted in quantifying significant risks are economically and statistically consistent, the methodologies adopted and estimates produced to measure and assess significant risks are robust and comparing alternative methodologies for measuring and aggregating individual risks. The analyses are conducted both in advance, when adopting/modifying the internal systems used for Pillar 2 purposes, and ex post as part of the prudential control process. The latter are summarised in the ICAAP report while, for substantial or significant modifications of internal systems, Internal Validation produces a report to be submitted to the competent Management Committees and the governance bodies[9].The unit also manages the internal validation process at the Group level, interacting with Supervisory Authorities, the company bodies of reference and the units responsible for the level-three controls provided for in regulations. The Internal Validation Unit adopts a decentralised approach for companies with local validation functions[10] (certain international companies), coordinating and supervising the activities of such companies, and a centralised approach for the others. The methodologies adopted were developed in implementation of the principles that inspire the Supervisory Regulations for banks, Community Directives, general orientations of international committees and best practices in the area and take the form of documentary, empirical and operating practice analyses.
The unit generally also provides advice and suggestions to company and Group functions on an ongoing basis with the aim of improving the efficacy of the processes of risk management, control and governance of internal risk measurement and management systems for determining capital requirements.

In 2014, the main validation activities in the area of credit risks pertained to:

- validation activities aimed at presenting the application for the adoption, for the purposes of calculating regulatory capital requirements, internal PD estimates for the Banking Book Equity portfolio;
- monitoring of the completion of measures taken in accordance with the requirements set in the regulatory capital “floor” revision order of summer 2011.

[8] EU Regulation no. 575/2013 (CRR); Bank of Italy Circular no. 285/2013; Bank of Italy Circular no. 263/2006, as amended (where applicable).
[9] In the event of substantial/significant modifications, the approval process requires that the Risk Management Department submit updates to the Internal Management System, accompanied by the impact analysis on the risk metrics and the report of the validation unit, to the competent Managerial Committee for approval. Subsequently, reporting is drawn up on those modifications to the Management Board and the Supervisory Board.
[10] Note that the functional reporting of local validation units to the Internal Validation Unit has been formalised.

- preliminary assessment for the operational adoption of the Other Retail approval model;
- half-yearly analyses on guarantees used to mitigate credit risk (mortgage, personal and financial guarantees).

In the cases of the international subsidiaries, Internal Validation conducted its own assessments in collaboration with the local validation functions, where present, so that the relevant applications could then be submitted to the competent Supervisory Authorities. In detail, analyses of the adequacy of internal risk measurement systems for the purposes of determining capital requirements for credit risk were completed for the following subsidiaries:
- VUB (Slovakia): pre-validation report for authorisation of the internal adoption of models relating to Non-Banking Financial Institutions (NBFI), assessment of the changes made to the validated Structured Finance models (RED / SPV) and updating of the Corporate model (IALC);
- PBZ (Croatia): pre-validation report for the authorisation of the internal adoption of Corporate, Specialised Lending and Residential Mortgages for Individuals (Housing/Mortgage) models;
- CIB (Hungary): pre-validation analyses for the Corporate PD model and the Specialised Lending Scorecards models;
- BIB (Serbia): pre-validation report for authorisation of the internal adoption of the Large and SME Corporate models;
- Banka Koper (Slovenia): support to activities concerning parallel calculation and Credit Risk Mitigation (CRM).

Validation activities for operational risk conducted in 2014 took the form of:
- analysis of the results obtained simultaneously by the AMA calculation engine developed by SAS and that under production (developed by R/Matlab) to verify that they match;
- verification of the strength of the model in the event of significant changes in the loss data during 2014 (internal and external);
- execution of ongoing validation analyses for the purpose of drawing up the annual report. These include the activity - conducted by the Internal Validation Unit for the first time during 2014 - of replicating and verifying the database used by the calculation engine to quantify capital requirements. For the purposes of such activities, the information drawn from documentary and empirical analyses (using Isidoro data) was supplemented by specific onsite inspections of international banks included in the scope of AMA (with the support of the local validation functions), aimed at ascertaining the actual application of the monitoring and management process for operational risks and by methodological analyses. Concurrently, in the first half of 2014, the Internal Validation Unit completed the Remote Verification Process for the Organisational Units/Legal Entities within the AMA scope.

The activity of the Internal Validation Unit relating to the market risk component focused on the following areas:
- periodic quantitative and qualitative analysis as part of the ongoing valuation activity (in particular, backtesting of the Value at Risk (VaR) model and stress testing of the Incremental Risk Charge (IRC) model);
- monitoring of the existing model for calculating stressed VaR, which entails a half-yearly revision of the adequacy of the historical stress period to be used in the calculation;
- verifications conducted to support the request to revise the add-ons defined by the Bank of Italy, to calculate the capital requirement for market risk using the internal model, in relation to the completion of the corrective measures requested.

The Bank of Italy also involved the Internal Validation Unit in the inspection concerning the AQR (Asset Quality Review). The customised analyses are part of a wider range of ongoing activities concerning pricing issues (for example, verification of the consistency of non-contributed bonds pricing among the end of quarter measurements carried out by the Risk Management Department, and operational pricing, monitored by Product Control of Banca IMI).

For Counterparty Risk, in March 2014 the Bank of Italy authorised Intesa Sanpaolo and Banca IMI to use the internal model for calculating capital requirements. As part of the quarterly update required, the Internal Validation Unit monitors the progress of the corrective measures implemented for the findings reported by the Bank of Italy in the authorisation letter. Preliminary validation activities were also conducted for the roll-out of the internal model to the Banks in the Banca dei Territori Division and to several product companies.

With regard to Pillar 2 risks, the following analyses have been planned to assess the methods to be used to calculate economic capital as at 31 December 2014:
- impact analysis on the use of management metrics in the portfolio model;
- analysis of economic capital for Pillar 2 credit risk (i.e., including the additional components compared to Pillar 1, for example, the concentration component) for International banks and comparison with the economic capital used for local ICAAP reporting;
- analysis of the banking book interest rate model;
- assessment of possible changes in the remaining Pillar 2 models (for example, adopting the PD/LGD approach for equity risk and the adoption of the stochastic LGD in the portfolio model);
- assessment of the corrective measures implemented or under way on findings of the Internal Valuation Unit during the previous ICAAP report.

Moreover, in 2014, the Risk Management Department conducted the annual valuation of the parameters of demand deposits to quantify shift sensitivity. The purpose of this valuation was to assess the need for re-estimation as a result of changes in the composition and amount of demand deposits. In light of the results, the Risk Management Department, in agreement with the Internal Validation Unit, decided it was not necessary to re-estimate the parameters.

The Compliance Department

The governance of compliance risk is of strategic importance to the Intesa Sanpaolo Group as it considers compliance with the regulations and fairness in business to be fundamental to the conduct of banking operations, which by nature is founded on trust.
Management of compliance risk is entrusted to the Compliance Department, which reports to the Chief Risk Officer, from a position of autonomy with respect to operating departments, and of separation from internal auditing.
The Group's Compliance Model is set out in the Guidelines approved by Intesa Sanpaolo's Management Board and Supervisory Board, which indicate the responsibilities and macro processes for compliance, set out to mitigate compliance risk through a joint

effort by all company functions. The Compliance Model was revised during 2014, with the aim of adapting to the new provisions on internal control systems issued by the Bank of Italy in July 2013, extending the responsibility of the compliance function to the management of compliance risk of all company operations.
The Compliance Department is responsible, in particular, for overseeing the guidelines, policies and methodologies relating to the management of compliance risk. Moreover:
- with regard to the regulatory areas of strategic importance to the Supervisory Authorities or for which centralised management of compliance risk is considered necessary, the Compliance Department is responsible for identifying and assessing compliance risks, proposing of the functional and organisational measures for their mitigation, assessing the consistency of the company's bonus system, conducting pre-assessments on the compliance of innovative projects, operations and new products and services, providing advice and assistance to the governing bodies and the business units in all areas with significant compliance risk, monitoring, including through the use of information provided by the other control functions, ongoing compliance, and promoting a corporate culture founded on the principles of honesty, fairness and respect for the spirit and the letter of the rules;
- for all other regulatory areas applicable to the Bank and exposed to the compliance risk, for which Specialist Functions vested with the necessary duties have been identified. The tasks assigned to the compliance Function are entrusted to said structures, without prejudice to the Compliance Department's responsibility for defining, through their collaboration, risk assessment methodologies and procedures aimed at mitigating those same risks and issuing an independent opinion of the compliance risk and the adequacy of the monitoring in place.

The Compliance Department submits periodic reports to corporate bodies on the adequacy of compliance control, with regard to all regulatory aspects applicable to the bank, which show compliance risks. On an annual basis, these reports include an identification and assessment of the primary compliance risks to which the Group is exposed and a schedule of the associated management measures, and on a half-yearly basis they include a description of the activities performed, critical issues noted, and remedies identified. A specific notice is also given when events of particular significance occur.
The Compliance Guidelines call for the adoption of two distinct models in relation to direction and control of the Group. These models are organised in such a way as to account for the Intesa Sanpaolo Group's structure in operational and territorial terms. In particular:
- compliance supervision activities for specifically identified Network Banks and Italian Companies whose operations show a high degree of integration with the Parent Company are centralised with the Compliance Department;
- for the other Companies, specifically identified on the basis of the existence of a legal obligation or there material nature, as well as for International Branches an internal compliance function is established and a local Compliance Officer is appointed, which are assigned compliance responsibilities. The local Compliance Officers of the subsidiaries functionally report to the Compliance Department, while the branches have hierarchical reporting, except in specifically identified cases where they carry out functional reporting.

The activities carried out during the year concentrated on the regulatory areas are considered to be the most significant in terms of compliance risk, includingthe most significant ongoing projects that are part of the Company Strategic Plan, as well as the measures to comply with new regulations enacted at an international level (e.g., MiFID 2 and MiFIR, EMIR, the Dodd Frank Act and the short-selling law). In particular:
- in the financial intermediation and investment services area, monitoring of the procedural organisational structure in support of the service model adopted by the Bank continued, also in light of the Guidelines on suitability issued by ESMA in July 2012 concerning adequacy, a project for adjustment to MiFID 2 and MiFIR was launched at Group level. Work also continued in the area of monitoring personal transactions, clearing new products and services and controlling customer operations in order to prevent market abuse. In the area of conflict of interest management and the circulation of insider information, work continued to be done with the aim of enhancing the model adopted by the Bank;
- legislative developments in the areas of banking products and services were monitored, with a particular focus on the issue of transparency, consumer credit and usury. Rules, procedures and operational practices were established to prevent violations or infractions of applicable rules governing such products and services in order to ensure that support and guidance are provided to business units with the aim of ensuring that customer-protection provisions are properly managed;
- in the area of insurance and pension services, business functions received constant advice, concerning in particular policies paired with mortgages and motor policies. In addition, initiatives continued with the aim of enhancing governance of compliance risks pertaining to the insurance and pension segment, with respect to the Group's distribution networks. In particular, the Bank's service model for insurance products was defined through the formalisation of rules for the sale of Life Business Class I policies, Non-Life and Protection products;
- the organisational, management and control Model pursuant to Italian Legislative Decree 231/2001 was overseen by verifying its compliance with the Company regulations and coordinating verification of its proper implementation.

Concurrently, the progressive implementation of the new Compliance model was launched on the specialised functions, with a primary focus, pursuant to a risk-based approach, on the tax and ICT areas, and the models and methods for strengthening assurance activities were defined.
Additional activities were aimed at reinforcing management and coordination activity for international subsidiaries, with the aim of implementing a supervisory model comparable to that adopted by the Parent Company, involving the establishment of shared control guidelines and standards for the most sensitive areas.
Considerable importance was attached to personnel training programmes, involving the implementation, in collaboration with the competent company functions, of initiatives aimed at pre-defined targets in order to maximise their efficacy.

The Anti-Money Laundering Function

In August 2011, in line with the regulatory provisions issued by the Bank of Italy on 20 March 2011, responsibilities in the area of the prevention of money laundering and embargo management, previously entrusted to the Compliance Department, were reassigned to a specific Anti-Money Laundering Function reporting directly to the Chief Risk Officer. The Function is charged with monitoring compliance risk in the area of money laundering, combating financing of terrorism and embargo management by:
- laying down the general principles to be adopted within the Group for the management of compliance risk;
- conducting ongoing monitoring, with the support of the competent functions, of developments in the national and international context of reference, verifying the adequacy of company processes and procedures with respect to applicable

regulations and proposing appropriate organisational and procedural changes;
- providing advice to the functions of the Parent Company and subsidiaries on a centralised basis and establishing adequate training plans;
- preparing appropriate periodic information for corporate bodies and top management;
- discharging the required specific obligations on behalf of the Parent Company and subsidiaries on a centralised basis, including, in particular, enhanced customer reviews, controls of proper management of the Single Electronic Archive and the assessment and monthly submission to the Financial Reporting Unit of data relating to aggregated anti-money laundering reports, and the assessment reports of suspicious transactions received from operating departments for the submission to the Financial Reporting Unit of reports deemed accurate.

During 2014, the Anti-Money Laundering Function devoted the utmost attention to projects aimed at reinforcing coverage of the Group's Italian and international companies in the area of money laundering and embargoes, including in light of the new provisions of law enacted at the national and international level and instructions from the Supervisory Authorities. In further detail, organisational, IT and training activities were performed with the aim of implementing applicable regulations in this area.

The Internal Auditing Department

Internal auditing activities are performed by the Internal Auditing Department, which reports directly to the Chairman of the Management Board and the Chairman of the Supervisory Board. It also liaises with the Control Committee and has no direct operating responsibilities.

The Department has a structure and a control model which is organised consistently with the organisational model of Intesa Sanpaolo and, more generally, of the Group.

As part of its duties, the Department also liaises with the Internal Auditing departments of the Group’s Italian and international companies.

The Internal Auditing Department performs overall level 3 assessment of the internal control system, reporting possible improvements to the corporate bodies, with specific regard to the RAF, the risk management process and risk measurement and control instruments.

In particular, the Department assesses the completeness, adequacy, functionality and reliability of the components of the internal control systems, the risk management process and corporate processes, also with regard to their capacity to identify errors and irregularities. In this context, amongst others, it audits the risk control and regulatory compliance departments, through participation in plans so as to create value added and to improve the effectiveness of the control and corporate governance processes. The audit action directly concerns Intesa Sanpaolo and the Group companies.

The Internal Auditing Department is also responsible for assessing the effectiveness of the processing of defining the Risk Appetite Framework, the internal consistency of the overall framework and its compliance with Bank operations.

The Head of the Internal Auditing Department enjoys the due autonomy and independence from operating departments. The Department has free access to the activities, data and documents of all company functions.

The Department uses personnel with the appropriate professional skills and expertise and ensures that its activities are performed in accordance with international best practices and standards for internal auditing established by the Institute of Internal Auditors (IMIA).

The Department has earned the maximum rating in the external Quality Assurance Review envisaged by the international standards “Generally Compliant.”

In performing its duties, the Department uses structured risk assessment methods to identify existing situations of greatest interest and the main new risk factors. Based on the assessments emerging from risk assessment and the resulting priorities, and from any specific requests for further enquiry expressed by top management and corporate bodies, it prepares and submits an Annual Intervention Plan for prior examination by the Internal Control Committee.and the plan was subsequent approved by the Management Board and the Supervisory Board, on the basis of which it conducts its activities during the year, in addition to a Long-Term Plan with hedging commitments.

During 2014, auditing was performed directly for the Parent Company, Intesa Sanpaolo, the Network Banks and other subsidiaries under an outsourcing contract. For the other Group companies with their own internal audit departments, controls were conducted (indirect surveillance).

The continuing delicate economic scenario conditioned supervision activity. Consequently, in accordance with instructions issued by the Internal Control Committee and the top management, audits were primarily aimed at monitoring the evolution of the risks associated with credit quality, internal capital adequacy estimation criteria and international activities. Particular attention was also devoted to the themes of compliance with money laundering prevention regulations.

Control activity was generally oriented towards the processes carried out by company functions with the aim of assessing:
- the functionality of line and second-level controls;
- the reliability of operating departments and delegation mechanisms;
- the accuracy of the information available in the various activities and the adequate use of the same.

Direct surveillance, both on-site and remote, was carried out in particular through supervision of processes relating to:
- credit granting, management and classification, verifying its adequacy with respect to the risk control system and the functioning of measurement mechanisms in place;
- measurement, management and control of the Group’s exposure to various market, counterparty, property, liquidity, interest rate, operational, credit and country risks. Particular attention was dedicated to the adequacy of the processes and criteria for estimating internal capital with respect to the Risk Appetite Framework as well as in accordance with the Prudential Supervisory regulations;
- controls carried out by compliance risks governance functions and operating functions, in particular on provisions of law concerning money laundering, investment services, transactions with related parties and the administrative liability of entities pursuant to Legislative Decree 231/01;
- IT system development and management, to ensure their reliability, security and functionality;
- management of financial operations with the aim of verifying the adequacy of related risk control systems;
- management of operations.

Control activity was then completed through:
- measures affecting Italian product company subsidiaries, with a priority focus on credit quality and processes, as well as on money laundering prevention and embargo processes;

- verification of the operations performed by foreign banks, companies and branches, with interventions by both local internal auditors and internal auditors from the Parent Company;
- control of the governance activity performed by the Parent Company for the International Subsidiary Banks;
- timely performance of the assessments requested by Supervisory Authorities in specific areas such as management remuneration and incentive systems, the Parent Company's management and coordination powers over asset management companies, obligations under new authorisations, privacy, business continuity, provisioning for doubtful loans and Asset Quality Review.

Indirect audit was conducted via the steering and practical coordination of the auditing departments of Italian and international subsidiary banks and companies, to guarantee control consistency and adequate attention to the different types of risks, also verifying the effectiveness and efficiency levels under both structural and operational profiles. Direct auditing and review activities, in the capacity of Parent Company, was also performed for those companies, as mentioned above.

Any weak points detected during control activities have been systematically notified to the company functions involved for prompt improvement actions which are monitored by follow-up activities.
Summary Internal control system assessments from the checks have been periodically submitted to the Internal Control Committee, Management Board and Supervisory Board. The main weaknesses detected and their development over time have been included in the Audit Tableau de Bord (TdB) so that they may be systematically monitored. The reports on the audits with a negative outcome or with remarkable irregularities observed were submitted in full and illustrated to the corporate bodies.

Lastly, the Internal Auditing Department ensured constant assessment of its own efficacy and efficiency in line with the internal “quality assurance and improvement" plan drafted in accordance with the recommendations of international standards for professional audit practice.

SECTION 1 – RISKS OF THE BANKING GROUP

As required by the instructions provided by the Bank of Italy, the information in this section - Risks of the Banking Group - is furnished solely with respect to the banking group, as defined in the Supervisory Instructions, except when it is expressly indicated to the contrary that all companies within the scope of consolidation are considered.
The tables that refer to the banking group alone include the share proportional to the interest held of the assets and liabilities of jointly controlled banking, financial and instrumental companies consolidated proportionally for regulatory purposes Amounts are stated gross of transactions with other companies within the scope of consolidation.
Where the contribution of transactions between the banking group and the other companies in the financial statement scope of consolidation is material, the details of such transactions are provided.

The following table contains the reconciliation of the consolidated balance sheet with the regulatory-scope balance sheet.

(millions of euro)

Assets	**31.12.2014 Financial Statements**	**Effects of the deconsolidation and consolidation of counterparties other than those in the banking group (*)**	**31.12.2014 Regulatory-scope balance sheet**
10. Cash and cash equivalents	6,631	-	6,631
20. Financial assets held for trading	53,741	-769	52,972
30. Financial assets designated at fair value through profit and loss	43,863	-42,437	1,426
40. Financial assets available for sale	124,150	-71,604	52,546
50. Investments held to maturity	1,471	-	1,471
60. Due from banks	31,372	-816	30,556
70. Loans to customers	339,105	2,660	341,765
80. Hedging derivatives	9,210	-2	9,208
90. Fair value change of financial assets in hedged portfolios (+/-)	59	-	59
100. Investments in associates and companies subject to joint control	1,944	4,738	6,682
110. Technical insurance reserves reassured with third parties	27	-27	-
120. Property and equipment	4,884	-55	4,829
130. Intangible assets	7,243	-738	6,505
of which: goodwill	*3,899*	*-470*	*3,429*
140. Tax assets	14,431	-447	13,984
150. Non-current assets held for sale and discontinued operations	229	-	229
160. Other assets	8,067	-2,577	5,490
Total Assets	**646,427**	**-112,074**	**534,353**

Liabilities and Shareholders' Equity	**31.12.2014 Financial Statements**	**Effects of the deconsolidation and consolidation of counterparties other than those in the banking group**	**31.12.2014 Regulatory-scope balance sheet**
10. Due to banks	51,495	26	51,521
20. Due to customers	230,738	4,622	235,360
30. Securities issued	123,768	3,408	127,176
40. Financial liabilities held for trading	46,376	-145	46,231
50. Financial liabilities designated at fair value through profit and loss	37,622	-37,622	-
60. Hedging derivatives	10,300	-53	10,247
70. Fair value change of financial liabilities in hedged portfolios (+/-)	1,449	-	1,449
80. Tax liabilities	2,323	-795	1,528
a) current	*662*	*-27*	*635*
b) deferred	*1,661*	*-768*	*893*
90. Liabilities associated with non-current assets held for sale and discontinued operations	201	-	201
100. Other liabilities	12,119	-1,680	10,439
110. Employee termination indemnities	1,480	-5	1,475
120. Allowances for risks and charges	3,793	-18	3,775
a) post employment benefits	*1,167*	*-1*	*1,166*
b) other allowances	*2,626*	*-17*	*2,609*
130. Technical reserves	79,701	-79,701	-
140. Valuation reserves	-1,622	-	-1,622
150. Redeemable shares	-	-	-
160. Equity instruments	-	-	-
170. Reserves	9,054	-	9,054
180. Share premium reserve	27,349	-	27,349
190. Share capital	8,725	-	8,725
200. Treasury shares (-)	-74	-	-74
210. Minority interests (+/-)	379	-111	268
220. Net income (loss)	1,251	-	1,251
Total Liabilities and Shareholders' Equity	**646,427**	**-112,074**	**534,353**

(*) The effects are attributable to :
- deconsolidation of companies that are not part of the Banking Group;
- proportional consolidation of the jointly controlled companies that are consolidated at equity in the financial statements.

1.1 CREDIT RISK

QUALITATIVE INFORMATION

The Group’s strategies, powers and rules for the credit granting and management are aimed at:
- achieving sustainable growth of lending operations consistent with the risk appetite and value creation;
- diversifying the portfolio, limiting the concentration of exposures on single counterparties/groups, single economic sectors or geographical areas;
- efficiently selecting economic groups and individual borrowers through a thorough analysis of their creditworthiness aimed at limiting the risk of insolvency;
- given the current economic climate, privileging lending business aimed at supporting the real economy and production system;
- constantly monitoring relationships, through the use of both IT procedures and systematic surveillance of positions, with the aim of detecting any symptoms of imbalance and promoting corrective measures geared towards preventing possible deterioration of the relationship in a timely manner.

Constant monitoring of the quality of the loan portfolio is also pursued through specific operating checks for all the phases of loan management.

Credit risk management policies

Organisation
Within the Intesa Sanpaolo Group, a fundamental role in managing and controlling credit risk is played by the corporate bodies, which, to the extent of its each competence, ensure adequate coverage of credit risk by setting strategic guidelines and risk management policies, verifying that they remain constantly efficient and effective and assigning tasks and responsibilities to the company functions and units involved in the processes.
The coverage and governance of credit ensured by the corporate bodies is reflected in the current organisational structure, which identifies areas of central responsibility attributable to:
- the Chief Lending Officer;
- the Chief Risk Officer; and
- the Chief Financial Officer.

They ensure that risk control activities are managed and implemented, with an appropriate level of segregation.
The Chief Lending Officer assesses the creditworthiness of the loan applications received and, where competent, approves them or issues a compliance opinion. The chief Lending Officer manages and monitors non-performing loans, sets the Credit Granting and Management Rules, ensures that positions classified as non-performing, within his purview, are properly measured for financial statement purposes, and also defines operating credit processes, in collaboration with the subsidiary Intesa Sanpaolo Group Services, on some occasions at the proposal of the Group’s various functions/structures.
The Chief Risk Officer is responsible for adapting the Risk Appetite Framework to the management of credit risk, in accordance with company strategies and objectives, as well as for measuring and controlling the Group's risk exposures. The Officer defines the metrics used to measure credit risk, provides risk-adjusted pricing models and guidelines for expected loss, economic capital (ECAP), RWA and acceptance thresholds, formulates proposals for assigning Credit Granting and Managing Powers, implements credit controls, including rating controls, constantly monitors risk and credit quality performance and ensures the consistency of the risk measurements and control systems with the processes and valuations methods of company activities, coordinating with the company structures concerned.
In accordance with the strategic guidelines and risk management policies set by the Management Board and approved by the Supervisory Board, the Chief Financial Officer coordinates the process of formulating credit strategies (a process in which the other chiefs and the business units participate), oversees pricing from a risk/return standpoint according to value creation objectives. The Chief Financial Officer is also responsible for identifying and implementing hedging transactions for the risk exposures of the asset classes in the loan portfolio by taking advantage of the opportunities presented by the secondary credit market with a view towards active management of company value.
In addition, within the framework of the loan assessment process, the Administration and Tax Department, which reports directly to the Managing Director and CEO, is responsible for incorporating the assessments of loan positions formulated, on a collective or individual basis, by the competent departments, as well as for coordinating the process of assessing loans for financial reporting purposes.

Intesa Sanpaolo Group Services provides specialised operating support for loan recovery activity and in defining credit processes while ensuring cost and performance synergies in the service offered.
The levels of autonomy assigned to the decision-making bodies are determined by agreement between the Bank/Banking group regarding the borrower/economic group. The rating assigned, along with any other credit-risk mitigating factors, conditions the determination of the decision-making competence of each delegated body. Intesa Sanpaolo, as the Parent Company, has set out codes of conduct in relation to credit risk acceptance, in order to prevent excessive concentrations, limit potential losses and ensure credit quality.
In the credit-granting phase, coordination mechanisms have been introduced with which Intesa Sanpaolo exercises its direction, governance and support of the Group:
- the system of Credit Powers and Granting and Monitoring Rules governing the ways in which credit risk to customers is assumed;
- “Credit-granting limit”, intended as the overall limit of lines of credit which may be granted by companies of the Intesa Sanpaolo Group to the larger Economic Groups;
- the “Compliance opinion” on credit-granting to large customers (single name or Economic Group) which exceeds certain thresholds.

The exchange of basic information flows between different Group entities is assured by the Group's "Centrale Rischi" (exposure monitoring and control system) and by "Posizione Complessiva di Rischio" (global risk position), that highlight and analyse credit risks for each counterparty/economic group both towards the Group as a whole and towards individual Group companies.
The activities within the Chief Risk Officer's purview are carried out directly by the Risk Management Department and the Credit Quality Monitoring Unit, for the Parent Company and the main subsidiaries, on the basis of a service contract, whereas the other control structures operating within the individual companies report regularly to the aforementioned functions of the Parent Company.

Management, measurement and control systems
Intesa Sanpaolo has developed a set of instruments which ensure analytical control over the quality of the loans to customers and financial institutions, and of exposures subject to country risk.
Risk measurement is performed by means of different rating models according to borrower segment (Corporate, Retail SME, Retail Mortgage, Other Retail, Sovereigns, Italian Public sector entities and Financial institutions). These models make it possible to summarise the counterparty's credit quality in a value, the rating, which reflects the probability of default over a period of one year, adjusted on the basis of the average level of the economic cycle. These ratings are then made comparable with those awarded by rating agencies, by means of a uniform scale of reference.
A number of rating models are used for the Corporate segment:
- models differentiated according to the market (domestic or international) and size bracket of the company are applied to most businesses;
- specific models are in use for specialised lending, one for real-estate initiatives, one for project-finance transactions and one for LBO/acquisition-finance and asset-finance transactions.

In general terms, the structure of these models requires the integration of multiple modules:
- a quantitative module that processes financial and behavioural data;
- a qualitative module that requires the manager to fill in a questionnaire;
- an independent assessment by the manager, organised as a structured process, which triggers the override procedure if there is a discrepancy with respect to the integrated rating.

Ratings are generally assigned on a decentralised basis by the Manager, who is the main figure in the process of assigning a rating to a counterparty. Any improvement override proposals are validated by a Specialist Unit allocated to the Parent Company, within the Chief Lending Officer's staff. The Specialist Unit is responsible for, among other duties, the task of assigning what are known as "centralised ratings" provided for in the rating assignment processes according to the corporate method and of intervening in the calculation of ratings with specialist models.
The models applied to the Retail portfolio are as follows:
- for the Retail SME segment, since the end of 2008 a Group rating model by counterparty has been used, following a scheme similar to that of the Corporate segment, meaning that it is extremely decentralised and its quantitative-objective elements are supplemented by qualitative-subjective elements; in 2011, the service model for the Small Business segment was redefined, by introducing in particular a sub-segmentation of Micro and Core customers according to criteria of size, simplicity, and a partial automation of the granting process. This required an adjustment of the rating model, which was divided into the two above-mentioned sub-segments, taking advantage of the opportunity to update the data sources and historical series used in development;
- for the Retail Mortgage segment (residential mortgages for private individuals), the Group model processes information relating to both the customer and the contract. It differentiates between initial disbursement, where the acceptance model is used, and the subsequent assessment during the lifetime of the mortgage (performance model), which takes into account behavioural data;
- for products aimed at individuals (the Other Retail segment), a new approval model was made available in September 2014 for operational purposes, which is applied to all new disbursements (such as personal loans, credit cards, and credit facilities on current accounts)

The rating model for the Sovereign portfolio supports the assignment of an assessment of creditworthiness for over 260 countries. The structure of the model involves:
- a quantitative module for assessing country risk, which takes account of the structural rating assigned by the major international agencies, the risk implicit in market quotations of sovereign debt, a macroeconomic assessment of countries identified as strategic and the international scenario;
- a qualitative opinion component, for which the Sovereign Rating Working Group is responsible, supplementing the qualitative opinion with elements drawn from the broader scope of publicly available information concerning the political and economic structure of individual sovereign countries.

The framework is completed by the class of regulatory exposures consisting, on the one hand, of banks (and other financial companies attributable to banking groups) and near banking companies (companies that engage in leasing, factoring and consumer credit), and, on the other, public entities:
- in the Banks segment, from the standpoint of determining probability of default, the key decision was to differentiate the models for banks in mature economies and banks in emerging countries, the structure of which, however, is highly similar. In short, these consist of a quantitative part and a qualitative part, differentiated according to mature and emerging countries, a country rating component relating to systemic risk, a component relating to specific country risk for banks most closely correlated with country risk, and finally, a module (the "manager's opinion") that allows the rating to be modified in certain conditions;
- in the Public Entities segment, the models of reference have been differentiated according to the type of counterparty. Accordingly, default models have been developed for municipalities and provinces and shadow rating models for regions. An extensive approach has been adopted for local healthcare authorities and other sector entities, starting with the legally superior entities, with possible notching based on statistical assessments of financial statements.

Experience-based models are used for counterparties belonging to the Non-Banking Financial Institutions portfolio.

Rating models have been adopted for the counterparties of the International Subsidiary Banks, partly derived from the Parent Company, partly adapted to the local situation which entirely developed by the subsidiaries concerned.

The LGD model is based on the concept of "Economic LGD", namely the present value of the cash flows obtained in the various phases of the recovery process net of any administrative costs directly attributable to the exposure as well as the indirect management costs incurred by the Group, and consists, in brief, of the following elements:
- estimate of a Doubtful LGD Model: starting from the LGD observed on the portfolio, namely "Workout LGD", determined on the basis of the recoveries and costs, a regression econometric model of the LGD is estimated on variables considered to be significant for the determination of the loss associated to the Default event;
- application of a correction factor, known as "Danger Rate": the Danger Rate is a multiplying correction factor, used to recalibrate Doubtful LGD with the information available on the other default events, in order to calculate an LGD representative of all the possible default events and their evolution;
- application of an additional correction factor, known as "Final Settlement Component": this component is used as an add-on to the estimate recalibrated for the Danger Rate in order to consider the loss rates associated with positions not evolved to the Doubtful status (Substandard or Past Due positions).

LGD is determined according to differentiated models, specialised by operating segment (Corporate, Retail SME, Retail Mortgage, Factoring, Leasing and Public Entities).
The Banks LGD model partly diverges from the models developed for the other segments given the peculiarities of the segment, which has a low number of defaults ("low-default portfolios"). The estimation model is a market LGD approach, based on the market price of debt instruments observed 30 days after the official date of default for a sample of defaulted banks from all over the world, The market data are provided by an external provider. The model is completed by an econometric estimate aimed at determining the most significant drivers, in accordance with the practice in use for the other models.

The rating models (PD and LGD) for the Retail Mortgage segment received authorisation for transition to the IRB approach effective from June 2010 report, while rating models for the SME Retail received authorisation for transition to the IRB approach effective from December 2012 report. The rating models for the Corporate segment received authorisation for the use of the AIRB approach to calculate capital requirements effective from 31 December 2010 reporting date (the FIRB approach had been used since December 2008), while the LGD Corporate models for Leasing and Factoring products received authorisation for transition to the AIRB approach effective from June 2012 report.
For information on the plan to extend the IRB approach to other portfolios, refer to the paragraph concerning the Basel 3 Project.

In 2014 the development of an internal model for determining EAD (Exposure at Default) was launched.

The rating system also includes a risk trend indicator, calculated on a monthly basis. It interacts with processes and procedures for loan management and credit risk control and allows timely assessments when any anomalies arise or persist. The positions to which the synthetic risk index attributes a high risk valuation, which is confirmed over time, are intercepted by the proactive Management Process.
Starting from July 2014 the new Proactive Credit Management process was activated, setting up a specialised dedicated chain in the Regional Governance Centres, the CIB Division and the CLO structures.
The objective is to promptly identify performing positions with early signs of difficulty and immediately implement the most suitable actions to remove the anomalies and restore the relationship of trust. The introduction of proactive management also significantly simplified the processes and statuses of non-performing loans, eliminating the Risks Under Observation and introducing the new status of Restoration.
The entire loan portfolio is also subject to a specific periodic review carried out by the competent central or peripheral structures based on the credit line limits for each counterparty/economic group.
Ratings and mitigating credit factors (guarantees, types of loan products/lending facilities and covenants) play a fundamental role in the loan granting and monitoring process and contribute to setting the Credit Powers and Granting and Monitoring Rules.
The Credit Quality Monitoring Unit oversees the above aspects at the Group level, through specific, extensive control and monitoring activities. The Unit focuses its verifications on the various credit granting and management processes, overseeing the phases of each administrative risk status and verifies the individual exposures and clusters of exposures, assessing the consistency of their classification in the various administrative risk statuses, the adequacy of provisions and of the credit recovery process. In the event that inconsistency is found in the valuations, it takes restoration action, imposing its determinations. It also carries out monitoring and control of the rating assignment and updating processes.
This activity is carried out using risk-based criteria, applying suitable methods and instruments fine-tuned over time and periodically subject to internal auditing, to improve their effectiveness and timeliness in detecting the occurrence of anomalies.
In general, the development of the audit activities includes a preliminary examination of the individual credit processes in order to verify that level I controls are correctly put in place, as well as their regulatory framework and implementation methods.

These activities are implemented with the aid of the information technology tools which are made available to the business units for their respective areas of responsibility. Examples of such tools include the Ermes - Rating Controls application, a tool that allows rating control activities to be managed by computer, and the Credit Monitoring Portal.
The latter receives input from the Credit Control Panel and is the Group's primary source in supporting the monitoring of the loan portfolio in terms of its development over time and for quantitative and qualitative composition as well as for loan-related processes aimed at identifying any areas showing potential critical weaknesses. The information available refers to all Group banks and companies that operate on the target information technology system.
In this context, the peripheral units within the Banca dei Territori and Corporate & Investment Banking Divisions down to the Area level, enjoy access to "information" dashboards that provide an organic, structured report prepared with the aim of:
- providing a structured, navigable overview of the phenomenon under review;
- reducing the time required to search for and process information;
- facilitating the identification of critical areas and defining priority actions;
- supporting the exchange of information between units on a consistent basis.

The aforementioned tools are subject to constant maintenance performed by the Credit Quality Monitoring Unit, which from a developmental standpoint aims to ensure that the set of information available is expanded through the creation of new dashboards for controlling and monitoring general phenomena and/or specific aspects of the lending process.

Country risk is an additional component of an individual borrower's insolvency risk, measured by credit risk control systems. This component is linked to losses potentially resulting from international lending operations caused by events in a country that are partly or entirely within the control of the government concerned, but not that of the individual residents of the country in question. Country risk therefore takes the form of both transfer risk for non-sovereign counterparties, due to the freezing of international payments, and sovereign risk, which is measured through an assessment of the sovereign states' creditworthiness. This definition includes all forms of cross-border lending to entities residing in a given country, whether they are the government, a bank, a private enterprise or an individual.
The country risk component is assessed in the context of the granting of credit to non-resident entities in order to arrive at a preliminary evaluation of the absorption of country risk limits set on an ex-ante basis. Such limits, expressed in terms of economic capital, identify the maximum acceptable risk for the Group, defined on an annual basis as the result of an exercise aimed at optimising the risk implicit in the Group's cross-border lending operations.

Counterparty risk is a particular kind of credit risk associated with OTC derivative contracts that refers to the possibility that a counterparty may default before the contract matures. This risk, which is often referred to as replacement risk, is related to the case in which the market value of a position has become positive and thus, were the counterparty to default, the solvent party would be forced to replace the position on the market, thereby suffering a loss.
Counterparty risk also applies to securities financing transactions (repurchase agreements, securities lending, etc.).

In 2010 a specific project was launched to ensure that the bank has an internal model for measuring counterparty risk, both for operational and regulatory purposes. The organisational functions involved, as described in the Bank's internal regulations, are:
– the Parent Company's Risk Management Department, which is responsible for the counterparty risk measurement system by defining calculation methods, producing and analysing measures of exposure;
– the Level I and Level II control functions that use the measurements produced to monitor the positions assumed;
– the marketing and credit functions that draw on the foregoing measures as part of the granting process to determine the limits of lines of credit.

The project yielded the following results:
– the Bank set up a suitably robust IT, methodological and regulatory infrastructure, in accordance with the use test requirement set out by regulations on internal models;
– the Bank integrated the risk measurement system into decision-making processes and the management of company operations;
– cutting-edge methods were adopted for calculating drawdowns on credit lines;
– the Supervisory Authority validated the Bank's use of the internal model for calculating the capital requirement in the first quarter of 2014. The first report using the internal model (with a view to Basel 3) was made on 31 March 2014, relating to the scope of the Parent Company and Banca IMI.

In particular, the Intesa Sanpaolo Group adopts at the moment the Internal Models Approach (to both the trading book and banking book) in order to determine the EAD (exposure at default) of OTC derivatives, for computing capital requirements. The legal entities Banca IMI and Intesa Sanpaolo were authorised in April 2014 by the Supervisory Authority to use the internal models approach (with a view to Basel 3), while this approach is being rolled out to banks in the Banca dei Territori Division.
Potential exposure (estimated with the actual average PFE - Potential Future Exposure) has been adopted by the Parent Company, Banca IMI and the banks in the Banca dei Territori Division for the purposes of operational measurement of uses.
For the rest of the Group, the definition of the use of the credit lines for transactions in OTC derivatives involves the application of the greater of the mark-to-market and the add-on to determine the credit exposure, taking into account any existing netting and collateral agreements.
Add-ons indicate the maximum potential future exposure (95^{th} percentile), regularly estimated by the Risk Management Department by macro-product type and maturity.

In addition, the following company processes were implemented to complete the risk analysis process for the exposure measures implemented over time following the developments discussed above:
– definition and periodic calculation of stress tests on market scenarios and joint market/credit scenarios on counterparty risk measures;
– definition and periodic analysis of Wrong-Way Risk, i.e. the risk of a positive correlation between the future exposure to a counterparty and that counterparty's probability of default;
– definition and monitoring of management limits at the portfolio level authorised by the Group Financial Risks Committee for derivatives transactions;
– contribution of collateral inflow/outflow risk measures, calculated on the basis of the internal counterparty risk model, for OTC derivatives transactions with collateral agreements (CSA);
– reporting to the management of measures calculated using the internal exposure model, capital requirement, level of use of management limits, results of stress tests and analyses of wrong-way risk.

The advanced measurement approach for counterparty risk is being rolled out also to SFT (Securities Financial Transactions, i.e. repos, and securities lending), with the aim of completing the validation process for regulatory purposes in 2015.
Directional control of credit risks is achieved through a portfolio model which summarises the information on asset quality in risk indicators, including expected loss and capital at risk.
The expected loss is the product of exposure at default, probability of default (derived from the rating) and Loss Given Default.
The expected loss represents the average of the loss statistical distribution, whereas the capital at risk is defined as the maximum "unexpected" loss that the Group may incur with particular confidence levels. These indicators are calculated with reference to the current status of the portfolio and on a dynamic basis, by determining the projected level, based on both the forecast

macroeconomic scenario and on stress scenarios.
The expected loss, transformed into “incurred loss” as indicated by IAS 39, is used in the collective assessment of loans, while capital at risk is the fundamental element in the assessment of the Group’s capital adequacy. Both indicators are also used in the value-based management reporting system.
The loan portfolio model allows the level of expected loss to be measured with the chosen confidence interval, or capital at risk. The latter reflects not only the risk level of individual counterparties but also the effects of undesired concentration due to the geographical/sector composition of the Group's loan portfolio.

The Group dedicates special attention to assessing concentration risk deriving from the exposure to counterparties, groups of related counterparties and counterparties in the same business segment or that engage in the same business or operate in the same geographical region. In the annual update of the Risk Appetite Framework, such counterparties are subject to stress tests aimed at identifying and assessing threats for the Group and the most appropriate mitigating actions:
- aimed at defining exposure limits for specific geographical areas and sets of counterparties (top 20);
- aimed at ex ante limitation of exposures with significant concentration effects, in particular with reference to “large risks” and to credit lines subject to country risk;
- aimed at ex post correction of the profile, through the secondary loan market, through specific judgement metrics based on the maximisation of overall portfolio value.

The Group’s lending activity is focused on Italian customers (83% of the total) and is primarily aimed at households and small and medium enterprises. In addition, it shows strong diversification, especially as regards certain business sectors and geographical areas, as well as loans to countries at risk.

Techniques for the mitigation of credit risk
Mitigation techniques are adopted in order to reduce the Loss Given Default. They include in particular guarantees and certain types of contracts that result in a reduction in credit risk.
The evaluation of the mitigating factors is performed through a procedure that assigns a loss given default to each individual exposure, assuming the highest values in the case of ordinary non-guaranteed financing and decreasing in accordance with the strength given to any mitigating factors present. The Loss Given Default values are subsequently aggregated at customer level in order to provide a summary evaluation of the strength of the mitigating factors on the overall credit relation.
During the credit granting and managing process, the presence of mitigating factors is encouraged for counterparties with non-investment grade ratings or some types of transactions, namely medium-/long-term transactions.
The mitigating factors that have the greatest impact include pledges of financial assets and residential mortgages. Other forms of risk mitigation are pledges of non-financial assets and non-residential mortgages.
The strength of the personal guarantees issued by rated parties, typically banks/insurance companies, Credit Guarantee Consortia and corporations, is instead assessed on the basis of the type of guarantee and guarantor’s credit quality.
Detailed processes govern the material acquisition of individual guarantees, identifying the responsible structures as well as the methods for correct finalisation of guarantees, for filing documentation and for complete and timely reporting of the related information in the applications.
The set of internal regulations and organisational and procedural controls is aimed at ensuring that:
- all the fulfilments are planned to ensure the validity and effectiveness of the credit protection;
- for generally and normally used guarantees, standard contracts are defined, accompanied by instructions for use;
- the methods for approving guarantee documents deviating from the standard by structures other than those in charge of commercial relations with the customer are identified.

An overall revision of the rules, processes and instruments concerning guarantees received and, more generally, instruments that mitigate credit risk is underway. The goal of these activities is to increase the efficiency of management, reduce the related operational risks and increase the level of eligibility of the guarantees. Following a detailed analysis, the requirements and architecture of a new application platform to manage all the phases in the lifecycle of a guarantee (acquisition, modification, extinction, enforcement, control, monitoring and custody) were defined. An initial release will be gradually implemented, starting from the first half of 2015, issuing the model for personal guarantees.

The granting of credit with the acquisition of collateral is subject to internal rules and processes – for the evaluation of the asset, the acceptance of the guarantee and the control of its value. The enforcement of the guarantee is handled by specialist departments, which are responsible for credit recovery.
In any case, the presence of collateral does not grant exemption from an overall assessment of the credit risk, mainly concentrated on the borrower's ability to meet the obligations assumed, irrespective of the associated guarantee.
The assessment of the pledged collateral is based on the actual value, namely the market value for financial instruments listed in a regulated market, or, otherwise, the estimated realisable value. The resulting value is multiplied by the haircut percentage rates, differentiated according to the financial instruments accepted as collateral.
For real-estate collateral, the prudential market value is considered; for properties under construction, the construction cost is considered, net of prudential haircuts according to the intended use of the property.
Assets are appraised by internal and external experts. The external experts are included in a special list of professionals accredited on the basis of an individual verification of their capabilities, professionalism and experience. The valuation of residential properties secured by mortgages to private individuals is mainly assigned to specialised companies. The work of the experts is monitored on an ongoing basis, by means of statistical verifications and spot checks carried out centrally.
The experts are required to produce estimates on the basis of standardised expert reports, differentiated according to the valuation method to be applied and the characteristics of the asset, in accordance with the Property Valuation Code prepared by the Bank. The content of the internal Code is consistent with the “Guidelines for the valuation of properties securing credit exposures” promoted by the Italian Banking Association.
Property valuations are managed through a specific integrated platform covering the entire expert analysis phase, ensuring that assignments are properly awarded, on an independent basis and according to objective criteria, the workflow is thoroughly monitored, valuation standards are correctly applied and all information and documents regarding real estate are kept.
The market value of collateral property is recalculated periodically through various statistical valuation methods applied to prices/coefficients provided by an external supplier offering proven skills and a solid reputation for surveying and measuring the market prices of Italian real-estate assets.

Asset value is constantly monitored. The experts conduct inspections and verify the work progress for properties under construction. The valuation is updated in the event of limitation or splitting of the mortgage, of damage to the property, significant impairment losses reported by market indicators used to monitor fair value and, in any case, every three years for major exposures.
In order to limit the risks of absence or termination of the protection, specific safeguards are in place, including: restoration of a pledge when the assets decrease below their initial value or, for mortgages, an obligation to carry insurance cover against fire damage and the presence of adequate monitoring of the property's value.
Guarantees are subject to accurate, regular control using a specific application, the CRM verifier, in which a series of tests have been implemented to confirm the effective compliance with the requirements set by prudential supervision regulations.
The support application verifies whether guarantees received are eligible with reference to each of the three methods permitted by the regulations for calculating capital requirements. Based on the specifics of each category, the eligibility results are defined at the level of individual guarantee for unfunded guarantees (usually personal guarantees) or, for collateral, for each asset or financial instrument.

To mitigate the counterparty risk associated with OTC (i.e., unregulated) derivatives and SFTs (securities financing transactions, i.e. securities lending and repurchase agreements), the Group uses bilateral netting agreements that allow for credit and debt positions to be netted against one another if a counterparty defaults.
This is achieved by entering into ISDA and ISMA/PSA agreements, which also reduce the absorption of regulatory capital in accordance with supervisory provisions.
The Group also establishes collateral agreements, typically calling for daily margins, to cover transactions in OTC derivatives and SFTs (respectively the Credit Support Annex and Global Market Repurchase Agreement).
With regard to substitution risk, to mitigate risk exposure to specific counterparties, the Bank acquires protection through single name Credit Default Swaps. Furthermore, the Bank also purchases single name CDS or CDS on indexes to mitigate the risk of adjustment of the valuation of the credit or CVA.

A project was started for International Subsidiary Banks with the aim of guaranteeing a consistent approach at Group level to the use of the credit risk mitigation techniques. In further detail, the gap analysis of seven international subsidiary banks was completed for the main types of guarantees. For five of these, an action plan was drawn up and is now being implemented.

In 2014 the Parent Company launched the "GARC" (Active Credit Risk Management) project to create a platform to monitor credit risk in performing portfolios. The initiative involved the systematic acquisition of guarantees (both personal guarantees and collateral) to support lending of SMEs, a segment which, as a result of the crisis, was hit by significant difficulties in access to credit.

This type of transactions provide synthetic hedging of default risk (failure-to-pay, bankruptcy and restructuring) of granular portfolios and freeing up of economic and regulatory capital, as envisaged by the current Supervisory Regulations on the matter (EU Regulation no. 575/2013 and Bank of Italy Circular no. 285/2013).

As part of these operations, during the year the junior risk relating to a total portfolio of 1.8 billion euro in loans to approximately 5,400 businesses in the Corporate and SME Corporate segments, valued by applying internal models (Advanced IRB) was sold to a specialised investor.

Non-performing financial assets
Non-performing financial assets include those loans which, due to events that occur after their granting, show objective evidence of possible impairment.
For the classification of non-performing assets in the various risk categories (doubtful loans, substandard loans, restructured loans and exposures past due, in decreasing order of severity), the Group applies regulations issued by the Bank of Italy. The regulations are consistent with Basel Accords and IAS/IFRS, supplemented by internal provisions that establish criteria and rules for the transfer of loans to the various risk categories, including via automatic mechanisms (with the exception of doubtful loans).
The information presented in the following chapters with the contents of financial statements from previous years relating to financial restructuring transactions and, more generally, the renegotiation of credit exposures, also takes account of the instructions provided by the European Securities and Markets Authority (ESMA) in the document published in December 2012, "Public Statement on the Treatment of Forbearance Practices in IFRS Financial Statements of Financial Institutions."
In detail, non-performing assets not classified as doubtful loans are subject to an individual measurement process or calculation of the expected loss for homogenous categories (such categories are identified on the basis of the risk status, duration of non-performance and significance of the exposure represented), with analytical allocation to each position.
This measurement is performed upon classification of the assets at the occurrence of significant events and, in any event, is periodically revised in accordance with the criteria and methods illustrated in Part A.2 – Accounting Policies, Main financial statement captions, Loans, to which specific reference should be made.
With reference to past due loans, restructured loans and substandard loans, the structures responsible for their management are identified on the basis of pre-determined thresholds of increasing significance, directly at the operating points that handle the accounts, or within peripheral organisational units that perform specialist activities and within the Head Office units, which are responsible for the overall management and coordination of these matters.
With regard to doubtful loans, it should note that effective from the second half of 2010 the Group adopted an organisational model based on the specialisation of management competencies between internal and external structures, calling for the positions of greatest significance and complexity to be handled internally. In particular, this model calls for:
- the attribution to the Loan Recovery Department of Intesa Sanpaolo Group Services of coordination of all loan recovery activities and direct management (for Intesa Sanpaolo and all banks within the Banca dei Territori Division) of customers classified as doubtful effective from July 2010 showing exposures in excess of a pre-determined threshold amount;
- the attribution to Italfondiario S.p.A. (for Intesa Sanpaolo and almost all banks within the Banca dei Territori Division) of direct management – under a specific mandate, and with pre-defined limits – of customers classified as doubtful effective from July 2010 showing exposures below the aforementioned threshold amount (the activity of Italfondiario is always coordinated and monitored by the Loan Recovery Department);
- the option, in special cases, not to entrust Italfondiario S.p.A. with the management of certain types of loans;

- the retention of management competency, defined according to the previous organisational model, between the Loan Recovery Department and Italfondiario for doubtful loans existing as at 30 June 2010;
- for doubtful positions of limited amounts, routine factoring without recourse to third-party companies on a monthly basis when they are classified as doubtful, with some specific exceptions.

The Loan Recovery Department draws on its own specialist units throughout the country to manage recovery activity for loans entrusted directly to it. As part of these activities, in order to identify the optimal strategies to be implemented for each position, judicial and non-judicial solutions have been examined in terms of costs and benefits, also considering the financial impact of the estimated recovery times.

The assessment of the loans is reviewed whenever the Bank knows events capable of significantly changing recovery prospects. In order to identify such events rapidly, the information set relative to borrowers is periodically monitored and the development of out-of-court agreements and the various phases of the judicial procedures under way are constantly controlled.
The activity of Italfondiario in managing the loans entrusted to it under management mandate was monitored by the responsible internal units of the Group. In particular, it should be noted that the individual measurement of loans has been conducted using similar procedures to those established for the internal management of positions, and the other management activities are subject to the guidelines similar to those established for the internally managed positions.
Said organisational model was subject to a revision in December 2014, which will be implemented in the first part of 2015. As a result of that revision of the model, the assignment to Italfondiario S.p.A. of management of new flows of doubtful loans will be terminated. These loans will substantially be managed by the Group Loan Recovery Department.
The classification of positions within non-performing financial assets and in the relative management systems was undertaken on proposal of both central and local territorial structure owners of the commercial relation or of specialised central and local territorial structures in charge of loan monitoring and recovery. Assets are also classified as non-performing for financial reporting purposes through automatic mechanisms when given objective default thresholds are exceeded. Such mechanisms apply to past-due loans, identified at the Group level, as well as positions that have met the objective requirements for non-standard status established by the Bank of Italy.
Automatic mechanisms detect any mismatches, thereby ensuring that material non-performing loans to counterparties shared between the Group's various intermediaries are subject to the required uniform convergence of management aims. Significance is represented by exceeding a pre-established warning threshold for loans classified as at the greatest risk, with respect to the overall exposure.

The return to performing of exposures classified as substandard, restructured and doubtful, is governed by the Supervisory Authority and specific internal regulations, and takes place on the proposal of the aforementioned structures responsible for their management, upon ascertainment that the critical conditions or state of default no longer exist.
Exposures classified amongst "past-due loans" automatically become performing when payment is received. The same mechanism is applied to exposures of moderate amounts previously classified as substandard in accordance with internal instructions when automatic mechanisms detect that the conditions that triggered reclassification no longer apply. The overall non-performing loan portfolio is continually monitored through a pre-determined control system, as well as through single name audits conducted by the Credit Quality Monitoring Unit, and periodic managerial reporting.

Lastly, note that in 2014 the European Banking Authority (EBA) published the "final" version of the "Final Draft Implementing Technical Standards on Supervisory reporting on forbearance and non-performing exposures under article 99(4) of Regulation (EU) No. 575/2013". On 9 January 2015 the European Commission approved the draft Regulation endorsing said Technical Standards, which was then published in the Official Journal in February. In view of the entry into force of the EBA regulations, in January 2015 the Bank of Italy issued an update to its regulations which modifies the pre-existing breakdown of risk classes of non-performing financial assets, to enable alignment with the new European Community approaches, especially on the issue of forbearance.
In brief, the new provisions require the breakdown of non-performing financial assets into three categories: "doubtful loans", "unlikely to pay" and "non-performing past due exposures". Therefore, the categories of substandard and restructured exposures are eliminated, as they are effectively included in the unlikely to pay category.
A new category is also established, "exposures subject to concessions – forbearance", referring to exposures subject to renegotiation due to customer financial difficulties which effectively constitute a subgroup of both non-performing and performing loans, depending on the level of risk of the exposure.
The new regulation will apply from 1 January 2015. Therefore, the financial statements as at 31 December 2014 have been drawn up using the pre-existing definitions.

QUANTITATIVE INFORMATION

A. CREDIT QUALITY

For the purposes of quantitative information about credit quality, the term "credit exposures" is understood to exclude equities and quotas of UCI, whereas "exposures" includes these items. The only exception is table A.2.1 related to credit exposures by external rating classes, which includes quotas of UCI.

A.1. Performing and non-performing credit exposures: amounts, adjustments, changes, economic and geographical breakdown

The data shown in the following tables (A.1.1, A.1.2 and in the subsequent one referring to performing positions by past-due bracket), refer to all companies within the scope of consolidation for accounting purposes. In the tables A.1.1 and A.1.2, figures for the banking group are stated net of all intragroup dealings, including those with other companies within the scope of consolidation.

A.1.1. Breakdown of credit exposures by portfolio classification and credit quality (book values)

(millions of euro)

	Banking group						Other companies		Total
	Doubtful loans	Substandard loans	Restructured exposures	Non performing past due exposures	Performing past due exposures	Other Assets	Non-performing	Other	
1. Financial assets held for trading	4	373	49	35	1	50,470	-	375	51,307
2. Financial assets available for sale	2	-	-	-	-	46,793	-	66,122	112,917
3. Investments held to maturity	-	-	-	-	-	1,471	-	-	1,471
4. Due from banks	18	8	-	-	524	29,796	-	1,026	31,372
5. Loans to customers	14,179	15,485	2,546	1,252	10,635	294,232	-	776	339,105
6. Financial assets designated at fair value through profit and loss	-	-	-	-	-	1,091	-	3,586	4,677
7. Financial assets under disposal	58	20	-	1	3	89	-	-	171
8. Hedging derivatives	-	-	-	-	-	9,208	-	2	9,210
Total 31.12.2014	**14,261**	**15,886**	**2,595**	**1,288**	**11,163**	**433,150**	**-**	**71,887**	**550,230**
Total 31.12.2013	**12,999**	**13,981**	**2,349**	**1,969**	**12,082**	**437,244**	**-**	**70,831**	**551,455**

A.1.2. Breakdown of credit exposures by portfolio classification and credit quality (gross and net values)

(millions of euro)

	NON-PERFORMING ASSETS			PERFORMING ASSETS			TOTAL
	Gross exposure	Individual adjustments	Net exposure	Gross exposure	Collective adjustments	Net exposure	(net exposure)
A. Banking group							
1. Financial assets held for trading	533	-72	461	X	X	50,471	50,932
2. Financial assets available for sale	33	-31	2	46,793	-	46,793	46,795
3. Investments held to maturity	-	-	-	1,471	-	1,471	1,471
4. Due from banks	45	-19	26	30,355	-35	30,320	30,346
5. Loans to customers	62,890	-29,428	33,462	307,267	-2,400	304,867	338,329
6. Financial assets designated at fair value through profit and loss	-	-	-	X	X	1,091	1,091
7. Financial assets under disposal	199	-120	79	94	-2	92	171
8. Hedging derivatives	-	-	-	X	X	9,208	9,208
Total A	**63,700**	**-29,670**	**34,030**	**385,980**	**-2,437**	**444,313**	**478,343**
B. Other consolidated companies							
1. Financial assets held for trading	-	-	-	X	X	375	375
2. Financial assets available for sale	-	-	-	66,122	-	66,122	66,122
3. Investments held to maturity	-	-	-	-	-	-	-
4. Due from banks	-	-	-	1,026	-	1,026	1,026
5. Loans to customers	-	-	-	776	-	776	776
6. Financial assets designated at fair value through profit and loss	-	-	-	X	X	3,586	3,586
7. Financial assets under disposal	-	-	-	-	-	-	-
8. Hedging derivatives	-	-	-	X	X	2	2
Total B	**-**	**-**	**-**	**67,924**	**-**	**71,887**	**71,887**
Total 31.12.2014	**63,700**	**-29,670**	**34,030**	**453,904**	**-2,437**	**516,200**	**550,230**
Total 31.12.2013	**57,928**	**-26,630**	**31,298**	**450,884**	**-2,468**	**520,157**	**551,455**

The amount of partial derecognition of non-performing loans came to 2,473 million euro as at 31 December 2014.

In accordance with regulations, "Individual adjustments" include the impairment losses recognised to account for counterparty risk ("credit risk adjustment") on non-performing derivative contracts in the amount of 72 million euro (75 million euro as at 31 December 2013).

(millions of euro)

Credit exposures	**Past due up to 3 months**	**Past due from 3 months up to 6 months**	**Past due from over 6 months up to 1 year**	**Past due by over 1 year**	**Non-past due**	**Total**
Exposures renegotiated under collective agreements (*)	**55**	**15**	**4**	**-**	**1,367**	**1,441**
1. Financial assets held for trading	-	-	-	-	-	-
2. Financial assets available for sale	-	-	-	-	-	-
3. Investments held to maturity	-	-	-	-	-	-
4. Due from banks	-	-	-	-	-	-
5. Loans to customers	55	15	4	-	1,367	1,441
6. Financial assets designated at fair value through profit and loss	-	-	-	-	-	-
7. Financial assets under disposal	-	-	-	-	-	-
8. Hedging derivatives	-	-	-	-	-	-
Exposures renegotiated under bilateral agreements (**)	**593**	**119**	**141**	**142**	**6,538**	**7,533**
1. Financial assets held for trading	-	-	-	-	2	2
2. Financial assets available for sale	-	-	-	-	399	399
3. Investments held to maturity	-	-	-	-	-	-
4. Due from banks	-	-	-	-	39	39
5. Loans to customers	593	119	141	142	6,098	7,093
6. Financial assets designated at fair value through profit and loss	-	-	-	-	-	-
7. Financial assets under disposal	-	-	-	-	-	-
8. Hedging derivatives	-	-	-	-	-	-
Total exposures renegotiated	**648**	**134**	**145**	**142**	**7,905**	**8,974**
Other performing exposures						
1. Financial assets held for trading	-	-	1	-	50,843	50,844
2. Financial assets available for sale	-	-	-	-	112,516	112,516
3. Investments held to maturity	-	-	-	-	1,471	1,471
4. Due from banks	2	-	-	-	31,305	31,307
5. Loans to customers	6,367	1,167	1,450	582	287,543	297,109
6. Financial assets designated at fair value through profit and loss	-	-	-	-	4,677	4,677
7. Financial assets under disposal	3	-	-	-	89	92
8. Hedging derivatives	-	-	-	-	9,210	9,210
Total other performing exposures (***)	**6,372**	**1,167**	**1,451**	**582**	**497,654**	**507,226**
Total performing exposures (net exposure)	**7,020**	**1,301**	**1,596**	**724**	**505,559**	**516,200**

(*) The figure for collective agreements refers to renegotiations in cases of financial difficulties of the counterparty, the granting of which remains valid.

(**) Also includes exposures already renegotiated due to financial difficulties of the counterparty under collective agreements, the granting of which has expired and for which the original conditions have thus been restored ("probation period").

(***) Also includes the exposures renegotiated relating to parties not undergoing financial difficulties.

Past due loans shown in the tables include 2,826 million euro in assets past due by up to three months, 166 million euro in assets past due by over three months up to six months, 410 million euro in assets past due by over six months up to one year and 94 million euro in assets past due by over one year, as well as the share of the debt not yet past due, which amounted to 4,194 million euro, 1,135 million euro, 1,186 million euro and 630 million euro, respectively.

During 2014, the Intesa Sanpaolo Group purchased an insignificant amount of non-performing loans. Accordingly, the outstanding amounts as at 31 December 2014 were immaterial.

A.1.3. Banking group - On- and off-balance sheet credit exposures to banks: gross and net values

(millions of euro)

	Gross exposure	Individual adjustments	Collective adjustments	Net exposure
A. ON-BALANCE SHEET EXPOSURES				
a) Doubtful loans	31	-13	X	18
b) Substandard loans	14	-6	X	8
c) Restructured exposures	-	-	X	-
d) Non performing past due exposures	-	-	X	-
e) Other assets	37,393	X	-36	37,357
TOTAL A	**37,438**	**-19**	**-36**	**37,383**
B. OFF-BALANCE SHEET EXPOSURES				
a) Non-performing	1	-	X	1
b) Other	59,014	X	-50	58,964
TOTAL B	**59,015**	**-**	**-50**	**58,965**
TOTAL (A + B)	**96,453**	**-19**	**-86**	**96,348**

On-balance sheet exposures include all on-balance sheet financial assets claimed from banks, irrespective of their portfolio of allocation: trading, available for sale, held to maturity, loans and receivables, assets designated at fair value through profit and loss or assets under disposal.
Off-balance sheet exposures include all financial activities that are not on the balance sheet (guarantees given, commitments, derivatives, etc.) but entail the assumption of credit risk, regardless of the purpose of such activities (trading, hedging, etc.). Off-balance sheet exposures also include counterparty risk associated with SFTs (securities financing transactions) defined in prudential regulations.

A.1.4. Banking group – On-balance sheet credit exposures to banks: changes in gross non-performing exposures

(millions of euro)

	Doubtful loans	Substandard loans	Restructured exposures	Past due exposures
A. Initial gross exposure	**78**	**26**	**-**	**-**
- of which exposures sold not derecognised	-	-	-	-
B. Increases	**-**	**1**	**-**	**-**
B.1 inflows from performing exposures	-	-	-	-
B.2 transfers from other non-performing exposure categories	-	-	-	-
B.3 other increases	-	1	-	-
B.4 business combinations	-	-	-	-
C. Decreases	**-47**	**-13**	**-**	**-**
C.1 outflows to performing exposures	-	-1	-	-
C.2 write-offs	-6	-	-	-
C.3 repayments	-2	-12	-	-
C.4 credit disposals	-39	-	-	-
C.4 bis losses from disposals	-	-	-	-
C.5 transfers to other non-performing exposure categories	-	-	-	-
C.6 other decreases	-	-	-	-
C.7 business combinations	-	-	-	-
D. Final gross exposure	**31**	**14**	**-**	**-**
- of which exposures sold not derecognised	-	-	-	-

A.1.5. Banking group – On-balance sheet credit exposures to banks: changes in total adjustments

(millions of euro)

	Doubtful loans	Substandard loans	Restructured exposures	Past due exposures
A. Initial total adjustments	**49**	**6**	**-**	**-**
- of which exposures sold not derecognised	-	-	-	-
B. Increases	**-**	**-**	**-**	**-**
B.1 impairment losses	-	-	-	-
B.1bis losses on disposal	-	-	-	-
B.2 transfers from other non-performing exposure categories	-	-	-	-
B.3 other increases	-	-	-	-
B.4 business combinations	-	-	-	-
C. Decreases	**-36**	**-**	**-**	**-**
C.1 recoveries on impairment losses	-3	-	-	-
C.2 recoveries on repayments	-	-	-	-
C.2bis profits on disposal	-4	-	-	-
C.3 write-offs	-6	-	-	-
C.4 transfers to other non-performing exposure categories	-	-	-	-
C.5 other decreases	-23	-	-	-
C.6 business combinations	-	-	-	-
D. Final total adjustments	**13**	**6**	**-**	**-**
- of which exposures sold not derecognised	-	-	-	-

A.1.6. Banking group - On- and off-balance sheet credit exposures to customers: gross and net values

(millions of euro)

	Gross exposure	Individual adjustments	Collective adjustments	Net exposure
A. ON-BALANCE SHEET EXPOSURES				
a) Doubtful loans	38,245	-24,006	X	14,239
b) Substandard loans	20,314	-4,809	X	15,505
c) Restructured exposures	3,091	-545	X	2,546
d) Non-performing past due exposures	1,505	-218	X	1,287
e) Other assets	367,609	X	-2,401	365,208
TOTAL A	**430,764**	**-29,578**	**-2,401**	**398,785**
B. OFF-BALANCE SHEET EXPOSURES				
a) Non-performing	2,114	-302	X	1,812
b) Other	107,546	X	-233	107,313
TOTAL B	**109,660**	**-302**	**-233**	**109,125**
TOTAL (A + B)	**540,424**	**-29,880**	**-2,634**	**507,910**

On-balance sheet exposures include all on-balance sheet financial assets claimed from customers, irrespective of their portfolio of allocation: trading, available for sale, held to maturity, loans and receivables, assets designated at fair value through profit and loss or assets under disposal.
Off-balance sheet exposures include all financial activities that are not on the balance sheet (guarantees given, commitments, derivatives, etc.) but entail the assumption of credit risk, regardless of the purpose of such activities (trading, hedging, etc.). Off-balance sheet exposures also include counterparty risk associated with SFTs (securities financing transactions) defined in prudential regulations.
Restructured exposures include 236 million euro associated with pool transactions (IBLOR structures) undertaken by the Bank as fronting bank, associated with cash collateral among deposits on the liabilities side.
Performing on-balance sheet exposures to customers include 3,740 million euro in dealings between the banking group and other companies within the scope of consolidation.
For performing off-balance sheet exposures, this amount comes to 945 million euro.

A.1.7. Banking group – On-balance sheet credit exposures to customers: changes in gross non-performing exposures

(millions of euro)

	Doubtful loans	Substandard loans	Restructured exposures	Past due exposures
A. Initial gross exposure	**34,600**	**18,019**	**2,728**	**2,236**
- of which exposures sold not derecognised	*19*	*24*	*-*	*-*
B. Increases	**7,227**	**12,844**	**1,576**	**5,880**
B.1 inflows from performing exposures	304	6,605	41	5,322
B.2 transfers from other non-performing exposure categories	5,560	4,818	1,116	98
B.3 other increases	1,363	1,421	419	460
B.4 business combinations	-	-	-	-
C. Decreases	**-3,582**	**-10,549**	**-1,213**	**-6,611**
C.1 outflows to performing exposures	-101	-1,641	-53	-1,996
C.2 write-offs	-1,115	-330	-20	-3
C.3 repayments	-1,093	-1,417	-212	-467
C.4 credit disposals	-98	-90	-3	-
C.4 bis losses from disposals	-30	-19	-1	-
C.5 transfers to other non-performing exposure categories	-378	-6,494	-614	-4,106
C.6 other decreases	-767	-558	-310	-39
C.7 business combinations	-	-	-	-
D. Final gross exposure	**38,245**	**20,314**	**3,091**	**1,505**
- of which exposures sold not derecognised	*20*	*24*	*-*	*2*

The “other increases” mainly include the application of penalty interest, increases in balances for charges, collections of loans derecognised in full from the financial statements (through “Repayments”) and the revaluation of positions in foreign currency following the change in the exchange rate.
The "other decreases" mainly refer to the decrease in the balances in foreign currency due to changes in the exchange rate.

A.1.8. Banking group – On-balance sheet credit exposures to customers: changes in total adjustments

(millions of euro)

	Doubtful loans	Substandard loans	Restructured exposures	Past due exposures
A. Initial total adjustments	**21,635**	**4,178**	**413**	**274**
- of which exposures sold not derecognised	*5*	*3*	*-*	*-*
B. Increases	**5,424**	**3,567**	**439**	**544**
B.1 impairment losses	2,875	2,414	146	388
B.1bis losses on disposal	30	19	1	-
B.2 transfers from other non-performing exposure categories	1,597	719	261	22
B.3 other increases	922	415	31	134
B.4 business combinations	-	-	-	-
C. Decreases	**-3,053**	**-2,936**	**-307**	**-600**
C.1 recoveries on impairment losses	-854	-533	-60	-68
C.2 recoveries on repayments	-242	-96	-15	-8
C.2bis profits on disposal	-15	-9	-	-
C.3 write-offs	-1,115	-330	-20	-3
C.4 transfers to other non-performing exposure categories	-144	-1,809	-152	-494
C.5 other decreases	-683	-159	-60	-27
C.6 business combinations	-	-	-	-
D. Final total adjustments	**24,006**	**4,809**	**545**	**218**
- of which exposures sold not derecognised	*6*	*4*	*-*	*-*

The “other increases” mainly include the application of penalty interest, collections of loans derecognised in full (through “recoveries on repayments”) and increases in balances of funds in foreign currency following the change in the exchange rate.
The "other decreases" consist mainly of collection of overdue interest applied in previous years, losses on disposal not covered by the provision and the decrease in the balances of funds in foreign currency due to changes in the exchange rate.

Conversion of loans into equity instruments

During the year, loans were converted into equity instruments as part of restructuring agreements for performing or non-performing positions. The gross loans converted into equity instruments, shares and units of UCIs amounted to 536 million euro, of which 132 million euro performing and 404 million euro non-performing. Performing loans did not result in value adjustments from conversion. For non-performing loans, adjustments directly attributable to the conversion amounted to 259 million euro, essentially provisioned in previous years.
Equity instruments and units of UCIs were recognised at their fair value of approximately 177 million euro at the execution date of the transactions among assets available for sale and approximately 96 million euro among Investments.
Loans amounting to approximately 1 million euro, classified among loans to customers represented by debt securities were transformed into mandatory convertible bonds.

A.2. Classification of exposures based on external and internal ratings

A.2.1. Banking group - Breakdown of on- and off-balance sheet credit exposures by external rating classes

The Intesa Sanpaolo Group uses the ratings supplied by the following external rating agencies for all portfolios subject to reporting: Standard & Poor's Ratings Services, Moody's Investors Service and Fitch Ratings.
These agencies are valid for all Group banks. In compliance with the regulations, if there are two ratings for the same customer, the moreprudential of the two is used, and when three ratings are available the middle rating is adopted.
The Class 6 rating column includes non-performing loans.

(millions of euro)

Exposures	EXTERNAL RATING CLASSES						UNRATED	TOTAL
	Class 1	Class 2	Class 3	Class 4	Class 5	Class 6		
A. On-balance sheet exposures	**17,541**	**37,464**	**64,835**	**9,054**	**12,153**	**33,797**	**263,675**	**438,519**
B. Derivatives	**1,058**	**2,995**	**5,304**	**481**	**498**	**449**	**3,967**	**14,752**
B.1. Financial derivatives	1,058	2,993	5,304	405	498	449	3,944	14,651
B.2. Credit derivatives	-	2	-	76	-	-	23	101
C. Guarantees given	**2,658**	**3,722**	**5,590**	**2,184**	**906**	**864**	**25,982**	**41,906**
D. Commitments to lend funds	**11,416**	**26,708**	**28,642**	**4,647**	**1,432**	**733**	**34,054**	**107,632**
E. Other	**-**	**-**	**-**	**-**	**-**	**-**	**3,800**	**3,800**
Total	**32,673**	**70,889**	**104,371**	**16,366**	**14,989**	**35,843**	**331,478**	**606,609**

It should be noted that the exposures presented in the table also include quotas of UCI of 2,353 million euro.
The following tables show the mapping of risk classes and the external ratings.

Mapping of long-term ratings issued by external rating agencies

Long-term ratings for exposures to: central governments and central banks, supervised issuers, public-sector entities, local authorities, multilateral development banks, enterprises and other parties

	ECAI		
	Moody's	**Fitch**	**Standard & Poor's**
Credit quality step			
1	from Aaa to Aa3	from AAA to AA-	from AAA to AA-
2	from A1 to A3	from A+ to A-	from A+ to A-
3	from Baa1 to Baa3	from BBB+ to BBB-	from BBB+ to BBB-
4	from Ba1 to Ba3	from BB+ to BB-	from BB+ to BB-
5	from B1 to B3	from B+ to B-	from B+ to B-
6	Caa1 and lower	CCC+ and lower	CCC+ and lower

Short-term ratings for exposures to supervised issuers and enterprises

	ECAI		
	Moody's	**Fitch**	**Standard & Poor's**
Credit quality step			
1	P -1	F1 +, F1	A -1 + , A -1
2	P -2	F2	A -2
3	P -3	F3	A -3
from 4 to 6	NP	lower than F3	lower than A -3

Ratings for exposures to UCI

	ECAI		
	Moody's	**Fitch**	**Standard & Poor's**
Credit quality step			
1	from Aaa to Aa3	from AAA to AA-	from AAA m/f to AA - m/f
2	from A1 to A3	from A+ to A-	from A + m/f to A - m/f
3 and 4	from Baa1 to Ba3	from BBB+ to BB-	from BBB + m/f to BB - m/f
5 and 6	B1 and lower	B+ and lower	B + m/f and lower

Standardised approach - Long-term ratings for exposures to securitisations

	ECAI		
	Moody's	**Fitch**	**Standard & Poor's**
Credit quality step			
1	from Aaa to Aa3	from AAA to AA-	from AAA to AA-
2	from A1 to A3	from A+ to A-	from A+ to A-
3	from Baa1 to Baa3	from BBB+ to BBB-	from BBB+ to BBB-
4	from Baa1 to Ba3	from BB+ to BB-	from BB+ to BB-
5	B1 and lower	B+ and lower	B+ and lower

Standardised approach - Short-term ratings for exposures to securitisations

	ECAI		
	Moody's	**Fitch**	**Standard & Poor's**
Credit quality step			
1	P -1	F 1 +, F 1	A -1 + , A -1
2	P -2	F2	A -2
3	P -3	F3	A -3
from 4 to 6	NP	lower than F3	lower than A -3

IRB approach - Long-term ratings for exposures to securitisations

	ECAI		
	Moody's	**Fitch**	**Standard & Poor's**
Credit quality step			
1	Aaa	AAA	AAA
2	Aa	AA	AA
3	A1	A+	A+
4	A2	A	A
5	A3	A-	A-
6	Baa1	BBB+	BBB+
7	Baa2	BBB	BBB
8	Baa3	BBB-	BBB-
9	Ba1	BB+	BB+
10	Ba2	BB	BB
11	Ba3	BB-	BB-
12	Ba3 and lower	BB- and lower	BB- and lower

IRB approach - Short-term ratings for exposures to securitisations

	ECAI		
	Moody's	**Fitch**	**Standard & Poor's**
Credit quality step			
1	P -1	F 1 +, F 1	A -1 + , A -1
2	P -2	F2	A -2
3	P -3	F3	A -3
All other credit quality steps	lower than P-3	lower than F3	lower than A -3

A.2.2. Banking group - Breakdown of on- and off-balance sheet exposures by internal rating classes

As indicated above in the paragraph entitled "Basel 3 regulations and the Internal Project" of Qualitative information, the Intesa Sanpaolo Group has a set of ratings that have been validated in respect of the Corporate, Retail Mortgages (residential mortgages for private individuals) and Retail SME portfolios.

The breakdown of exposures by internal rating classes shown in the following table is based on all ratings available in the credit risk management and control system, in addition to ratings for validated models. These ratings include credit ratings assigned by external agencies for counterparties in customer segments for which an internal model is not available.

Unrated exposures account for 15% of all exposures to performing counterparties and refer to customer segments for which a rating model is not yet available (primarily personal loans to private parties and consumer credit), to counterparties for which the roll-out of new internal models is still underway, to Group companies whose mission is not related to credit and loans, and to international subsidiaries, which have yet to be fully integrated into the credit risk management system.

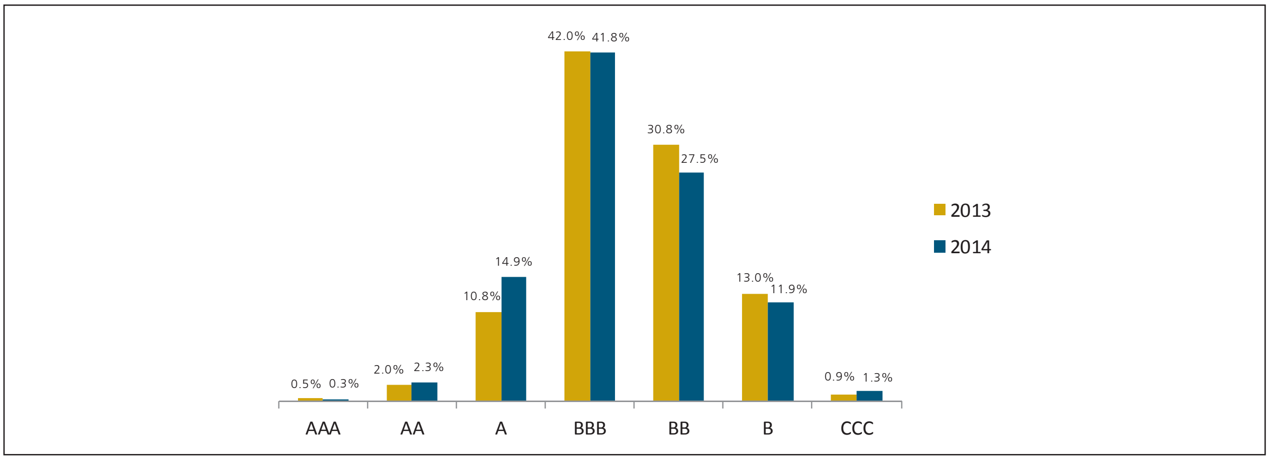
For the purposes of calculating the risk indicators, unrated counterparties are assigned an estimated rating on the basis of the average probabilities of default, deriving from the past experience of the respective sectors.

When unrated counterparties and non-performing loans are excluded, there is a high concentration of investment grade classes (classes 1, 2 and 3, representing ratings between AAA and BBB-) at 70% of the total, whilst 19% fall within the BB+/BB- range (class 4) and 11% fall under higher risk classes (of which around 1% are below B-).

(millions of euro)

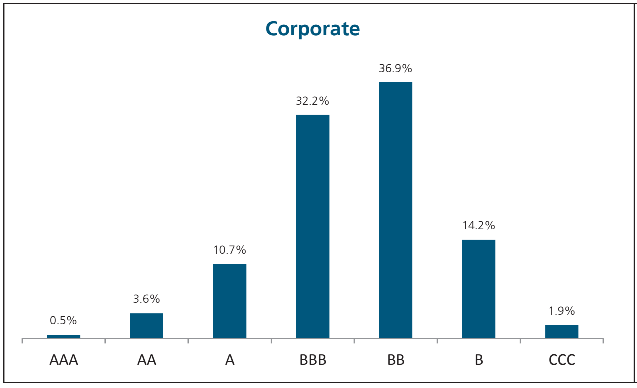
Exposures	INTERNAL RATING CLASSES							UNRATED	TOTAL
	Class 1	Class 2	Class 3	Class 4	Class 5	Class 6	Non-performing exposures		
A. On-balance sheet exposures	**20,056**	**59,628**	**149,112**	**73,015**	**41,293**	**3,590**	**33,603**	**55,869**	**436,166**
B. Derivatives	**1,226**	**2,999**	**6,115**	**1,681**	**808**	**70**	**426**	**1,427**	**14,752**
B.1. Financial derivatives	1,226	2,997	6,115	1,605	808	70	426	1,404	14,651
B.2. Credit derivatives	-	2	-	76	-	-	-	23	101
C. Guarantees given	**5,078**	**8,231**	**13,636**	**6,552**	**1,529**	**208**	**784**	**5,888**	**41,906**
D. Commitments to lend funds	**12,185**	**29,191**	**34,082**	**10,294**	**3,596**	**919**	**603**	**16,762**	**107,632**
E. Other	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**3,801**	**3,801**
Total	**38,545**	**100,049**	**202,945**	**91,542**	**47,226**	**4,787**	**35,416**	**83,747**	**604,257**

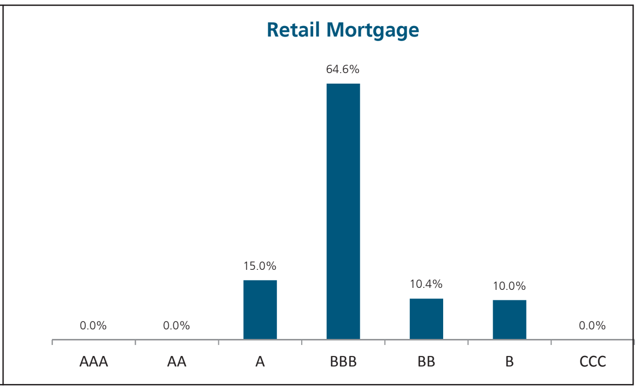
In addition to the tables required by supervisory provisions at the Group level, the following is the rating allocation for performing credit exposures to customers attributable to banks with internal models.
As at 31 December 2014, performing loans to customers assigned an individual rating internally or by an external agency accounted for 94% of the loans of banks with internal models and for 82% of the entire aggregate at the Group level.

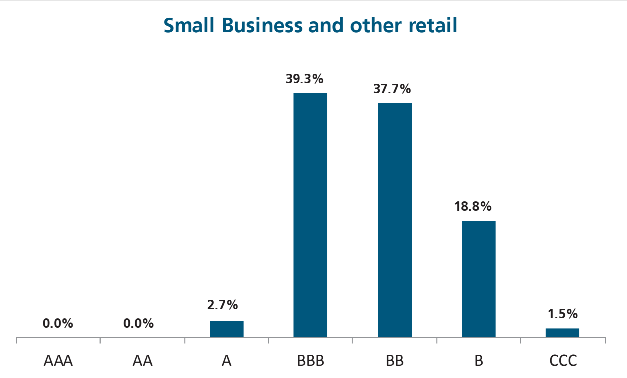


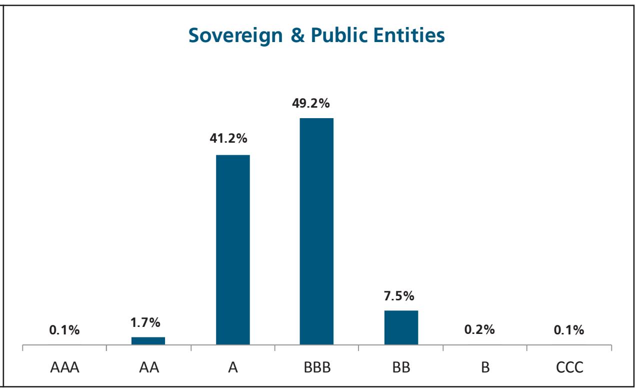
The allocation shows a high level of investment grade exposures of 59.3%, up compared to the previous year (55.3%).

Following are the details of the rating allocations for the Corporate, Retail Mortgage (residential mortgages for individuals), Retail SME and other retail, and Sovereign & Public Entities portfolios.









Investment grade positions account for 47.1%, 79.7%, 42% and 92.2% of the above portfolios, respectively.

A.3. Breakdown of guaranteed credit exposures by type of guarantee

A.3.1. Banking group - Guaranteed credit exposures to banks

(millions of euro)

	GUARANTEED ON-BALANCE SHEET CREDIT EXPOSURES				GUARANTEED OFF-BALANCE SHEET CREDIT EXPOSURES				TOTAL
	Totally guaranteed		Partly guaranteed		Totally guaranteed		Partly guaranteed		
		of which non-performing		*of which non-performing*		*of which non-performing*		*of which non-performing*	
NET EXPOSURE	**3,723**	***7***	**173**	***18***	**3,316**	***1***	**3,560**	**-**	**10,772**
COLLATERAL(1)									
Real estate assets	7	-	-	-	-	-	-	-	7
Mortgages	-	-	-	-	-	-	-	-	-
Financial leases	*7*	-	-	-	-	-	-	-	*7*
Securities	3,578	-	21	-	1,209	-	62	-	4,870
Other	-	-	2	-	3,913	-	3,073	-	6,988
GUARANTEES (1)									
Credit derivatives									
Credit-linked notes	-	-	-	-	-	-	-	-	-
Other derivatives									
- Governments and Central Banks	-	-	-	-	-	-	-	-	-
- Other public entities	-	-	-	-	-	-	-	-	-
- Banks	-	-	-	-	-	-	-	-	-
- Other counterparties	-	-	-	-	-	-	-	-	-
Guarantees given									
Governments and Central Banks	*113*	*7*	-	-	*79*	*1*	-	-	*192*
Other public entities	-	-	-	-	-	-	-	-	-
Banks	*1*	-	*3*	-	*13*	-	*1*	-	*18*
Other counterparties	*19*	-	*1*	-	-	-	-	-	*20*
TOTAL	**3,718**	***7***	**27**	**-**	**5,214**	***1***	**3,136**	**-**	**12,095**

(1) Fair Value of the collateral/guarantee or, if difficult to calculate, contractual value, the latter stated - as required by the regulations - up to the net exposure value.

A.3.2. Banking group - Guaranteed credit exposures to customers

(millions of euro)

	GUARANTEED ON-BALANCE SHEET CREDIT EXPOSURES				GUARANTEED OFF-BALANCE SHEET CREDIT EXPOSURES				TOTAL
	Totally guaranteed		Partly guaranteed		Totally guaranteed		Partly guaranteed		
		of which non-performing		*of which non-performing*		*of which non-performing*		*of which non-performing*	
NET EXPOSURE	**190,994**	***23,512***	**14,339**	***2,924***	**16,972**	***700***	**3,317**	***61***	**225,622**
COLLATERAL [(1)]									
Real estate assets	348,109	***52,492***	2,038	***657***	8,076	***640***	365	***8***	358,588
Mortgages	*327,851*	***47,914***	*1,998*	***627***	*8,025*	***636***	*319*	***8***	*338,193*
Financial leases	*20,258*	***4,578***	*40*	***30***	*51*	***4***	*46*	-	*20,395*
Securities	23,100	*335*	1,835	*530*	2,514	*25*	418	*3*	27,867
Other	7,740	*1,794*	956	*252*	1,810	*8*	378	*15*	10,884
GUARANTEES [(1)]									
Credit derivatives									
Credit-linked notes	-	-	-	-	-	-	-	-	-
Other derivatives									
- Governments and Central Banks	-	-	-	-	-	-	-	-	-
- Other public entities	-	-	-	-	-	-	-	-	-
- Banks	-	-	-	-	-	-	-	-	-
- Other counterparties	-	-	-	-	-	-	-	-	-
Guarantees given									
Governments and Central Banks	*2,539*	*37*	*168*	*11*	*329*	-	*2*	-	*3,038*
Other public entities	*207*	*21*	*244*	*10*	*10*	-	*4*	-	*465*
Banks	*1,350*	*113*	*534*	*13*	*117*	*3*	*63*	-	*2,064*
Other counterparties	*29,717*	*5,559*	*3,207*	*608*	*9,961*	*195*	*892*	*14*	*43,777*
TOTAL	**412,762**	***60,351***	**8,982**	***2,081***	**22,817**	***871***	**2,122**	***40***	**446,683**

[(1)] Fair Value of the guarantee or, if difficult to be determined, contractual value, the latter stated - as required by the regulations - up to the net exposure value.

B. BREAKDOWN AND CONCENTRATION OF CREDIT EXPOSURES

B.1. Banking group - Breakdown of on- and off-balance sheet credit exposures to customers by sector (book value)

(millions of euro)

	ON-BALANCE SHEET EXPOSURES					TOTAL ON-BALANCE SHEET EXPOSURES	OFF-BALANCE SHEET EXPOSURES				TOTAL OFF-BALANCE SHEET EXPOSURES	TOTAL 31.12.2014	TOTAL 31.12.2013
	Doubtful loans	Substan-dard loans	Restructured exposures	Non-performing past due exposures	Other exposures		Doubtful loans	Substan-dard loans	Other non-performing assets	Other exposures			
GOVERNMENTS													
Net exposure	2	2	-	36	64,321	64,361	-	-	-	4,811	4,811	69,172	80,513
Individual adjustments	-9	-1	-	-	X	-10	-	-	-	X	-	-10	-10
Collective adjustments	X	X	X	X	-12	-12	X	X	X	-	-	-12	-5
OTHER PUBLIC ENTITIES													
Net exposure	192	147	-	2	16,953	17,294	-	13	-	1,505	1,518	18,812	20,385
Individual adjustments	-70	-33	-	-	X	-103	-	-2	-	X	-2	-105	-92
Collective adjustments	X	X	X	X	-51	-51	X	X	X	-1	-1	-52	-54
FINANCIAL INSTITUTIONS													
Net exposure	178	628	110	27	38,651	39,594	2	18	-	26,807	26,827	66,421	64,129
Individual adjustments	-571	-214	-14	-5	X	-804	-1	-2	-22	X	-25	-829	-533
Collective adjustments	X	X	X	X	-134	-134	X	X	X	-10	-10	-144	-104
INSURANCE COMPANIES													
Net exposure	-	-	-	-	2,396	2,396	-	-	-	692	692	3,088	3,446
Individual adjustments	-	-	-	-	X	-	-	-	-	X	-	-	-
Collective adjustments	X	X	X	X	-	-	X	X	X	-	-	-	-3
NON-FINANCIAL COMPANIES													
Net exposure	11,622	13,200	2,420	1,019	162,972	191,233	199	1,317	249	71,291	73,056	264,289	270,526
Individual adjustments	-20,477	-3,918	-522	-141	X	-25,058	-108	-100	-52	X	-260	-25,318	-22,591
Collective adjustments	X	X	X	X	-1,877	-1,877	X	X	X	-190	-190	-2,067	-2,131
OTHER COUNTERPARTIES													
Net exposure	2,245	1,528	16	203	79,915	83,907	6	6	2	1,602	1,616	85,523	87,401
Individual adjustments	-2,879	-643	-9	-72	X	-3,603	-15	-	-	X	-15	-3,618	-3,575
Collective adjustments	X	X	X	X	-327	-327	X	X	X	-32	-32	-359	-354

B.2. Banking group - Breakdown of on- and off-balance sheet credit exposures to customers by geographical area (book value)

(millions of euro)

	ITALY		OTHER EUROPEAN COUNTRIES		AMERICA		ASIA		REST OF THE WORLD	
	Net exposure	Total adjustments	Net exposure	Total adjustments	Net exposure	Total adjustments	Net exposure	Total adjustments	Net exposure	Total adjustments
A. ON-BALANCE SHEET EXPOSURES										
A.1. Doubtful loans	13,007	-21,428	1,216	-2,360	3	-35	2	-29	11	-154
A.2. Substandard loans	14,328	-4,348	1,052	-388	57	-36	13	-1	55	-36
A.3. Restructured exposures	2,034	-414	278	-111	-	-	149	-6	85	-14
A.4. Non-performing past due exposures	1,180	-178	58	-37	34	-	6	-1	9	-2
A.5. Other exposures	285,051	-1,776	64,163	-496	7,939	-32	3,659	-23	4,396	-74
Total A	**315,600**	**-28,144**	**66,767**	**-3,392**	**8,033**	**-103**	**3,829**	**-60**	**4,556**	**-280**
B. OFF-BALANCE SHEET EXPOSURES										
B.1. Doubtful loans	165	-82	39	-27	-	-	-	-1	4	-14
B.2. Substandard loans	1,291	-84	51	-16	9	-2	-	-1	3	-
B.3. Other non-performing assets	243	-73	6	-2	-	-	-	-	1	-
B.4. Other exposures	49,173	-102	43,226	-106	12,625	-18	1,144	-2	540	-5
Total B	**50,872**	**-341**	**43,322**	**-151**	**12,634**	**-20**	**1,144**	**-4**	**548**	**-19**
TOTAL (A+B) 31.12.2014	**366,472**	**-28,485**	**110,089**	**-3,543**	**20,667**	**-123**	**4,973**	**-64**	**5,104**	**-299**
TOTAL 31.12.2013	**397,075**	**-25,395**	**100,739**	**-3,649**	**20,617**	**-73**	**3,456**	**-59**	**4,513**	**-276**

B.2 bis Breakdown of relations with customers resident in Italy by geographical area (book value)

(millions of euro)

	NORTH-WEST		NORTH-EAST		CENTRE		SOUTH AND ISLANDS	
	Net exposure	Total adjustments	Net exposure	Total adjustments	Net exposure	Total adjustments	Net exposure	Total adjustments
A. ON-BALANCE SHEET EXPOSURES								
A.1. Doubtful loans	4,400	-7,191	2,695	-4,703	3,010	-4,521	2,902	-5,013
A.2. Substandard loans	5,558	-1,630	2,838	-785	3,401	-930	2,531	-1,003
A.3. Restructured exposures	841	-191	710	-125	243	-50	240	-48
A.4. Non-performing past due exposures	367	-52	181	-26	337	-49	295	-51
A.5. Other exposures	90,460	-697	46,199	-344	109,655	-410	38,737	-325
Total A	**101,626**	**-9,761**	**52,623**	**-5,983**	**116,646**	**-5,960**	**44,705**	**-6,440**
B. OFF-BALANCE SHEET EXPOSURES								
B.1. Doubtful loans	50	-31	43	-22	64	-25	8	-4
B.2. Substandard loans	109	-2	223	-21	849	-33	110	-28
B.3. Other non-performing assets	176	-37	37	-26	11	-6	19	-4
B.4. Other exposures	20,236	-50	6,119	-19	20,372	-25	2,446	-8
Total B	**20,571**	**-120**	**6,422**	**-88**	**21,296**	**-89**	**2,583**	**-44**
TOTAL (A+B) 31.12.2014	**122,197**	**-9,881**	**59,045**	**-6,071**	**137,942**	**-6,049**	**47,288**	**-6,484**
TOTAL 31.12.2013	**133,836**	**-8,700**	**61,443**	**-5,456**	**148,942**	**-5,306**	**52,854**	**-5,933**

B.3 Banking group - Breakdown of on- and off-balance sheet credit exposures to banks by geographical area (book value)

(millions of euro)

	ITALY		OTHER EUROPEAN COUNTRIES		AMERICA		ASIA		REST OF THE WORLD	
	Net exposure	Total adjustments	Net exposure	Total adjustments	Net exposure	Total adjustments	Net exposure	Total adjustments	Net exposure	Total adjustments
A. ON-BALANCE SHEET EXPOSURES										
A.1. Doubtful loans	18	-7	-	-6	-	-	-	-	-	-
A.2. Substandard loans	-	-	-	-	-	-	8	-6	-	-
A.3. Restructured exposures	-	-	-	-	-	-	-	-	-	-
A.4. Non-performing past due exposures	-	-	-	-	-	-	-	-	-	-
A.5. Other exposures	6,835	-3	22,043	-22	2,074	-7	5,008	-4	1,397	-
Total A	**6,853**	**-10**	**22,043**	**-28**	**2,074**	**-7**	**5,016**	**-10**	**1,397**	**-**
B. OFF-BALANCE SHEET EXPOSURES										
B.1. Doubtful loans	-	-	-	-	-	-	-	-	-	-
B.2. Substandard loans	-	-	-	-	-	-	1	-	-	-
B.3. Other non-performing assets	-	-	-	-	-	-	-	-	-	-
B.4. Other exposures	2,403	-5	41,438	-14	8,709	-3	2,725	-19	493	-9
Total B	**2,403**	**-5**	**41,438**	**-14**	**8,709**	**-3**	**2,726**	**-19**	**493**	**-9**
TOTAL (A+B) 31.12.2014	**9,256**	**-15**	**63,481**	**-42**	**10,783**	**-10**	**7,742**	**-29**	**1,890**	**-9**
TOTAL 31.12.2013	**10,148**	**-18**	**78,935**	**-82**	**6,072**	**-3**	**6,312**	**-27**	**1,919**	**-10**

B.3 Bis Breakdown of relations with banks resident in Italy by geographical area (book value)

(millions of euro)

	NORTH-WEST		NORTH-EAST		CENTRE		SOUTH AND ISLANDS	
	Net exposure	Total adjustments	Net exposure	Total adjustments	Net exposure	Total adjustments	Net exposure	Total adjustments
A. ON-BALANCE SHEET EXPOSURES								
A.1. Doubtful loans	18	-7	-	-	-	-	-	-
A.2. Substandard loans	-	-	-	-	-	-	-	-
A.3. Restructured exposures	-	-	-	-	-	-	-	-
A.4. Non-performing past due exposures	-	-	-	-	-	-	-	-
A.5. Other exposures	1,939	-1	1,437	-1	3,426	-1	33	-
Total A	**1,957**	**-8**	**1,437**	**-1**	**3,426**	**-1**	**33**	**-**
B. OFF-BALANCE SHEET EXPOSURES								
B.1. Doubtful loans	-	-	-	-	-	-	-	-
B.2. Substandard loans	-	-	-	-	-	-	-	-
B.3. Other non-performing assets	-	-	-	-	-	-	-	-
B.4. Other exposures	303	-5	161	-	1,929	-	10	-
Total B	**303**	**-5**	**161**	**-**	**1,929**	**-**	**10**	**-**
TOTAL (A+B) 31.12.2014	**2,260**	**-13**	**1,598**	**-1**	**5,355**	**-1**	**43**	**-**
TOTAL 31.12.2013	**2,752**	**-13**	**1,658**	**-4**	**5,266**	**-1**	**472**	**-**

B.4 Large exposures

Large exposures	
a) Book value (millions of euro)	116,594
b) Weighted value (millions of euro)	7,407
b) Number	6

Based on regulatory provisions, the number of large exposures presented in the table was determined by the reference to unweighted "exposures" in excess of 10% of eligible capital as defined by EU Regulation no. 575/2013 (CRR). The "exposures" are defined as the sum of on-balance sheet assets at risk and off-balance sheet transactions (excluding those deducted from eligible capital) with a customer or a group of related customers, without applying weighting factors.
Such presentation criteria result in the inclusion in the financial statement table for large exposures of entities that - even with a weighting of 0% - present an unweighted exposure in excess of 10% of eligible capital for the purposes of large risks.

C. SECURITISATIONS

This section does not include securitisations where the originators are Intesa Sanpaolo Group banks and all the liabilities (e.g. ABS securities, loans at the warehousing stage) issued by the vehicle companies are subscribed at the time of issue by one or more Group companies. For a description of these types of transaction, see the section on liquidity risk in Part E of the Notes to the consolidated financial statements.

Qualitative information

The securitisations carried out in 2014 are summarised below:

– GARC Securitisation
  In 2014 Intesa Sanpaolo launched the "GARC" (Active Credit Risk Management) project to create a platform to monitor credit risk in performing portfolios. The initiative involved the systematic acquisition of guarantees (both personal guarantees and collateral) to support lending to SMEs, a segment which, as a result of the crisis, was hit by significant difficulties in access to credit. This type of transactions provide synthetic hedging of default risk (failure-to-pay, bankruptcy and restructuring) of granular portfolios and freeing up of economic and regulatory capital, as envisaged by the current Supervisory Regulations on the matter (EU Regulation 575/2013 and Bank of Italy Circular 285/2013).
  As part of these operations, in 2014 the junior risk relating to a total portfolio of 1.8 billion euro in loans to approximately 5,400 businesses in the Corporate and SME Corporate segments, valued by applying internal models (Advanced IRB) was sold to a specialised investor.
– Telefonia Securitisation
  The transaction, involving securitisation of commercial loans in the telephony sector of 150 million euro, was completed at the beginning of 2014. The vehicles used for the transaction were Trade Receivables Investment Vehicle S.a.r.l. and Duomo Funding Plc. The securities issued are unrated.
– Food & Beverages Securitisation
  The securitisation of commercial loans in the Food & Beverages sector was expanded during 2014, bringing the nominal value of securitised loans from 355 to 597 million euro. To close the transactions, the Group used the vehicles Trade Receivables Investment Vehicle S.a.r.l. and Duomo Funding Plc. The securities issued are unrated.
– Automotive, Electronics and Mechanics Securitisation (Conan)
  This securitisation was expanded during 2014, bringing the nominal value of securitised loans from 80 to 380 million euro. To close the transactions, the Group used the vehicles Trade Receivables Investment Vehicle S.a.r.l. and Duomo Funding Plc. The securities issued are unrated.

Quantitative information

C.1. Banking group - Breakdown of exposures deriving from securitisations by quality of underlying asset

On-balance sheet

(millions of euro)

	ON-BALANCE SHEET EXPOSURES					
	Senior		Mezzanine		Junior	
	Exposure gross	Exposure net	Exposure gross	Exposure net	Exposure gross	Exposure net
A. Originated underlying assets	**1,387**	**1,387**	**71**	**71**	**96**	**93**
a) Non-performing	-	-	-	-	17	17
b) Other	1,387	1,387	71	71	79	76
B. Third party underlying assets	**4,832**	**4,829**	**359**	**357**	**43**	**42**
a) Non-performing	-	-	-	-	-	-
b) Other	4,832	4,829	359	357	43	42
Total	**6,219**	**6,216**	**430**	**428**	**139**	**135**

Part of the exposures shown in the table above has been included within the structured credit products: 2,376 million euro of gross exposures and 2,373 million euro net, in any case almost entirely attributable to exposures not included under the US subprime category. For further information on the relative economic and risk effects, see the chapter on market risks in the Notes to the consolidated financial statements.

Off-balance sheet

(millions of euro)

	GUARANTEES GIVEN						CREDIT LINES					
	Senior		Mezzanine		Junior		Senior		Mezzanine		Junior	
	Exposure gross	Exposure net	Exposure gross	Exposure net	Exposure gross	Exposure net	Exposure gross	Exposure net	Exposure gross	Exposure net	Exposure gross	Exposure net
A. Originated underlying assets	**-**	**-**	**-**	**-**	**-**	**-**	**1,564**	**1,564**	**-**	**-**	**-**	**-**
a) Non-performing	-	-	-	-	-	-	-	-	-	-	-	-
b) Other	-	-	-	-	-	-	1,564	1,564 (**)	-	-	-	-
B. Third party underlying assets (*)	**-**	**-**	**-**	**-**	**-**	**-**	**852**	**852**	**-**	**-**	**-**	**-**
a) Non-performing	-	-	-	-	-	-	-	-	-	-	-	-
b) Other	-	-	-	-	-	-	852	852	-	-	-	-
TOTAL	**-**	**-**	**-**	**-**	**-**	**-**	**2,416**	**2,416**	**-**	**-**	**-**	**-**

(*) Including Romulus and Duomo Asset Backed Commercial Paper (ABCP) programmes as detailed in the tables relating to third party securitisations.

(**) Amount referring to liquidity lines granted to cover loans which did not meet the criteria for derecognition pursuant to IAS 39

C.2. Banking group - Breakdown of exposures deriving from the main "originated" securitisations by type of securitised asset and by type of exposure

On-balance sheet

(millions of euro)

	ON-BALANCE SHEET EXPOSURES					
	Senior		Mezzanine		Junior	
	Book value	Adjust./ recoveries	Book value	Adjust./ recoveries	Book value	Adjust./ recoveries
A. Fully derecognised	**-**	**-**	**-**	**-**	**22**	**2**
A.1 Intesa Sec Npl						
- performing mortgages	-	-	-	-	*17*	*2*
A.2 Intesa Sec (*)						
- performing mortgages	-	-	-	-	-	-
A.3 Cr Firenze Mutui						
- performing mortgages	-	-	-	-	*5*	-
B. Partly derecognised	-	-	-	-	-	-
C. Not derecognised	**1,387**	**-**	**71**	**-**	**71**	**-**
C.1 GARC (**)						
- loans to business	*1,387*	-	-	-	*5*	-
C.2 Da Vinci (*) (**)						
- loans to the aircraft sector	-	-	-	-	-	-
C.3 Intesa Sec 3						
- performing residential mortgages	-	-	*44*	-	*53*	-
C.4 Food & Beverage Securitisation (*)						
- trade receivables	-	-	-	-	-	-
C.5 Telefonia Securitisation						
- trade receivables	-	-	-	-	*1*	-
C.6 Luce Securitisation						
- trade receivables	-	-	*25*	-	*8*	-
C.7 Gas Securitisation						
- trade receivables	-	-	*2*	-	*2*	-
C.8 Automotive, Electronic & Mechanics Securitisation						
- trade receivables	-	-	-	-	*2*	-
TOTAL	**1,387**	**-**	**71**	**-**	**93**	**2**

(*) The positions of Intesa Sec and Da Vinci in the Parent Company's portfolio and the Food & Beverage Securitisation in Banca IMI's portfolio have values of less than 1 million euro. Therefore, they are shown in the table at values equal to zero.

(**) Da Vinci and GARC securitisations are synthetic.

Intesa Sec 3 is not derecognised for financial statement purposes, but it is derecognised for prudential purposes.
The securitisations in the above table include those for which the Group availed itself of the exemption from compliance to IAS/IFRS permitted on first-time adoption by IFRS 1. Based on this exemption, assets or liabilities sold not derecognised, based on previous accounting principles and deriving from securitisations prior to 1 January 2004, have not been recorded in the financial statements, even if derecognition does not meet the requirements of IAS 39.

Off-balance sheet

(millions of euro)

	GUARANTEES GIVEN						CREDIT LINES					
	Senior		Mezzanine		Junior		Senior		Mezzanine		Junior	
	Net exposure	Adjust./ recoveries	Net exposure	Adjust./ recoveries	Net exposure	Adjust./ recoveries	Net exposure	Adjust./ recoveries	Net exposure	Adjust./ recoveries	Net exposure	Adjust./ recoveries
A. Fully derecognised	-	-	-	-	-	-	-	-	-	-	-	-
B. Partly derecognised	-	-	-	-	-	-	-	-	-	-	-	-
C. Not derecognised	-	-	-	-	-	-	**1,564**	-	-	-	-	-
C.1 Duomo Funding Plc.												
- trade receivables	-	-	-	-	-	-	*1,564*	-	-	-	-	-
TOTAL	-	-	-	-	-	-	**1,564**	-	-	-	-	-

C.3. Banking group - Breakdown of exposures deriving from the main "third party" securitisations by type of securitised asset and by type of exposure

On-balance sheet

(millions of euro)

	ON-BALANCE SHEET EXPOSURES					
	Senior		Mezzanine		Junior	
	Book value	Adjust./ recoveries	Book value	Adjust./ recoveries	Book value	Adjust./ recoveries
A.1 Romulus (*)						
- Asset backed commercial papers	*2,211*	-	-	-	-	-
A.2 Fondo Immobili Pubblici						
- Financial credits deriving from rental of properties to the public sector	*185*	*2*	-	-	-	-
A.3 Posillipo Finance						
- Loans to the Italian health system	*153*	-	-	-	-	-
A.4 ASTI Finance SRL						
- Residential mortgages	*116*	-	*2*	-	-	-
A.5 CLARIS Finance S.r.l.						
- Residential mortgages	*118*	-	-	-	-	-
A.6 Sunrise S.r.l.						
- Consumer credit	*96*	-	*6*	-	-	-
A.7 Berica Residential MBS S.r.l.						
- Residential mortgages	*82*	-	*11*	-	-	-
A.8 Mecenate						
- Residential mortgages	*89*	-	*2*	-	-	-
A.9 VOBA FINANCE Srl						
- Residential mortgages	*87*	-	-	-	-	-
A.10 Quadrivio RMBS						
- Residential mortgages	*82*	-	-	-	-	-
A.11 Quadrivio SME						
- Financing for SMEs	*75*	-	-	-	-	-
A.12 Paragon Mortgages						
- Residential mortgages	*51*	-	*18*	-	*6*	-
A.13 D'Annunzio						
- Trade recevables from the Italian health system	*71*	-	-	-	-	-
A.14 GRANITE						
- Residential mortgages	*6*	-	*47*	*1*	*13*	-
A.15 VELA HOME Srl						
- Residential mortgages	*58*	*2*	*1*	-	-	-
A.16 Residual portfolio divided in 295 securities (**)	1,349	2	270	2	23	1
TOTAL	**4,829**	**6**	**357**	**3**	**42**	**1**

(*) Romulus securities held in the Banking Group's portfolios are shown under third party securitisations, as these are ABCP issued by the vehicle partly for assets of the Banking Group and partly for risks originating from other economic operators, without distinction.

(**) Please note that 64 million euro included among "Residual portfolio" refers to single tranche securitisations, classified as Senior securities and not as exposures to securitisations for supervisory purposes.

The table below shows the breakdown of the residual portfolio divided into 295 securities by type of underlying asset.

(millions of euro)

	ON-BALANCE SHEET EXPOSURES					
	Senior		**Mezzanine**		**Junior**	
	Book value	Adjust./ recoveries	Book value	Adjust./ recoveries	Book value	Adjust./ recoveries
Residential mortgages (*)	660	1	80	2	1	-
Commercial mortgages	116	-	83	-	4	1
Other ABS (CLO-CMO-CFO) (*)	159	-2	54	-1	-	-
Financing for SMEs	149	2	2	-	-	-
Loans deriving from leasing contracts	55	-	22	-	-	-
Consumer credit	73	-	20	-	-	-
Loans to the Italian health system	49	-	-	-	-	-
Loans to foreign public bodies	31	-	-	-	-	-
Electrical company loans due from the public sector	23	-	-	-	-	-
CDO Cash	23	-	-	-	-	-
Project finance loans	-	-	-	-	14	-
Public property	2	-	6	1	-	-
Personal loans	-	-	-	-	4	-
Other assets	9	1	3	-	-	-
TOTAL	**1,349**	**2**	**270**	**2**	**23**	**1**

(*) Includes positions part of packages, whose credit risk is entirely hedged by a specific credit default swap (CDS). The adjustment highlighted was, therefore, practically identical to the positive fair value of the derivative. For further information on the relevant economic and risk impacts, see the paragraph on structured credit products in Part E of the Notes to the consolidated financial statements.

Off-balance sheet

(millions of euro)

Type of securitised asset/Exposure (*)	GUARANTEES GIVEN						CREDIT LINES					
	Senior		**Mezzanine**		**Junior**		**Senior**		**Mezzanine**		**Junior**	
	Net exposure	Adjust./ recoveries	Net exposure	Adjust./ recoveries	Net exposure	Adjust./ recoveries	Net exposure	Adjust./ recoveries	Net exposure	Adjust./ recoveries	Net exposure	Adjust./ recoveries
A.1 Duomo - *ABCP Conduit transactions*	-	-	-	-	-	-	*852*	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**	**-**	**852**	**-**	**-**	**-**	**-**	**-**

(*) In addition to the information shown in the table, the Group's trading portfolio as at 31 December 2014 also contains off-balance sheet transactions represented by credit default swaps with exposures to securitisations as underlyings for a nominal value of 137 million euro.

C.4. Banking group - Breakdown of exposures deriving from securitisations by portfolio and by type

(millions of euro)

	On-balance sheet exposures (*)			Off-balance sheet exposures		
	Senior	Mezzanine	Junior	Senior	Mezzanine	Junior
Financial assets held for trading	1,208	227	28	-	-	-
Financial assets measured at fair value	1	-	-	-	-	-
Financial assets available for sale	418	1	12	-	-	-
Investments held to maturity	-	-	-	-	-	-
Loans (**)	3,202	129	24	852	-	-
Total 31.12.2014	**4,829**	**357**	**64**	**852**	**-**	**-**
Total 31.12.2013	**4,497**	**340**	**45**	**1,269**	**-**	**-**

(*) Excluding on-balance sheet exposures deriving from originated securitisations in which assets sold have not been fully derecognised for a total of 1,529 million euro. As at 31 December 2014, off-balance sheet exposures deriving from originated securitisations whose assets sold were not fully derecognised from balance sheet assets totalled 1,564 million euro.

(**) This caption includes off-balance sheet exposures referred to "Guarantees given" and "Credit lines".

C.5. Banking group - Total amount of securitised assets underlying junior securities or other forms of backing

(millions of euro)

	Traditional securitisations	Synthetic securitisations
A. Originated underlying assets	**856**	**5**
A.1 Fully derecognised	56	*X*
1. Doubtful loans	*17*	*X*
2. Substandard loans	*-*	*X*
3. Restructured exposures	*-*	*X*
4. Past due exposures	*1*	*X*
5. Other assets	*38*	*X*
A.2 Partly derecognised	-	*X*
1. Doubtful loans	*-*	*X*
2. Substandard loans	*-*	*X*
3. Restructured exposures	*-*	*X*
4. Past due exposures	*-*	*X*
5. Other assets	*-*	*X*
A.3 Not derecognised	800	5
1. Doubtful loans	*11*	*-*
2. Substandard loans	*11*	*-*
3. Restructured exposures	*-*	*-*
4. Past due exposures	*2*	*-*
5. Other assets	*776*	*5*
B. Third party underlying assets	**289**	**-**
B.1. Doubtful loans	-	-
B.2. Substandard loans	1	-
B.3. Restructured exposures	-	-
B.4. Past due exposures	1	-
B.5. Other assets	287	-

C.6. Banking Group - Stakes in securitisation vehicles

(millions of euro)

SECURITISATION/ SPECIAL PURPOSE VEHICLE	REGISTERED OFFICE	CONSOLIDATION [i]	ASSETS [a]			LIABILITIES [a]		
			Loans	Debt securities	Other	Senior	Mezzanine	Junior
Adriano Lease Sec S.r.l.	Conegliano Veneto (TV)	(b)	3,080	-	207	48	3,044	-
Intesa Sanpaolo SEC SA [b]	Luxembourg	Consolidated	59	-	262	305	-	16
Intesa Sanpaolo Securitisation Vehicle S.r.l.	Milano	Consolidated	190	-	1		(c)	
Intesa Sec S.p.A.	Milano	Consolidated	(d)	(d)	(d)	(d)	(d)	(d)
Intesa Sec 3 S.r.l.	Milano	Consolidated	(d)	(d)	(d)	(d)	(d)	(d)
Intesa Sec NPL S.p.A.	Milano	Consolidated	(d)	(d)	(d)	(d)	(d)	(d)
Augusto S.r.l. [e]	Milano	(f)	5	-	2	17	-	-
Colombo S.r.l.[e]	Milano	(f)	45	-	10	5	40	10
Diocleziano S.r.l. [e]	Milano	(f)	15	-	3	67	-	-
CR Firenze Mutui	Conegliano Veneto (TV)	(f)	(g)	(g)	(g)	(g)	(g)	(g)
Trade Receivables Investment Vehicle S.a.r.l.	Luxembourg	Not consolidated	(g)	(g)	(g)	(g)	(g)	(g)
ISP OBG S.r.l. (former ISP Sec 4 S.r.l.) [h]	Milano	Consolidated	20,000	-	6,457		26,016	
ISP CB Ipotecario S.r.l. [h]	Milano	Consolidated	14,440	-	5,794		18,807	
ISP CB Pubblico S.r.l. [h]	Milano	Consolidated	5,876	2,677	4,143		12,062	

[a] Figures gross of any intercompany relations.

[b] Self-securitisation vehicle described in Section 1.3 Banking Group - Liquidity Risk, Quantitative Information, paragraph 4.

[c] This vehicle (former Intesa Lease Sec S.r.l.) has been used to launch the first phase of a transaction - completed at the end of 2014 - which entailed the sale without recourse of a portfolio of loans backed by guarantees and mortgages originated by the subsidiary CIB Hungary, also in currencies other than the euro, for a total of 343 million euro. During February 2015 the securitisation transaction was completed with the issue of 192 million euro in senior securities and 160 million euro in junior securities, fully subscribed by Intesa Sanpaolo SpA.

[d] For the financial statement disclosure concerning this vehicle, see the prospectus published in Section C.9 of these Notes to the consolidated financial statements.

[e] The amounts shown under assets and liabilities refer to the latest financial statement data available (31.12.2013).

[f] Vehicle consolidated at equity.

[g] For the financial statement disclosure concerning this vehicle, see the prospectus published in Section C.7 of these Notes to the consolidated financial statements.

[h] Vehicle used for the covered bond issue by the Intesa Sanpaolo Group. For more information, see Section E.4 in Part E of these Notes to the consolidated financial statements.

[i] Consolidation method referring to the "prudential" scope.

C.7 Banking group – Not consolidated securitisation vehicles

With reference to not consolidated structured entities used for securitisation transactions, the Group reports its residual investments in the vehicles Augusto, Colombo and Diocleziano. These are entities used to implement securitisations of assets, primarily land and public works financing, of a company subject to joint control and sold in previous years.

The Group holds a residual investment in the vehicles. There are no agreements in place which could result in the obligation of the Group to provide financial support to said vehicles.

CR Firenze Mutui
Securitisation of performing residential mortgages

(millions of euro)

A. Securitised assets		**38**
A.1 Loans	38	
A.2 Securities	-	
A.3 Other assets	-	
B. Investments of the funds collected from loan management		**8**
B.1 Debt securities	-	
B.2 Equities	-	
B.3 Liquidity	8	
C. Securities issued		**40**
C.1 Class A	-	
C.2 Class B	24	
C.3 Class C	8	
C.4 Class D	8	
D. Financing received		2
E. Other liabilities		**4**
F. Interest expense on securities issued		**1**
G. Commissions and fees		**-**
G.1 Servicing	-	
G.2 Other services	-	
H. Other expenses		**2**
I. Interest income on securitised assets		**1**
L. Other revenues		**2**

Trade Receivables Investment Vehicle Sarl
Securitisation of trade receivables

(millions of euro)

A. Assets		**79**
A.1 Receivables	74	
A.2 Other assets	5	
B. Liabilities		**79**
B.1 Class A securities issued	73	
B.2 Class B securities issued	1	
B.3 Other liabilities	5	
C. Interest charge		**10**
D. Interest income		**10**

C.8. Banking group - Servicer activities – collection of securitised loans and repayment of securities issued by the securitisation vehicle

SERVICER	SPECIAL PURPOSE VEHICLES	SECURITISED ASSETS (period-end figure) (millions of euro)		COLLECTIONS OF LOANS IN THE YEAR (millions of euro)		PERCENTAGE OF REIMBURSED SECURITIES (period-end figure)					
						Senior		Mezzanine		Junior	
		Non-performing	Performing	Non-performing	Performing	Non-performing loans	Performing loans	Non-performing loans	Performing loans	Non-performing loans	Performing loans
Intesa Sanpaolo	Intesa Sec	1	-	-	-	0%	100%	0%	100%	0%	81%
Intesa Sanpaolo	Intesa Sec 3	37	588	7	192	0%	100%	0%	76%	0%	0%
Italfondiario	Intesa Sec NPL	17	-	5	-	100%	0%	46%	0%	0%	0%
CR Firenze	Cr Firenze Mutui	-	38	1	14	0%	100%	0%	11%	0%	0%
Total		**55**	**626**	**13**	**206**						

C.9. Banking group – Consolidated securitisation vehicles

Intesa Sec
Securitisation of performing mortgages

(millions of euro)

A. Securitised assets		**2**
A.1 Loans	1	
A.2 Securities	-	
A.3 Other assets	1	
B. Investments of the funds collected from loan management		-
B.1 Debt securities	-	
B.2 Equities	-	
B.3 Liquidity	-	
C. Securities issued		**1**
C.1 Class A1	-	
C.2 Class A2	-	
C.3 Class B	-	
C.4 Class C	1	
D. Financing received		**-**
E. Other liabilities		**1**
E.1 Amounts due for services rendered	1	
E.2 Due to customers	-	
E.3 Due to SPV	-	
E.4 Accrued expenses – interest on securities issued	-	
E.5 Other accrued expenses	-	
F. Interest expense on securities issued		**-**
G. Commissions and fees		**-**
G.1 Servicing	-	
G.2 Other services	-	
H. Other expenses		**-**
H.1 Interest expense	-	
H.2 Additional return	-	
I. Interest income on securitised assets		**-**
L. Other revenues		**-**
L.1 Interest income	-	

Intesa Sec 3

Securitisation of performing residential mortgages

(millions of euro)

A. Securitised assets		**627**
A.1 Loans	625	
A.2 Securities	-	
A.3 Other assets	2	
B. Investments of the funds collected from loan management		**193**
B.1 Debt securities	-	
B.2 Equities	-	
B.3 Liquidity	193	
C. Securities issued		**626**
C.1 Class A1	-	
C.2 Class A2	-	
C.3 Class A3	482	
C.4 Class B	72	
C.5 Class C	72	
D. Financing received		**48**
E. Other liabilities		**146**
E.1 Amounts due for services rendered	-	
E.2 Due to customers	-	
E.3 Due to Parent Company	92	
E.4 Due to securitisation vehicle	-	
E.5 "Additional return" allowance	52	
E.6 Accrued expenses – interest on securities issued	-	
E.7 Accrued expenses on IRS	2	
E.8 Other accrued expenses	-	
F. Interest expense on securities issued		**3**
G. Commissions and fees		**1**
G.1 Servicing	1	
G.2 Securities placement commissions	-	
H. Other expenses		**22**
H.1 Interest expense	14	
H.2 Other expenses	1	
H.3 Forecasted losses on loans	-	
H.4 Additional return	7	
I. Interest income on securitised assets		**20**
L. Other revenues		**6**
L.1 Interest income	5	
L.2 Revenues from penalties for early termination and other	1	

Intesa Sec Npl

Securitisation of non performing mortgages

(millions of euro)

A. Securitised assets		**20**
A.1 Loans	16	
A.2 Securities	-	
A.3 Other assets	4	
B. Investments of the funds collected from loan management		**2**
B.1 Debt securities	-	
B.2 Equities	-	
B.3 Liquidity	2	
C. Securities issued		**155**
C.1 Class A	-	
C.2 Class B	-	
C.3 Class C	-	
C.4 Class D	114	
C.5 Class E	41	
D. Financing received		**6**
E. Other liabilities		**48**
E.1 Amounts due for services rendered	1	
E.2 Accrued expenses – interest on securities issued	45	
E.3 Other accrued expenses	1	
E.4 Floor option premium received	1	
F. Interest expense on securities issued		**15**
G. Commissions and fees		**1**
G.1 Servicing	1	
G.2 Other services	-	
H. Other expenses		**25**
H.1 Interest expense	3	
H.2 Other expenses	2	
H.3 Losses on penalty interest	-	
H.4 Losses on loans	19	
H.5 Forecasted losses on loans	1	
I. Interest income on securitised assets		**8**
L. Other revenues		**16**
L.1 Interest income	-	
L.2 Recovery of legal expenses	-	
L.3 Write-backs	15	
L.4 Other income	1	

D. INFORMATION ON STRUCTURED ENTITIES (OTHER THAN SECURITISATION VEHICLES)

In line with IFRS 12, the Group considers structured entities to be entities set up to achieve a narrow, well-defined objective, defined through contractual arrangements which often impose strict restrictions on decision-making powers of the entity's management bodies. In that sense, structured entities are designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, as they refer to administrative tasks, while the relevant operating activities are directed by means of contractual arrangements agreed on at the time of structuring the structured entity, which are difficult to modify. The characteristics of a structured entity include:
- limited activities;
- a narrow and well-defined objective;
- insufficient equity to permit the structured entity to finance its activities without subordinated financial support.

The structured entities through which the Group operates are mainly Special Purpose Entities (SPEs) and UCIs.

D.1 Consolidated structured entities

There are no structured entities consolidated in the accounts other than securitisation companies that fall within the scope of the Intesa Sanpaolo Banking Group.

D.2 Structured entities not consolidated in the accounts

D.2.1 Structured entities consolidated for regulatory purposes

There are no structured entities that are not consolidated in the accounts but are consolidated for regulatory purposes.

D.2.2 Other structured entities not consolidated for regulatory purposes

Qualitative information

As indicated above, the Group's operations through structured entities are also carried out through SPEs. To that end, SPEs are understood as legal entities established to pursue a specific, well-defined and limited objective:
- to raise funds on the market by issuing specific financial instruments;
- to develop and/or finance a specific business initiative, capable of generating, through an economic activity, cash flows which permit the complete reimbursement of the debt;
- to finance the acquisition of a target company which, through its economic activity, will be capable of generating cash flows for the SPEs which permit the complete reimbursement of the debt.

For the purposes of this section, operations carried out through securitisation vehicles, that is vehicles established to acquire, sell or manage specific assets, separating them from the financial statements of the Originator, for the purpose of carrying out securitisations of assets or for acquiring funding through self-securitisations and issues of Covered Bonds (CB), shall not be relevant. For that types of vehicle companies, reference to section C. Securitisations and section E. Sales of Part E of the Notes to the consolidated financial statements should be made.

In some cases the Group sponsors the SPE by structuring the transaction to pursue specific objectives, such as raising funds, securitising its own assets also for the purposes of funding or offering financial services to customers.

In detail, the Group's operations are carried out through the following types of structured entities represented by special purpose entities (SPEs).

Project Financing SPEs

These are financing instruments for capital intensive projects, which are based on the economic or financial validity of the industrial or infrastructural project, and are independent from the standing/creditworthiness of the sponsors who developed the "entrepreneurial" idea. The financing of the initiative is based on the project's capacity to generate positive cash flows, sufficient to reimburse loans received and guarantee an adequate risk-adjusted return on invested capital. Such vehicles are established by sponsors "with entrepreneurial capacity", mostly abroad in order to benefit from operating and legal/bureaucratic efficiency.
The Intesa Sanpaolo Group finances entities of this type, as normal borrowers, without acting as sponsor.

Asset Backed SPEs

These are transactions aimed at acquisition/construction/management of physical assets by SPEs financed by one or more entities. Their recovery prospects mostly depend upon the cash flows generated by the assets. The assets generate cash flows in their recurring operations (e.g. rentals, goods transportation contracts, etc.) or in their non-recurring operations (e.g. a real estate disposal plan). Generally the assets are also the collateral for the financing obtained from the vehicle.
The Intesa Sanpaolo Group finances entities of this type, as normal borrowers, without any direct equity investments or any other interests which might lead to presume the role of sponsor. The risk undertaken is always a normal credit risk and the benefits are represented by the return on the financing granted.

Leveraged & Acquisition Finance SPEs

This category includes exposures (loans granted and disbursed in relation to structured financing operations, normally medium/long-term) to legal entities in which the majority of share capital is held by private equity funds.
These are mainly positions in support of Leveraged Buy Out projects (therefore with high financial leverage), i.e. linked to the full or partial acquisition of companies through recourse to SPEs created for this purpose. After acquisition of the target company's shares/quotas package, these SPEs are normally merged into the target. The target companies generally have good economic prospects, stable cash flows in the medium term and low original leverage levels. The Intesa Sanpaolo Group finances entities of this type, as normal borrowers, without acting as sponsor.

The Intesa Sanpaolo Group also has investments in/exposures to structured entities represented by UCIs.
The main cases include the Group's investments in several funds managed by IMI Fondi Chiusi SGR, which sponsors and manages closed-end private equity funds, in the form of UCIs reserved to qualified operators, specialised in investment in Small and Medium-Sized Enterprises, operating in two complementary business lines: Private Equity and Venture and Seed Capital.
In the area of Private Equity, there are several operating funds dedicated to investment in SMEs throughout the country and in specific geographical areas.
In the area of Venture and Seed Capital, the sponsored funds operate in the following areas:
– participation in new business initiatives characterised by sound technological profiles;
– participation in projects to introduce process or product innovation using digital technology;
– investments in businesses with high forecast growth rates and cutting-edge technological development, both through direct investments in Seed Capital (financing the assessment and development of a business idea prior to the start-up phase) and indirect investments in UCI units with an investment policy matching the Fund's objectives or in business incubators/accelerators.

Investments in these types of funds derive from the Group's willingness to subscribe unplaced units offered during the placement to qualified investors, to ensure that the initiatives are successful, in any event, while maintaining suitable separation of management in organisational terms.
The closed-end funds in question finance their activities exclusively using the capital that investors committed to paying in at the time of placement, without using any types of debt.

The Group made further investments in UCIs through the subsidiary Eurizon Capital SGR, in line with the financial portfolio management policies issued by the company, in agreement with the Intesa Sanpaolo Group Guidelines. In detail, the asset management company has both temporary and structural available funds deriving from company equity that is not permanently invested in equity investments or other fixed assets, and from the ordinary cash flows. Based on that set out in the Guidelines for managing the financial portfolio, as part of Treasury management activities, structural and temporarily available funds linked to the trend in short-term and on demand cash flows make up the liquidity portfolio net of the amount held in current accounts or invested in term deposits. In relation to the activities carried out by the asset management company and the characteristics of the available funds in question, excess liquidity must be invested in assets with moderate risk that can be easily liquidated. That portfolio includes investments in short-term monetary and bond funds, both specialising in the Eurozone, established and/or managed by Eurizon Capital SGR or by subsidiaries. The Group's investments in UCIs managed by a subsidiary do not prejudice the operational autonomy and capacity of the asset management company to act in the exclusive interest of investors, considering the specific provisions set out in sector regulations and by the Supervisory Authorities.

The Intesa Sanpaolo Group also invests in hedge funds. For more information, refer to the specific section in Part E of the Notes to the consolidated financial statements.

Quantitative information

(millions of euro)

Captions / Type of structured entity	Accounting portfolios under assets	Total assets (A)	Accounting portfolios under liabilites	Total liabilities (B)	NET BOOK VALUE (C = A-B)	Maximum exposure to risk of loss (D)	Difference between exposure to risk of loss and book value (E = D - C)
1. SPE		**1,021**		**4**	**1,017**	**1,017**	**-**
	Financial assets held for trading	2	Due to customers	4			
	Financial assets available for sale	5	-	-			
	Loans to customers	1,014	-	-			
2. UCI		**931**		**1**	**930**	**1,054**	**124**
	Financial assets held for trading	226	Due to customers	1			
	Financial assets available for sale	320	-	-			
	Loans to customers	277	-	-			
	Equity investments	108	-	-			

The maximum exposure to risk, representing the maximum exposure of the entity to losses deriving from its interests in structured entities, was prudently posted at the net book value in most cases. The net book value equals the exposure in the financial statements net of value adjustments recorded during the current and previous years. For UCIs, where applicable, the maximum risk exposure also includes the Group's commitments, not yet called up by the fund, to subscribe additional units.

The table below shows the amount and type of revenues earned over the year by sponsored structured entities for which no exposures or equity investments were posted in the financial statements at the reporting date. Specifically, these are revenues recognised by the Group in the form of fees deriving from the management and placement of the UCIs sponsored and managed by the Group's asset management companies and placed with customers. The fees in question are charged by the asset management company to the funds managed and partly reversed to the distribution network for the placement service. The Group had no interests in the funds in question at the reporting date.

(millions of euro)

Type of structured entity sponsored	Interest	Fees and commissions	Dividends	Other revenue	TOTAL
UCI	-	1,336	-	-	1,336

E. SALES

A. Financial assets sold not fully derecognised

Qualitative information

For a description of the operations shown in tables E.1, E.2 and E.3 below, refer to the information shown below the relevant tables.
Conversely, for operations in debt securities against medium-/long-term repurchase agreements, refer to the information in Part B of the Notes to the consolidated financial statements.

Quantitative information

E.1. Banking group - Financial assets sold not derecognised: book value and full value

(millions of euro)

	CASH ASSETS				DERIVATIVES	31.12.2014		31.12.2013	
	Debt securities	Equities	UCI	Loans		Total	*of which non-performing assets*	Total	*of which non-performing assets*
FINANCIAL ASSETS HELD FOR TRADING	**4,623**	**-**	**-**	**-**	**-**	**4,623**	**-**	**6,364**	**-**
- Financial assets sold totally recognised (book value)	4,623	-	-	-	-	4,623	-	6,364	-
- Financial assets sold partly recognised (book value)	-	-	-	-	-	-	-	-	-
- Financial assets sold partly recognised (full value)	-	-	-	-	-	-	-	-	-
FINANCIAL ASSETS MEASURED AT FAIR VALUE	**-**	**-**	**-**	**-**	**X**	**-**	**-**	**-**	**-**
- Financial assets sold totally recognised (book value)	-	-	-	-	X	-	-	-	-
- Financial assets sold partly recognised (book value)	-	-	-	-	X	-	-	-	-
- Financial assets sold partly recognised (full value)	-	-	-	-	X	-	-	-	-
FINANCIAL ASSETS AVAILABLE FOR SALE	**9,878**	**-**	**-**	**-**	**X**	**9,878**	**-**	**8,226**	**-**
- Financial assets sold totally recognised (book value)	9,878	-	-	-	X	9,878	-	8,226	-
- Financial assets sold partly recognised (book value)	-	-	-	-	X	-	-	-	-
- Financial assets sold partly recognised (full value)	-	-	-	-	X	-	-	-	-
INVESTMENTS HELD TO MATURITY	**-**	**X**	**X**	**-**	**X**	**-**	**-**	**198**	**-**
- Financial assets sold totally recognised (book value)	-	X	X	-	X	-	-	198	-
- Financial assets sold partly recognised (book value)	-	X	X	-	X	-	-	-	-
- Financial assets sold partly recognised (full value)	-	X	X	-	X	-	-	-	-
DUE FROM BANKS	**-**	**X**	**X**	**-**	**X**	**-**	**-**	**724**	**-**
- Financial assets sold totally recognised (book value)	-	X	X	-	X	-	-	724	-
- Financial assets sold partly recognised (book value)	-	X	X	-	X	-	-	-	-
- Financial assets sold partly recognised (full value)	-	X	X	-	X	-	-	-	-
LOANS TO CUSTOMERS	**834**	**X**	**X**	**816**	**X**	**1,650**	**36**	**2,380**	***43***
- Financial assets sold totally recognised (book value)	834	X	X	816	X	1,650	36	2,380	43
- Financial assets sold partly recognised (book value)	-	X	X	-	X	-	-	-	-
- Financial assets sold partly recognised (full value)	-	X	X	-	X	-	-	-	-
Total 31.12.2014	**15,335**	**-**	**-**	**816**	**-**	**16,151**	**36**	**X**	***X***
Total 31.12.2013	**17,081**	**5**	**3**	**803**	**-**	**X**	**X**	**17,892**	***43***

Covered bond transactions where the selling bank and the lending bank are the same are not included in this caption.

Operations mainly refer to the use of securities held for short and medium/long-term repurchase agreements and loans to customers assigned as part of the SEC 3 securitisation.

E.2. Banking group - Financial liabilities corresponding to financial assets sold not derecognised: book value

(millions of euro)

	DUE TO CUSTOMERS		DUE TO BANKS		SECURITIES ISSUED		TOTAL	TOTAL
	Fully recognised	Partly recognised	Fully recognised	Partly recognised	Fully recognised	Partly recognised	31.12.2014	31.12.2013
Financial assets held for trading	3,793	-	867	-	-	-	4,660	6,135
Financial assets measured at fair value	-	-	-	-	-	-	-	-
Financial assets available for sale	8,969	-	954	-	-	-	9,923	7,108
Investments held to maturity	-	-	-	-	-	-	-	-
Due from banks	-	-	-	-	-	-	-	14
Loans to customers	33	-	583	-	629	-	1,245	1,602
Total	**12,795**	**-**	**2,404**	**-**	**629**	**-**	**15,828**	**14,859**

Covered bond transactions where the selling bank and the lending bank are the same are not included in this caption.
The financial liabilities corresponding to financial assets sold not derecognised (shown in the columns Due to Customers and Due to Banks) mainly relate to repurchase agreements for securities recorded under assets.
On the other hand, in accordance with the regulations, the liabilities issued as part of the related securitisation by the SEC3 vehicle (included within the scope of consolidation) are shown under securities issued.
However, they do not include the repurchase agreements relating to securities received under reverse repurchase agreements.

E.3. Banking group - Sales with liabilities having recourse exclusively on the assets sold: fair value

(millions of euro)

	FINANCIAL ASSETS HELD FOR TRADING		FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT AND LOSS		FINANCIAL ASSETS AVAILABLE FOR SALE		INVESTMENTS HELD TO MATURITY (fair value)		DUE FROM BANKS (fair value)		LOANS TO CUSTOMERS (fair value)		TOTAL 31.12.2014	TOTAL 31.12.2013
	Financial Assets sold:		Financial Assets sold:		Financial Assets sold:		Financial Assets sold:		Financial Assets sold:		Financial Assets sold:			
	fully recognised	partly recognised	fully recognised	partly recognised	fully recognised	partly recognised	fully recognised	partly recognised	fully recognised	partly recognised	fully recognised	partly recognised		
A. Cash assets	**4,623**	**-**	**-**	**-**	**9,878**	**-**	**-**	**-**	**-**	**-**	**1,475**	**-**	**15,976**	**17,768**
1. Debt securities	4,623	-	-	-	9,878	-	-	-	-	-	850	-	15,351	16,935
2. Equities	-	-	-	-	-	-	X	X	X	X	X	X	-	5
3. UCI	-	-	-	-	-	-	X	X	X	X	X	X	-	3
4. Loans	-	-	-	-	-	-	-	-	-	-	625	-	625	825
B. Derivatives	**-**	**-**	**X**	**X**	**X**	**X**	**X**	**X**	**X**	**X**	**X**	**X**	**-**	**-**
Total Assets	**4,623**	**-**	**-**	**-**	**9,878**	**-**	**-**	**-**	**-**	**-**	**1,475**	**-**	**15,976**	**17,768**
C. Associated liabilities	**4,660**	**-**	**-**	**-**	**9,923**	**-**	**-**	**-**	**-**	**-**	**1,245**	**-**	**X**	**X**
1. Due to customers	3,793	-	-	-	8,969	-	-	-	-	-	33	-	X	X
2. Due to banks	867	-	-	-	954	-	-	-	-	-	583	-	X	X
3. Securities issued	-	-	-	-	-	-	-	-	-	-	629	-	X	X
Total Liabilities	**4,660**	**-**	**-**	**-**	**9,923**	**-**	**-**	**-**	**-**	**-**	**1,245**	**-**	**15,828**	**14,718**
Net Value 2014	**-37**	**-**	**-**	**-**	**-45**	**-**	**-**	**-**	**-**	**-**	**230**	**-**	**148**	**X**
Net Value 2013	**322**	**-**	**-**	**-**	**1,118**	**-**	**196**	**-**	**694**	**-**	**720**	**-**	**X**	**3,050**

Covered bond transactions where the selling bank and the lending bank are the same are not included in this caption.

B. Financial assets sold fully derecognised with recognition of continuing involvement

This type of exposure did not exist as at 31 December 2014.

E.4 . Banking group - Covered bond transactions

The Intesa Sanpaolo Group uses Covered Bonds (CB) to prudently establish eligible assets with Central Banks, or as a type of funding, by placing Covered Bonds on the market.
Transactions are structured by selling assets (loans, mortgages) to a vehicle, with the simultaneous granting of a subordinated loan for payment of the sale price. In the Intesa Sanpaolo Group, in this phase the seller is always the same entity as the lender. Securities are issued by the Parent Company, relating to assets sold to the vehicle by other Group companies.
In accordance with IAS 39, these transactions do not represent sales without recourse for accounting purposes, as the Group companies involved maintained all the risks and rewards connected to the loans sold. Therefore, when recording the transactions, Bank of Italy provisions are applied, according to which, where the originator and the lender are the same entity, the separate assets of the vehicle, provided as security for the issues of Covered Bonds, are consolidated in the separate financial statements.

Over time, the Intesa Sanpaolo Group has carried out three Covered Bond issue programmes.

The first programme, launched at the end of July 2009, had an amount of 20 billion euro (the original amount was 10 billion euro). The guarantor of the Covered Bonds is the vehicle ISP CB Pubblico, to which a portfolio of performing loans and securities to the public sector, originated by the former subsidiary Banca Infrastrutture Innovazione e Sviluppo, now Intesa Sanpaolo, was transferred. In detail, performing loans and securities to the public sector with a total original nominal value of around 14.4 billion euro were sold, the last of which (amounting to around 1 billion euro) in April 2013. As at 31 December 2014 loans and securities sold to the vehicle had a book value of 8.6 billion euro.
Against these sales, Covered Bonds were issued for a total nominal value of 17.5 billion euro (of which 3 billion euro relating to a covered bond which matured in the fourth quarter of 2011, 11 billion euro relating to issues acquired by the Parent Company and cancelled from the accounts and 3.2 billion euro relating to an exchange offer to investors during 2012). During 2014:

- in March and April, early redemption of the sixth series of CB was carried out, as in 2012 these were cancelled in the accounts following the merger of BIIS into Intesa Sanpaolo;
- the ninth series of CB was issued for a nominal value of 1 billion euro. This is a floating-rate bond with maturity of two years, fully subscribed by Intesa Sanpaolo. The bond is listed on the Luxembourg Stock Exchange with Moody’s A2 rating, and is eligible for Eurosystem transactions;

As at 31 December 2014 a total nominal amount of 5.5 billion euro of issues made as part of the Covered Bond Programme of the vehicle ISP CB Pubblico was outstanding, of which 5.2 billion repurchased and 0.3 billion placed with third party investors.

In the second programme, amounting to a maximum of 20 billion euro, the guarantor of the Covered Bonds is the vehicle ISP CB Ipotecario S.r.l., to which Italian residential mortgage loans originated by Intesa Sanpaolo were transferred. In detail, these are sales of Italian residential mortgages with an original nominal value of 16.8 billion euro, in addition to the sale, in May 2014, of a portfolio of Italian residential mortgages originated by Intesa Sanpaolo with a nominal value of 2.5 billion euro. In April 2014 the cover pool was increased through a revolving sales of 1 billion euro of a CTZ which, as it matured on 31 December 2014, exited the cover pool at year-end. As at 31 December 2014 loans sold to the vehicle had a book value of 14.4 billion euro.
Over time, against the sale of these assets, Intesa Sanpaolo carried out issues of Covered Bonds with a total nominal value of approximately 19.5 billion euro (of which 8.2 billion euro subject to early redemption in 2012). During 2014, series 16 of CB was issued in the form of a fixed-rate bond (3.25%) for a nominal value of 1.25 billion euro, with a 12-year maturity, listed on the Luxembourg Stock Exchange with Moody's A2 rating.
As at 31 December 2014 a total nominal amount of 12.6 billion euro of issues made as part of the Covered Bond Programme of the vehicle ISP CB Ipotecario was outstanding, fully placed with third party investors.

In 2012 the new multi-originator CB issue programme was launched, secured by mortgages totalling 30 billion euro. Aimed at retained issues, the programme provides for the issue of unrated securities which thus benefit from the rating of the issuer Intesa Sanpaolo. The portfolio used to collateralise the issues of Covered Bonds is composed of mortgages originated by Intesa Sanpaolo, Banco di Napoli, Cassa di Risparmio del Veneto, Banca dell'Adriatico and, starting from May 2014, Cassa di Risparmio di Bologna. In particular:
- Intesa Sanpaolo sold mortgages to the vehicle with a total original nominal value of 13.4 billion euro. No sales were made during 2014;
- Banco di Napoli sold mortgages to the vehicle with a total original nominal value of 7.8 billion euro, of which 1 billion euro sold in May 2014;
- Cassa di Risparmio del Veneto sold mortgages to the vehicle with a total original nominal value of 2.6 billion euro. No sales were made during 2014;
- Banca dell'Adriatico sold mortgages to the vehicle with a total original nominal value of 1.1 billion euro. No sales were made during 2014;
- Cassa di Risparmio in Bologna sold mortgages to the vehicle with a total original nominal value of 1.2 billion euro in May 2014.

As at 31 December 2014 loans sold to the vehicle had a book value of 20 billion euro.
Over time, against the sale of these assets, Intesa Sanpaolo carried out issues of Covered Bonds for a total nominal value of approximately 21.4 billion euro. In May 2014, in relation to the early redemption of the first four series of securities, twelve new series of securities were issued with a total nominal value of 19.1 billion euro. These are floating-rate bonds with maturities of two to seven years, subscribed by the Parent Company.
All securities issued as part of the multi-originator programme are listed on the Luxembourg Stock Exchange and, as noted above, benefit from the rating of the issuer Intesa Sanpaolo. The characteristics of the issues make them eligible for Eurosystem refinancing transactions.
In October 2014, the issues were restructured, reducing the notional amount by 1.8 billion euro.
As at 31 December 2014 a total nominal amount of 19.6 billion euro of issues made as part of the Covered Bond Programme of the vehicle ISP OBG was outstanding, fully repurchased by Intesa Sanpaolo.

The key figures for ISP CB Pubblico, ISP CB Ipotecario and ISP OBG as at 31 December 2014 are shown in the table below.

(millions of euro)

COVERED BONDS		VEHICLE DATA		SUBORDINATED LOAN (1)	COVERED BONDS ISSUED	
		Total assets	Cumulated write-downs on securitised	amount	Nominal amount (2)	Book value (2)
ISP CB PUBBLICO	Performing public sector loans and securities	12,696	-	12,062	284	324
ISP CB IPOTECARIO	RMBSs (Performing residential mortgages)	20,234	57	18,807	12,576	13,900
ISP OBG	Performing mortgages	26,457	100	26,016	-	-

(1) The item includes the subordinated loan granted by the originator for the purchase of the portfolio backing the Covered Bonds. Such loan is subject to derecognition in the IAS-compliant financial statements of the originator and Intesa Sanpaolo Group consolidated financial statements. The figure shown above also includes the amount of subordinated loans disbursed in 2012, for which no issues have yet been made.

(2) The nominal amount and the book value shown in the table are to be considered net of securities repurchased.

In addition to this type of Covered Bonds, provided for by Italian law (Law 80/2005), there are some mortgage bonds issued by the Slovak investee VUB. These are securities whose nominal value and returns are guaranteed by mortgage loans, i.e. loans with maturity of four to thirty years, backed by a pledge on a property located in the Slovak Republic, including property under construction, at least 90% of the value of which is financed by the issue of these securities.
Each issue has specific coverage, and the entire nominal value of the issue must be backed by mortgages on local properties on at least 90% of their nominal value, and the remaining 10% by liquidity deposits with the National Bank of Slovakia or with other resident banks, by government securities or other mortgage bonds.
As at 31 December 2014 the subsidiary VUB had issued 1.6 billion euro in this type of securities, booked in the financial statements at a value of approximately 1.5 billion euro.

F. BANKING GROUP - MODELS FOR THE MEASUREMENT OF CREDIT RISK

As at 31 December 2014, the expected loss on core banks (Basel 3 validation area) amounted to 0.61% of disbursed loans, a 0.03 percentage point decrease on the figure as at the end of 2013. The economic capital corresponded to 3.9% of disbursed loans, in reduction of 0.1% compared to the figure in 2013.

The improvement in the risk indicators derives from the operational actions involving the recomposition of the portfolio towards better exposures and the transfers of loans to the non-performing loan category, which contributes to eliminating customers with worse ratings from the performing loans portfolio. These effects offset the downgrading of the ratings due to the continuing difficult economic scenario.

The internal rating and LGD models are subject to internal validation process by the Internal Validation Service and a level three control by the Internal Auditing Department. The control functions produce an annual report for the Bank of Italy on the compliance of the models with the supervisory regulations, which also verifies deviations of the ex-ante estimates and the effective ex post values. This report, approved by the Management Board and the Supervisory Board of Intesa Sanpaolo, confirms the requirements of compliance.

1.2. BANKING GROUP - MARKET RISKS

As already highlighted in the introduction, the Intesa Sanpaolo Group policies relating to financial risk acceptance are defined by the Parent Company's Management Bodies, with the support of specific Committees, including the Group Risk Governance Committee and Group Financial Risks Committee.
The Group Risk Governance Committee is in charge, beside other functions, of proposing the Group risk management strategies and policies to the Statutory bodies, of ensuring compliance with the guidelines and indications of Supervisory authority concerning risk governance and of assessing the adequacy of the Group's economic and regulatory capital. The Committee coordinates the activities of specific Technical Committees, monitoring financial and operational risks, and is chaired by the Managing Director and CEO.
The Group Financial Risks Committee, chaired by the Chief Risk Officer and the Chief Financial Officer, is responsible for setting out the methodological and measurement guidelines for financial risks, establishing the operational limits and assessing the risk profile of the Group and its main operational units. The Committee also sets out the strategies for the management of the banking book to be submitted to the competent Bodies and establishes the guidelines on liquidity, interest rate and foreign exchange risk. The Committee operates on the basis of the operating and functional powers delegated by the Statutory bodies and coordination of the Group Risk Governance Committee.
The Group's overall financial risk profile and the eventual necessary changes are examined periodically by the Group Financial Risks Committee.
The Parent Company's Risk Management Department is responsible for the development of corporate risk measurement and monitoring methodologies as well as for the proposals on the Bank's and the Group's system of operating limits. The Risk Management Department is also responsible in outsourcing for the risk measurement for certain operating units on the basis of specific service contracts.

The table below shows the items of the consolidated Balance Sheet that are subject to market risks, showing the positions for which VaR is the main risk measurement metrics and those for which the risks are monitored with other metrics. The latter mostly include the sensitivity analysis to the different risk factors (interest rate, credit spread, etc.).

(millions of euro)

	BOOK VALUE (supervisory scope)	MAIN RISK MEASUREMENT METRICS		
		VaR	Other	Risk factors measured using metrics included under Other
Assets subject to market risk	**496,626**	**99,385**	**397,241**	
Financial assets held for trading	52,972	51,792	1,180	Interest rate risk, credit spread, equity
Financial assets designated at fair value through profit and loss	1,426	1,065	361	Interest rate risk, credit spread
Financial assets available for sale	52,546	46,508	6,038	Interest rate risk, rischio equity
Financial assets held to maturity	1,471	-	1,471	Interest rate risk
Due from banks	30,556	-	30,556	Interest rate risk
Loans to customers	341,765	-	341,765	Interest rate risk
Hedging derivatives	9,208	20	9,188	Interest rate risk
Investments in associates and companies subject to joint control	6,682	-	6,682	Equity risk
Liabilities subject to market risk	**470,535**	**46,571**	**423,964**	
Due to banks	51,521	-	51,521	Interest rate risk
Due to customers	235,360	-	235,360	Interest rate risk
Securities issued	127,176	-	127,176	Interest rate risk
Financial liabilities held for trading	46,231	45,737	494	Interest rate risk
Financial liabilities designated at fair value through profit and loss	-	-	-	
Hedging derivatives	10,247	834	9,413	Interest rate risk

REGULATORY TRADING BOOK

1.2.1. INTEREST RATE RISK AND PRICE RISK

Consistent with the use of internal risk measurement models, the sections relative to interest rate and price risk have been grouped within the relevant portfolio.

QUALITATIVE INFORMATION

The quantification of trading risks is based on daily and periodic VaR of the trading portfolios of Intesa Sanpaolo and Banca IMI, which represent the main portion of the Group's market risks, to adverse market movements of the following risk factors:
- interest rates;
- equities and market indexes;
- investment funds;
- foreign exchange rates;
- implied volatilities;
- spreads in credit default swaps (CDSs);
- spreads in bond issues;
- correlation instruments;
- dividend derivatives;
- asset-backed securities (ABSs);
- commodities.

A number of the other Group subsidiaries hold smaller trading portfolios with a marginal risk (around 1% of the Group's overall risk). In particular, the risk factors of the international subsidiaries' trading portfolios are interest rates and foreign exchange rates, both relating to linear pay-offs.

Internal model validation

For some of the risk factors indicated above, the Supervisory Authority has validated the internal models for the reporting of the capital absorptions of both Intesa Sanpaolo and Banca IMI.
In particular, the validated risk profiles for market risks are: (i) generic/specific on debt securities and on equities for Intesa Sanpaolo and Banca IMI, (ii) position risk on quotas of UCI underlying CPPI (Constant Proportion Portfolio Insurance) products for Banca IMI, (iii) position risk on dividend derivatives and (iv) position risk on commodities for Banca IMI, the only legal entity in the Group authorised to hold open positions in commodities.
Effective from June 2014, market risks are to be reported according to the internal model for capital requirements for the Parent Company's hedge fund portfolios.
Starting from 1 July 2014, the capital requirements deriving from the use of internal models will benefit from the reduction in the prudential multipliers established by the Surveillance Body following completion of the previously recommended corrective actions.

Stressed VaR

Capital absorption includes the requirement for stressed VaR. The requirement derives from the determination of the VaR associated with a market stress period. This period was identified considering the following guidelines, on the basis of the indications presented in the Basel document "Revision to the Basel 2 market risk framework":
- the period must represent a stress scenario for the portfolio;
- the period must have a significant impact on the main risk factors for the portfolios of Intesa Sanpaolo and Banca IMI;
- the period must allow real historical series to be used for all portfolio risk factors.

In keeping with the historical simulation approach employed to calculate VaR, the latter point is a discriminating condition in the selection of the holding period. In fact, in order to ensure that the scenario adopted is effectively consistent and to avoid the use of driver or comparable factors, the historical period must ensure the effective availability of market data.
As at the date of preparation of the document, the period relevant to the measurement of stressed VaR was set as 1 January to 30 December 2011 for Intesa Sanpaolo and as 1 July 2011 to 30 June 2012 for Banca IMI.

VaR

The analysis of market risk profiles relative to the trading book uses various quantitative indicators and VaR is the most important. Since VaR is a synthetic indicator which does not fully identify all types of potential loss, risk management has been enriched with other measures, in particular simulation measures for the quantification of risks from illiquid parameters (dividends, correlation, ABS, hedge funds).
VaR estimates are calculated daily based on simulations of historical time-series, a 99% confidence level and 1-day holding period.
The section "Quantitative information" presents the estimates and evolution of VaR, defined as the sum of VaR and of the simulation on illiquid parameters, for the trading book of Intesa Sanpaolo and Banca IMI.

Incremental Risk Charge (IRC)

The Incremental Risk Charge (IRC) is the maximum potential loss in the credit trading portfolio resulting from an upgrade/downgrade or bankruptcy of the issuers, over a 1-year period, with a 99.9% confidence level. This measure is additional to VaR and enables the correct representation of the specific risk on debt securities and credit derivatives because, in addition to idiosyncratic risk, it also captures event and default risk.

Stress tests

Stress tests measure the value changes of instruments or portfolios due to changes in risk factors of unexpected intensity and correlation, or extreme events, as well as changes representative of expectations of the future evolution of market variables. Stress tests are applied periodically to market risk exposures, typically adopting scenarios based on historical trends recorded by risk factors, for the purpose of identifying past worst case scenarios, or defining variation grids of risk factors to highlight the direction and non-linearity of trading strategies.

Sensitivity and greeks

Sensitivity measures make risk profiling more accurate, especially in the presence of option components. These measure the risk attributable to a change in the value of a financial position to predefined changes in valuation parameters including a one basis point increase in interest rates.

Level measures

Level measures are risk indicators which are based on the assumption of a direct relationship between the size of a financial position and the risk profile. These are used to monitor issuer/sector/country risk exposures for concentration analysis, through the identification of notional value, market value or conversion of the position in one or more benchmark instruments (so-called equivalent position).

QUANTITATIVE INFORMATION

Daily VaR evolution

During the fourth quarter of 2014, the market risks originated by Intesa Sanpaolo and Banca IMI increased compared to the previous periods: the average daily VaR for the fourth quarter of 2014 was 60.3 million euro, up on the third quarter.
With regard to the whole of 2014, the Group's average risk profile (48.5 million euro) decreased compared to the average values in 2013 (57.9 million euro).

Daily VaR of the trading portfolio for Intesa Sanpaolo and Banca IMI – Comparison between the 4th and 3rd quarter of 2014 [(a)]

(millions of euro)

	average 4th quarter	minimum 4th quarter	maximum 4th quarter	average 3rd quarter	average 2nd quarter	average 1st quarter
Intesa Sanpaolo	8.2	5.7	11.2	9.3	9.6	9.4
Banca IMI	52.0	37.0	66.5	32.9	35.0	37.0
Total	**60.3**	**45.0**	**73.8**	**42.2**	**44.7**	**46.5**

[(a)] Each line in the table sets out the past estimates of daily operating VaR calculated on the quarterly historical time-series respectively of Intesa Sanpaolo and Banca IMI; total minimum and maximum values are estimated using aggregate historical time-series and therefore do not correspond to the sum of the individual values in the column.

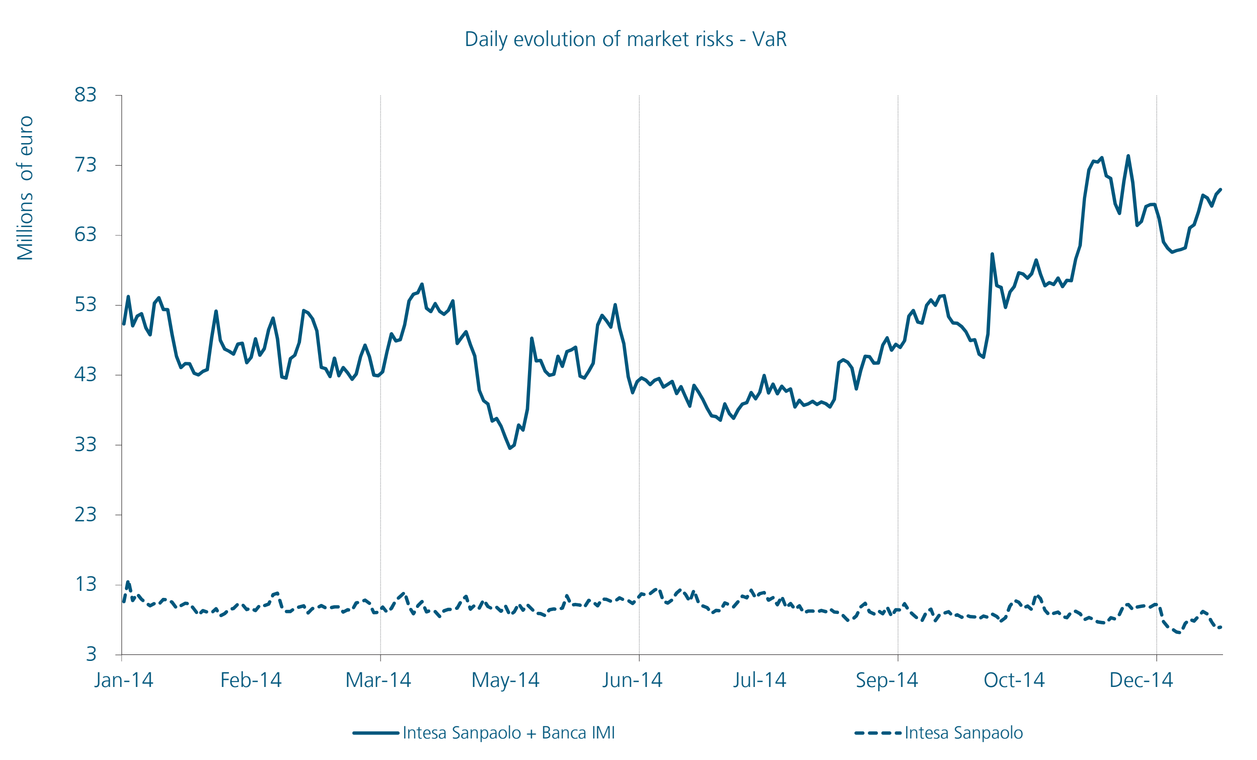
Daily VaR of the trading portfolio for Intesa Sanpaolo and Banca IMI – Comparison between 2014-2013 [(a)]

(millions of euro)

	2014				2013		
	average	minimum	maximum	last day	average	minimum	maximum
Intesa Sanpaolo	9.1	5.6	12.0	7.4	11.1	6.4	18.1
Banca IMI	39.3	23.8	66.4	62.5	46.9	31.1	74.2
Total	**48.5**	**32.0**	**73.8**	**69.8**	**57.9**	**37.8**	**88.5**

[(a)] Each line in the table sets out the past estimates of daily operating VaR calculated on the annual historical time-series respectively of Intesa Sanpaolo and Banca IMI; total minimum and maximum values are estimated using aggregate historical time-series and therefore do not correspond to the sum of the individual values in the column.

The trend in the Group's VaR, shown in the following chart, was mainly determined by Banca IMI. During the fourth quarter there was an increase in risks: in particular, in October new volatility scenarios arose pertaining to credit spreads, which resulted in an increase in VaR. Furthermore, in relation to the portfolio composition, there was an increase in risks (size and duration) on the Italian government securities portfolio classified on the AFS book of Banca IMI.



For Intesa Sanpaolo, the breakdown of risk profile in the fourth quarter of 2014, with regard to various factors, shows a general prevalence of equity risk, which accounted for 44% of total VaR. That percentage relates to the equity portion of hedge funds, for which full transparency is not available. Credit spread risk, which includes the risk associated with sovereign government bonds, was the most significant component for Banca IMI, representing 64% of the total.

Contribution of risk factors to total VaR [a]

4th quarter 2014	Shares	Hedge funds	Interest rates	Credit spreads	Foreign exchange rates	Other parameters	Commodities
Intesa Sanpaolo	44%	9%	10%	29%	7%	1%	0%
Banca IMI	3%	0%	13%	64%	1%	15%	4%
Total	**10%**	**1%**	**13%**	**58%**	**2%**	**12%**	**4%**

[a] Each line in the table sets out the contribution of risk factors considering the overall VaR 100%, calculated as the average of daily estimates in the fourth quarter of 2014, broken down between Intesa Sanpaolo and Banca IMI and indicating the distribution of overall VaR.

With regard to the hedge fund portfolio, the table below shows the exposures broken down by type of strategy adopted.

Contribution of strategies to portfolio breakdown [a]

	31.12.2014	31.12.2013
- Catalist Driven	18.0%	19.0%
- Credit	45.0%	47.1%
- Directional trading	16.0%	13.7%
- Equity hedged	15.0%	16.0%
- Equity Long Only	5.5%	4.0%
- Multi-strategy	0.5%	0.2%
Total hedge funds	**100.0%**	**100.0%**

[a] The table sets out on every line the percentage of total cash exposures calculated on amounts at period-end.

In 2014 the hedge fund portfolio maintained an asset allocation with a focus on strategies relating to distressed credit (45% of the total in terms of portfolio value).
Risk control with regard to the trading activity of Intesa Sanpaolo and Banca IMI also uses scenario analyses and stress tests. The impact on the income statement of selected scenarios relating to the evolution of stock prices, interest rates, credit spreads and foreign exchange rates as at the end of December is summarised in the following table.

(millions of euro)

	EQUITY		INTEREST RATES		CREDIT SPREADS		FOREIGN EXCHANGE RATES		COMMODITIES	
	volatility +10% and prices -5%	volatility -10% and prices +5%	+70bp	lower rate	-25bp	+25bp	-10%	+10%	-50%	+50%
Total	-12	9	-61	134	234	-231	-4	-20	15	-25

In particular:

– on stock market positions, a 5% decrease in stock prices with a resulting 10% increase in volatility would have led to a loss of approximately 12 million euro;
– on interest rate exposures, a rise of the curves of 70 basis points would have had a negative impact of 61 million euro, whereas a scenario with near zero rates would have led to potential gains;
– on exposures sensitive to credit spread fluctuations, a 25 basis point widening in spreads would have led to a 231 million euro loss;
– on foreign exchange exposures, were the Euro to appreciate against the US dollar by 10%, a loss of approximately 20 million euro would be recorded. Losses would also be recorded in the event of a depreciation due to option risks on the portfolio of Banca IMI;
– lastly, on commodity exposures, gains would be recorded in case of a 50% decrease in prices; conversely, in case of an increase, the potential losses would be equal to 25 million euro.

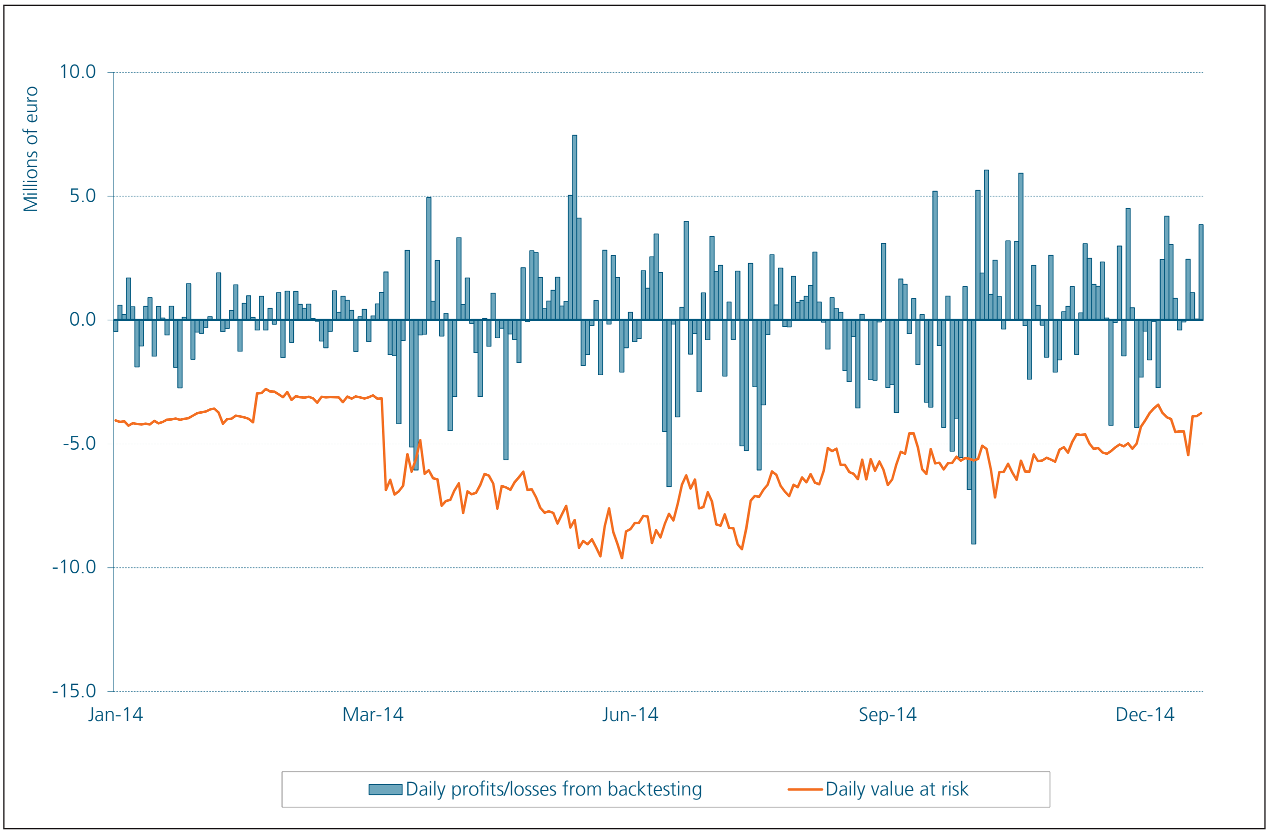
Backtesting

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

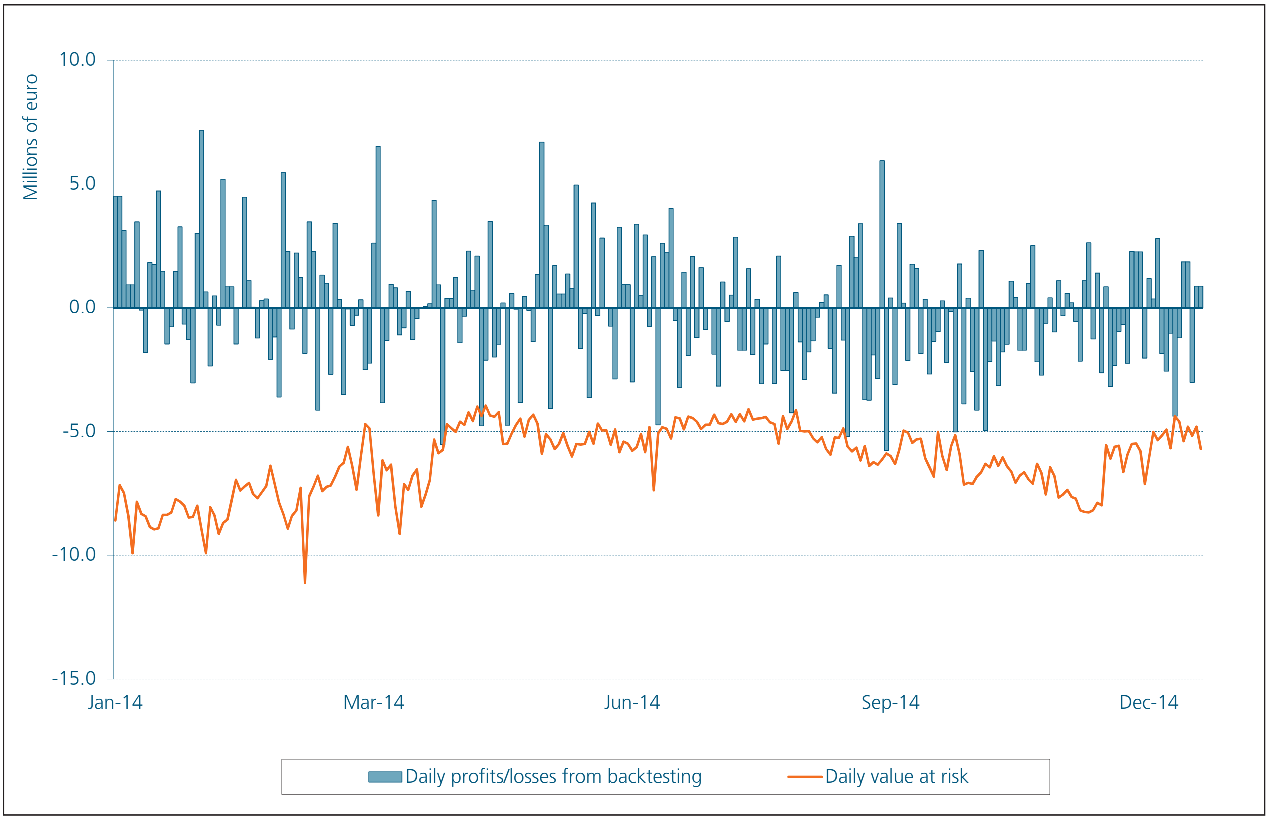
– the daily estimates of value at risk;
– the daily profits/losses based on backtesting which are determined using actual daily profits and losses achieved by individual desks, net of components which are not considered in backtesting such as commissions and intraday activities.

Backtesting allows verification of the model's capability of correctly seizing, from a statistical viewpoint, the variability in the daily valuation of trading positions, covering an observation period of one year (approximately 250 estimates). Any critical situations relative to the adequacy of the Internal Model are represented by situations in which daily profits/losses based on backtesting highlight more than three occasions, in the year of observation, in which the daily loss is higher than the value at risk estimate. Current regulations require that backtesting is performed by taking into consideration both the actual P&L series recorded and the theoretical series. The latter is based on revaluation of the portfolio value through the use of pricing models adopted for the VaR measurement calculation. The number of significant backtesting exceptions is determined as the maximum between those for actual P&L and theoretical P&L.

Backtesting in Intesa Sanpaolo
Intesa Sanpaolo's regulatory backtesting exceptions derive from linear positions in the equity component.



Backtesting in Banca IMI
Banca IMI's backtesting exception refers to the actual P&L data. The loss is to be attributed to the fluctuation of Italian stock prices since early May 2014.



Issuer risk
Issuer risk in the trading portfolio is analysed in terms of mark to market, with exposures aggregated by rating class, and it is monitored through a system of operating limits based on both rating classes and concentration indexes.

Breakdown of exposures by type of issuer for Intesa Sanpaolo and Banca IMI [(a)]

	TOTAL	OF WHICH					
		Corporate	Financial	Emerging	Covered	Government	Securitis.
Intesa Sanpaolo	57%	16%	4%	0%	28%	50%	2%
Banca IMI	43%	5%	24%	2%	18%	1%	50%
Total	**100%**	**11%**	**13%**	**1%**	**24%**	**29%**	**22%**

[(a)] In the Total column, the table reports the contribution to total exposure of Intesa Sanpaolo and Banca IMI to issuer risk, breaking down the contribution to exposure by type of issuer. The scope is the trading book subject to issuer credit limit (excluding Italian Government and AAA, own securities) , including cds.

The breakdown of the portfolio subject to issuer risk shows the prevalence of securities in the government segment for Intesa Sanpaolo and the securitisation segment for Banca IMI.

Operating limits
The structure of limits reflects the risk level deemed to be acceptable with reference to single business areas, consistent with operating and strategic guidelines defined by top management. The attribution and control of limits at the various hierarchical levels implies the assignment of delegated powers to the heads of business areas, aimed at achieving the best trade-off between a controlled risk environment and the need for operating flexibility. The functioning of the system of limits and delegated powers is underpinned by the basic concepts of hierarchy and interaction described below.
The application of such principles led to the definition of a structure of limits in which the distinction between first level and second level limits is particularly important:
- first level limits: are approved by the Management Board, after the opinion of the Group Financial Risks Committee. Limit variations are proposed by the Risk Management Department, after the opinion of the Heads of Operating Departments. Limit absorption trends and the relative congruity analysis are periodically assessed by the Group Financial Risks Committee.
- second level limits: have the objective of controlling operations of the various desks on the basis of differentiated measures based on the specific characteristics of traded instruments and operating strategies, such as sensitivity, greeks and equivalent exposures.

The RAF 2014 established an overall limit for the trading component of 110 million euro, stable in relation to the previous year.

With respect to the component sub-allocated to the organisational units, it may be noted that the use of the VaR limit (held for trading component) for Intesa Sanpaolo averaged 43% in 2014, with a maximum use of 56%. For Banca IMI, the average VaR limit came to 46%, with a maximum use of 78%. It should be specified that for Banca IMI the VaR limit also includes the AFS component, inasmuch as these assets are managed in close synergy with HFT assets.

The use of the IRC limits at year end amounted to 50% for Intesa Sanpaolo (limit of 290 million euro) and 52% for Banca IMI (limit of 330 million euro).

The use of VaR operating limits on the AFS component (excluding Banca IMI) at year end was 55%.
On discussion of the RAF 2014, the limit on that component was decreased from 150 million euro to 135 million euro.
That decision was made in light of the average uses of the VaR for the period.

BANKING BOOK

1.2.2 INTEREST RATE RISK AND PRICE RISK

QUALITATIVE INFORMATION

A. General aspects, interest rate risk and price risk management processes and measurement methods

Market risk originated by the banking book arises primarily in the Parent Company and the main Group companies involved in retail and corporate banking. The banking book also includes exposure to market risks deriving from the equity investments in quoted companies not fully consolidated, mostly held by the Parent Company and by Equiter, IMI Investimenti and Private Equity International.

The following methods are used to measure financial risks of the Group's banking book:

– Value at Risk (VaR);
– Sensitivity Analysis.

Value at Risk is calculated as the maximum potential loss in the portfolio's market value that could be recorded over a 10-day holding period with a 99% confidence level (parametric VaR). Besides measuring the equity portfolio, VaR is also used to consolidate exposure to financial risks of the various Group companies which perform banking book activities, thereby taking into account diversification benefits. Value at Risk calculation models have certain limitations, as they are based on the statistical assumption of the normal distribution of the returns and on the observation of historical data that may not be repeated in the future. Consequently, VaR results cannot guarantee that the possible future losses will not exceed the statistically calculated estimates.

Shift sensitivity analysis quantifies the change in value of a financial portfolio resulting from adverse movements in the main risk factors (interest rate, foreign exchange, equity). For interest rate risk, an adverse movement is defined as a parallel and uniform shift of ±100 basis points of the interest rate curve. The measurements include an estimate of the prepayment effect and of the risk originated by on demand customer deposits, whose features of stability and of partial and delayed reaction to interest rate fluctuations have been studied by analysing a large collection of historical data, obtaining a maturity representation model through equivalent deposits. Equity risk sensitivity is measured as the impact of a price shock of ±10%.

Furthermore the sensitivity of the interest margin is also measured by quantifying the impact on net interest income of a parallel and instantaneous shock in the interest rate curve of ±100 basis points, over a period of 12 months. This measure highlights the effect of variations in interest rates on the portfolio that is being measured, excluding assumptions on future changes in the mix of assets and liabilities and, therefore, it cannot be considered a forecast indicator of the future levels of the interest margin.

B. Fair value hedging
C. Cash flow hedging

Hedging of interest rate risk is aimed at (i) protecting the banking book from variations in the fair value of loans and deposits due to movements in the interest rate curve or (ii) reducing the volatility of future cash flows related to a particular asset/liability. The main types of derivative contracts used are interest rate swaps (IRS), overnight index swaps (OIS), cross-currency swaps (CCS) and options on interest rates stipulated with third parties or with other Group companies. The latter, in turn, cover the risk in the market so that the hedging transactions meet the criteria to qualify as IAS-compliant for consolidated financial statements.

Hedging activities performed by the Intesa Sanpaolo Group are recorded using various hedge accounting methods. A first method refers to the fair value hedge of specifically identified assets and liabilities (micro-hedging), mainly consisting of bonds issued or acquired by Group companies and loans to customers. Moreover, macro-hedging is carried out on the stable portion of on demand deposits and in order to cover the risk of fair value changes intrinsic in the instalments under accrual generated by floating rate operations. The Group is exposed to this risk in the period from the date on which the rate is set and the date of payment of the relevant interests.

Another hedging method used is the cash flow hedge, which has the purpose of stabilising interest flow on both variable rate funding, to the extent that the latter finances fixed-rate investments, and on variable rate investments to cover fixed-rate funding (macro cash flow hedges).

The Risk Management Department is in charge of measuring the effectiveness of interest rate risk hedges for the purpose of hedge accounting, in compliance with international accounting standards.

During the year no hedging activities were performed to cover the price risk of the banking book.

D. Hedging of foreign investments

For equity investments in Group companies held in foreign currencies, risk hedging policies are assessed by the Group Risk Governance Committee and the Group Financial Risks Committee, taking into consideration the advantages and the costs embedded in hedging transactions.

During the year foreign exchange hedges were implemented against the exchange risk on gains in foreign currency generated by the Parent Company's branches abroad.

QUANTITATIVE INFORMATION

Banking book: internal models and other sensitivity analysis methodologies

Interest margin sensitivity – assuming a 100 basis point change in interest rates – amounted to 217 million euro at the end of 2014, in line with the 264 million euro at the end of 2013.
In the case of invariance of the other income components, the aforesaid potential impact would be reflected also in the Group’s year-end net income and taking into account the abovementioned assumptions concerning the measurement procedures.
In 2014, interest rate risk generated by the Intesa Sanpaolo Group’s banking book, measured through shift sensitivity analysis, averaged 124 million euro with a year-end figure of 190 million euro (206 million euro at the end of 2013), almost entirely concentrated on the euro currency. Interest rate risk, measured in terms of VaR, averaged 17 million euro in 2014, with a minimum value of 9 million euro and a maximum value of 28 million euro. At the end of December 2014 VaR, totalled 11 million euro (40 million euro at the end of 2013).
Price risk generated by minority stakes in quoted companies, mostly held in the AFS (Available for Sale) category and measured in terms of VaR, recorded an average level during 2014 of 38 million euro (33 million euro at the end of 2013), with peak and minimum values of 60 million euro and 30 million euro respectively (this figure coincides with the value at the end of 2014).
Lastly, the table below shows a sensitivity analysis of the banking book to price risk, measuring the impact on Shareholders' Equity of a price shock of ±10% for the abovementioned quoted assets recorded in the AFS category.

Price risk: impact on Shareholders' Equity

(millions of euro)

		Impact on shareholders' equity
Price shock	+10%	19
Price shock	-10%	-19

1.2.3. FOREIGN EXCHANGE RISK

QUALITATIVE INFORMATION

A. General aspects, foreign exchange risk management processes and measurement methods

“Foreign exchange risk” is defined as the possibility that foreign exchange rate fluctuations produce significant changes, both positive and negative, in the Group’s balance sheet aggregates. The key sources of exchange rate risk lie in:

- foreign currency loans and deposits held by corporate and retail customers;
- purchases of securities, equity investments and other financial instruments in foreign currencies;
- conversion into domestic currency of assets, liabilities and income of branches and subsidiaries abroad;
- trading of foreign currencies and banknotes;
- collection and/or payment of interest, commissions, dividends and administrative costs in foreign currencies.

More specifically, “structural” foreign exchange risk refers to the exposures deriving from the commercial operations and the strategic investment decisions of the Intesa Sanpaolo Group.
Foreign exchange transactions, spot and forward, are carried out mostly by Banca IMI, which also operates in the name and on behalf of the Parent Company with the task of guaranteeing pricing throughout the Bank and the Group while optimizing the proprietary risk profile deriving from brokerage of foreign currencies traded by customers.
The main types of financial instruments traded include: spot and forward exchange transactions in foreign currencies, forex swaps, domestic currency swaps, and foreign exchange options.

B. Foreign exchange risk hedging activities

Foreign exchange risk deriving from operating positions in foreign currency in the banking book is systematically transferred from the business units to the Parent Company’s Treasury Department, for the purpose of guaranteeing the elimination of such risk. Similar risk containment is performed by the various Group companies for their banking book. Essentially, foreign exchange risk is mitigated by the practice of raising funds in the same currency as assets.
Held for trading exposures are included in the trading book where foreign exchange risk is measured and subjected to daily VaR limits.

QUANTITATIVE INFORMATION

1. Breakdown by currency of assets and liabilities and of derivatives

(millions of euro)

	CURRENCIES							
	US dollar	**GB pound**	**Swiss franc**	**Hungarian forint**	**Egyptian pound**	**Croatian kuna**	**Yen**	**Other currencies**
A. FINANCIAL ASSETS	**25,371**	**2,647**	**1,999**	**2,423**	**4,287**	**3,793**	**905**	**5,681**
A.1 Debt securities	3,577	988	4	300	1,213	833	547	1,324
A.2 Equities	693	104	12	5	36	32	-	45
A.3 Loans to banks	7,884	83	91	804	956	1,136	69	1,362
A.4 Loans to customers	13,217	1,472	1,892	1,314	2,082	1,792	289	2,950
A.5 Other financial assets	-	-	-	-	-	-	-	-
B. OTHER ASSETS	**3,272**	**241**	**60**	**236**	**109**	**186**	**37**	**868**
C. FINANCIAL LIABILITIES	**27,345**	**1,720**	**664**	**2,976**	**3,637**	**2,381**	**323**	**4,915**
C.1 Due to banks	7,023	825	387	178	9	181	43	645
C.2 Due to customers	6,847	459	269	2,596	2,508	2,200	124	2,254
C.3 Debt securities	13,475	436	8	202	1,120	-	156	2,010
C.4 Other financial liabilities	-	-	-	-	-	-	-	6
D. OTHER LIABILITIES	**751**	**154**	**140**	**211**	**-**	**214**	**10**	**664**
E. FINANCIAL DERIVATIVES								
- Options								
long positions	*3,252*	*123*	*140*	*24*	-	-	*103*	*690*
short positions	*4,079*	*75*	*58*	*3*	-	-	*58*	*614*
- Other derivatives								
long positions	*46,682*	*5,891*	*1,921*	*3,079*	-	*86*	*3,053*	*8,121*
short positions	*46,014*	*6,838*	*3,288*	*2,089*	-	*2*	*3,702*	*8,010*
TOTAL ASSETS	**78,577**	**8,902**	**4,120**	**5,762**	**4,396**	**4,065**	**4,098**	**15,360**
TOTAL LIABILITIES	**78,189**	**8,787**	**4,150**	**5,279**	**3,637**	**2,597**	**4,093**	**14,203**
DIFFERENCE (+/-)	**388**	**115**	**-30**	**483**	**759**	**1,468**	**5**	**1,157**

2. Internal models and other sensitivity analysis methodologies

Management of foreign exchange risk relative to trading activities is included in the operating procedures and in the estimation methodologies of the internal model based on VaR calculations, as already illustrated.

Foreign exchange risk expressed by equity investments in foreign currency (banking book), including Group companies, originated a VaR (99% confidence level, 10-day holding period) amounting to 100 million euro as at 31 December 2014. This potential impact would only be reflected in the Shareholders' Equity.

1.2.4. DERIVATIVES

Starting from April 2014, valid for the March 2014 reporting, the Parent Company and Banca IMI were authorised to use EPE (Expected Positive Exposure) internal models to determine the requirement for counterparty risk.
This approach is applicable to almost the entire trading portfolio (as shown in the table below, as at 31 December 2014 approximately 92% of the total EAD of financial and credit derivatives is measured using EPE models). At consolidated level, derivatives whose counterparty risk is measured using approaches other than internal models represent a residual portion of the portfolio (as at 31 December 2014 accounting for approximately 8% of overall EAD) and refer to:

- residual contracts of Banca IMI and Intesa Sanpaolo to which EPE is not applied (in compliance with the insignificance of the EBA thresholds);
- EAD generated by all other banks and companies in the group which report using the mark-to-market approach.

For the banks in the Banca dei Territori division, the activities are underway to extend the EPE internal model. With the entry into force of the new rules of Basel 3, the scope of counterparty risk is expected to also include Exchange Traded Derivatives (ETD) and contracts with central counterparties (CCP).

The table below shows the overall EAD of exposures in financial and credit derivatives, broken down by measurement approach (EPE internal models or mark-to-market approach).

(millions of euro)

Transaction categories	31.12.2014		31.12.2013	
	Current Exposure Method	EPE Internal Method	Current Exposure Method	EPE Internal Method
Derivative contracts	1,424	17,093	17,420	-

The EPE internal model considers the collateral collected to mitigate credit exposure and any excess collateral paid. The value of guarantees received and included in the calculation of the EAD amounted to over 3.5 billion euro for the Parent Company and Banca IMI, while the collateral paid amounted to 8.8 billion euro.

A. FINANCIAL DERIVATIVES

A.1. Regulatory trading book: period-end and average notional amounts

(millions of euro)

	31.12.2014		31.12.2013	
	Over the counter	Central counterparties	Over the counter	Central counterparties
1. Debt securities and interest rates	**2,029,568**	**103,420**	**2,168,308**	**131,615**
a) Options	161,775	8,893	195,842	52,892
b) Swaps	1,867,734	-	1,970,987	-
c) Forwards	59	-	24	-
d) Futures	-	94,527	1,455	78,723
e) Others	-	-	-	-
2. Equities and stock indices	**14,864**	**47,319**	**31,672**	**26,962**
a) Options	14,456	46,023	31,242	25,510
b) Swaps	357	-	370	-
c) Forwards	51	-	60	-
d) Futures	-	1,296	-	1,452
e) Others	-	-	-	-
3. Foreign exchange rates and gold	**125,045**	**237**	**113,895**	**175**
a) Options	19,034	-	14,788	-
b) Swaps	38,880	-	32,153	-
c) Forwards	65,878	-	64,816	-
d) Futures	-	237	-	175
e) Others	1,253	-	2,138	-
4. Commodities	**5,361**	**2,926**	**7,677**	**1,612**
5. Other underlying assets	**-**	**-**	**-**	**-**
TOTAL	**2,174,838**	**153,902**	**2,321,552**	**160,364**
AVERAGE VALUES	**2,261,922**	**153,999**	**2,554,287**	**148,530**

By convention, the column "Over the counter" includes transactions in OTC derivatives transferred to the Swapclear circuit (LCH group) of 1,546,732 million euro as at 31 December 2014 (1,163,518 million euro as at 31 December 2013).

A.2. Banking book: period-end and average notional amounts

A.2.1.Hedging

(millions of euro)

	31.12.2014		31.12.2013	
	Over the counter	Central counterparties	Over the counter	Central counterparties
1. Debt securities and interest rates	**241,671**	**-**	**237,254**	**-**
a) Options	5,079	-	5,384	-
b) Swaps	236,592	-	231,870	-
c) Forwards	-	-	-	-
d) Futures	-	-	-	-
e) Others	-	-	-	-
2. Equities and stock indices	**-**	**-**	**-**	**-**
a) Options	-	-	-	-
b) Swaps	-	-	-	-
c) Forwards	-	-	-	-
d) Futures	-	-	-	-
e) Others	-	-	-	-
3. Foreign exchange rates and gold	**3,706**	**-**	**3,363**	**-**
a) Options	-	-	-	-
b) Swaps	3,706	-	3,363	-
c) Forwards	-	-	-	-
d) Futures	-	-	-	-
e) Others	-	-	-	-
4. Commodities	-	**-**	-	**-**
5. Other underlying assets	-	**-**	-	**-**
TOTAL	**245,377**	**-**	**240,617**	**-**
AVERAGE VALUES	**241,324**	**-**	**260,363**	**-**

A.2.2.Other derivatives

(millions of euro)

	31.12.2014		31.12.2013	
	Over the counter	Central counterparties	Over the counter	Central counterparties
1. Debt securities and interest rates	**5,860**	**-**	**10,430**	**-**
a) Options	4,055	-	5,256	-
b) Swaps	1,805	-	5,174	-
c) Forwards	-	-	-	-
d) Futures	-	-	-	-
e) Others	-	-	-	-
2. Equities and stock indices	**4,024**	**-**	**5,255**	**-**
a) Options	4,024	-	5,255	-
b) Swaps	-	-	-	-
c) Forwards	-	-	-	-
d) Futures	-	-	-	-
e) Others	-	-	-	-
3. Foreign exchange rates and gold	**2,227**	**-**	**952**	**-**
a) Options	96	-	43	-
b) Swaps	1,359	-	780	-
c) Forwards	772	-	129	-
d) Futures	-	-	-	-
e) Others	-	-	-	-
4. Commodities	**-**	**-**	**-**	**-**
5. Other underlying assets	**-**	**-**	**-**	**-**
TOTAL	**12,111**	**-**	**16,637**	**-**
AVERAGE VALUES	**14,252**	**-**	**18,193**	**-**

The table above shows the financial derivatives recognised in the financial statements in the trading book, but not forming part of the regulatory trading book. In particular, the table shows the derivatives recorded separately from the combined financial instruments, the derivatives used to hedge debt securities measured at fair value through profit and loss and the put and call options relating to commitments on equity investments.

Tables A.3 to A.9 (included in the 2103 financial statements) were not filled in as the financial derivatives whose counterparty risk is measured using methods other than internal models represent a residual portion of the portfolio. Information on derivatives is shown below, in the section relating to internal models. Based on the financial statement instructions issued by the Bank of Italy, tables A.3 to A.9 do not have to be filled in by banks which use EPE internal models to calculate counterparty risk if this approach covers a significant portion of the portfolio.

A.3. Financial derivatives gross positive fair value – breakdown by product

A.4. Financial derivatives gross negative fair value – breakdown by product

A.5. Over the counter financial derivatives: regulatory trading book – notional amounts, gross positive and negative fair values by counterparty – contracts not included under netting arrangements

A.6. Over the counter financial derivatives: regulatory trading book – notional amounts, gross positive and negative fair values by counterparty – contracts included under netting arrangements

A.7. Over the counter financial derivatives: banking book – notional amounts, gross positive and negative fair values by counterparty – contracts not included under netting arrangements

A.8. Over the counter financial derivatives: banking book – notional amounts, gross positive and negative fair values by counterparty – contracts included under netting arrangements

A.9. Residual maturity of over the counter financial derivatives: notional amounts

A.10 Over the counter financial derivatives: counterparty risk/financial risk – internal models

As stated in the initial part of the section on derivatives, Banca IMI and the Parent Company were authorised to use EPE internal models to determine the requirement for counterparty risk. The other banks of the group report the requirement using the mark-to-market approach.

At consolidated level, financial derivatives whose counterparty risk is measured using mark-to-market methods represent a residual portion of the portfolio. For this reason, the data relating to these derivatives was included in the tables below, for the purpose of summarising all the information on Group derivatives. It is also noted that the book values shown in these tables were calculated using the same methods as the previous year.

Where required, for the purpose of comparison, the tables below include the data relating to 2013, when the Group was not yet authorised to use internal models.

Financial derivatives gross positive fair value – breakdown by product

(millions of euro)

	POSITIVE FAIR VALUE			
	31.12.2014		31.12.2013	
	Over the counter	Central counterparties	Over the counter	Central counterparties
A. Regulatory trading book	**34,080**	**732**	**27,044**	**790**
a) Options	5,345	625	4,728	693
b) Interest rate swaps	24,361	-	20,164	-
c) Cross currency swaps	2,135	-	1,331	-
d) Equity swaps	7	-	6	-
e) Forwards	1,408	-	646	-
f) Futures	-	107	-	97
g) Others	824	-	169	-
B. Banking book - hedging	**9,208**	**-**	**7,535**	**-**
a) Options	137	-	303	-
b) Interest rate swaps	8,543	-	6,992	-
c) Cross currency swaps	528	-	240	-
d) Equity swaps	-	-	-	-
e) Forwards	-	-	-	-
f) Futures	-	-	-	-
g) Others	-	-	-	-
C. Banking book - other derivatives	**845**	**-**	**689**	**-**
a) Options	321	-	289	-
b) Interest rate swaps	497	-	396	-
c) Cross currency swaps	14	-	3	-
d) Equity swaps	-	-	-	-
e) Forwards	13	-	1	-
f) Futures	-	-	-	-
g) Others	-	-	-	-
TOTAL	**44,133**	**732**	**35,268**	**790**

Financial derivatives gross negative fair value – breakdown by product

(millions of euro)

	NEGATIVE FAIR VALUE			
	31.12.2014		31.12.2013	
	Over the counter	Central counterparties	Over the counter	Central counterparties
A. Regulatory trading book	**36,910**	**1,033**	**33,034**	**550**
a) Options	6,642	532	9,476	488
b) Interest rate swaps	26,302	-	21,262	-
c) Cross currency swaps	2,322	-	1,465	-
d) Equity swaps	7	-	2	-
e) Forwards	1,357	-	645	-
f) Futures	-	501	-	62
g) Others	280	-	184	-
B. Banking book - hedging	**10,247**	**-**	**7,584**	**-**
a) Options	-	-	-	-
b) Interest rate swaps	9,912	-	7,383	-
c) Cross currency swaps	335	-	201	-
d) Equity swaps	-	-	-	-
e) Forwards	-	-	-	-
f) Futures	-	-	-	-
g) Others	-	-	-	-
C. Banking book - other derivatives	**639**	**-**	**856**	**-**
a) Options	569	-	726	-
b) Interest rate swaps	60	-	120	-
c) Cross currency swaps	8	-	10	-
d) Equity swaps	-	-	-	-
e) Forwards	2	-	-	-
f) Futures	-	-	-	-
g) Others	-	-	-	-
TOTAL	**47,796**	**1,033**	**41,474**	**550**

By convention, the column “Over the counter” includes transactions in OTC derivatives transferred to the Swapclear circuit (LCH group) of 4,884 million euro (2,749 million euro as at 31 December 2013).

The data contained in the two tables below - unlike the previous tables - refers exclusively to operations in Over the Counter derivatives.

Over the counter financial derivatives: regulatory trading book – notional amounts, gross positive and negative fair values by counterparty

(millions of euro)

	Governments and Central Banks	Public entities	Banks	Financial institutions	Insurance companies	Non-financial companies	Other counterparties
1. Debt securities and interest rates							
- notional amount	7,225	2,707	370,402	1,617,578	989	30,495	172
- positive fair value	3,959	644	18,552	3,558	25	2,196	16
- negative fair value	-6	-20	-21,277	-8,733	-17	-384	-1
2. Equities and stock indices							
- notional amount	1	-	10,404	2,417	1,927	92	23
- positive fair value	-	-	339	148	-	8	-
- negative fair value	-	-	-1,871	-134	-193	-1	-3
3. Foreign exchange rates and gold							
- notional amount	342	170	75,459	28,129	1,062	19,798	86
- positive fair value	-	-	1,515	1,139	142	986	-
- negative fair value	-4	-78	-2,827	-516	-10	-574	-2
4. Other values							
- notional amount	-	-	340	142	-	4,879	-
- positive fair value	-	-	34	3	-	817	-
- negative fair value	-	-	-13	-12	-	-233	-

Over the counter financial derivatives: banking book – notional amounts, gross positive and negative fair values by counterparty

(millions of euro)

	Governments and Central Banks	Public entities	Banks	Financial institutions	Insurance companies	Non-financial companies	Other counterparties
1. Debt securities and interest rates							
- notional amount	-	433	237,759	6,161	-	152	3,026
- positive fair value	-	5	9,063	250	-	6	2
- negative fair value	-	-	-9,245	-803	-	-	-210
2. Equities and stock indices							
- notional amount	-	-	3,213	230	-	344	237
- positive fair value	-	-	153	15	-	-	-
- negative fair value	-	-	-222	-	-	-	-55
3. Foreign exchange rates and gold							
- notional amount	812	-	4,603	498	-	6	14
- positive fair value	13	-	520	25	-	-	-
- negative fair value	-	-	-205	-146	-	-1	-
4. Other values							
- notional amount	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-

B. CREDIT DERIVATIVES

B.1. Credit derivatives: period-end and average notional amounts

(millions of euro)

	REGULATORY TRADING BOOK		BANKING BOOK	
	single counterparty	more counterparties (*basket*)	single counterparty	more counterparties (*basket*)
1. Protection purchases				
- Credit default products	16,832	40,608	-	-
- Credit spread products	-	-	-	-
- Total rate of return swap	-	-	-	-
- Others	-	-	-	-
Total 31.12.2014	**16,832**	**40,608**	**-**	**-**
Average values	**18,401**	**43,826**	**-**	**-**
Total 31.12.2013	**18,565**	**46,994**	**-**	**-**
2. Protection sales				
- Credit default products	16,600	40,077	-	-
- Credit spread products	-	-	-	-
- Total rate of return swap	25	-	-	-
- Others	-	-	-	-
Total 31.12.2014	**16,625**	**40,077**	**-**	**-**
Average values	**23,703**	**43,399**	**-**	**-**
Total 31.12.2013	**18,071**	**46,690**	**-**	**-**

Part of the contracts in force as at 31 December 2014, shown in the table above, has been included within the structured credit products, namely: 81 million euro of protection purchases and 54 million euro of protection sales, in any case almost entirely attributable to exposures not included in US subprime exposures.
For further information on the relative economic and risk effects, see the chapter on structured credit products in this Part of the Notes to the consolidated financial statements.

Tables B.2 to B.6 (included in the 2103 financial statements) were also not filled in as the credit derivatives whose counterparty risk is measured using methods other than internal models represent a residual portion of the portfolio. Information on derivatives is shown below, in the section relating to internal models. Based on the financial statement instructions issued by the Bank of Italy, tables B.2 to B.6 do not have to be filled in by banks which use EPE internal models to calculate counterparty risk if this approach covers a significant portion of the portfolio.

B.2. Over the counter credit derivatives: gross positive fair value – breakdown by product

B.3. Over the counter credit derivatives: gross negative fair value – breakdown by product

B.4. Over the counter credit derivatives: gross (positive and negative) fair values by counterparty – contracts not included under netting arrangements

B.5. Over the counter credit derivatives: gross (positive and negative) fair values by counterparty – contracts included under netting arrangements

B.6. Residual maturity of credit derivatives: notional amounts

B.7. Credit derivatives: counterparty risk/financial risk – internal models

At consolidated level, credit derivatives are essentially included in the books of the Parent Company and Banca IMI, authorised to use EPE internal models to determine the requirement for counterparty risk. Credit derivatives whose counterparty risk is measured using the mark-to-market approach thus represent a merely residual portion of the portfolio. For this reason, it was decided to also include the data relating to these derivatives in the tables below. It is also noted that the book values shown in these tables were calculated using the same methods as the previous year.

Where required, for the purpose of comparison, the tables below include the data relating to 2013, when the Group was not yet authorised to use internal models.

Over the counter credit derivatives: gross positive fair value – breakdown by product

(millions of euro)

	POSITIVE FAIR VALUE	
	31.12.2014	**31.12.2013**
A. Regulatory trading book	**1,343**	**1,497**
a) Credit default products	1,297	1,402
b) Credit spread products	-	-
c) Total rate of return swap	46	95
d) Others	-	-
B. Banking book	**-**	**-**
a) Credit default products	-	-
b) Credit spread products	-	-
c) Total rate of return swap	-	-
d) Others	-	-
TOTAL	**1,343**	**1,497**

Part of the positive fair values, recognised as at 31 December 2014, and shown in the table above, has been included within the structured credit products, namely: 25 million attributable to short positions taken on creditworthiness indexes and protection purchases as part of structured packages.
For further information on the relative economic and risk effects, see the chapter on structured credit products in this Part of the Notes to the consolidated financial statements.

Over the counter credit derivatives: gross negative fair value – breakdown by product

(millions of euro)

	NEGATIVE FAIR VALUE	
	31.12.2014	31.12.2013
A. Regulatory trading book	**1,467**	**1,734**
a) Credit default products	1,386	1,636
b) Credit spread products	-	-
c) Total rate of return swap	81	98
d) Others	-	-
B. Banking book	**-**	**-**
a) Credit default products	-	-
b) Credit spread products	-	-
c) Total rate of return swap	-	-
d) Others	-	-
TOTAL	**1,467**	**1,734**

Part of the negative fair values, recognised as at 31 December 2014, and shown in the table above, has been included within the structured credit products, namely: 17 million attributable to long positions on creditworthiness indexes and protection sales not included under the US subprime category.
For further information on the relative economic and risk effects, see the chapter on structured credit products in this Part of the Notes to the consolidated financial statements.

Over the counter credit derivatives: gross (positive and negative) fair values by counterparty

(millions of euro)

	Governments and Central Banks	Public entities	Banks	Financial institutions	Insurance companies	Non-financial companies	Other counterparties
REGULATORY TRADING BOOK							
1. Protection purchases							
- notional amount	-	108	38,734	18,598	-	-	-
- positive fair value	-	76	75	83	-	-	-
- negative fair value	-	-	-748	-339	-	-	-
2. Protection sales							
- notional amount	-	-	39,890	16,812	-	-	-
- positive fair value	-	-	741	368	-	-	-
- negative fair value	-	-	-134	-246	-	-	-
BANKING BOOK							
1. Protection purchases							
- notional amount	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
2. Protection sales							
- notional amount	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-

C. CREDIT AND FINANCIAL DERIVATIVES

C.1. Over the counter credit and financial derivatives: net fair values and future exposure by counterparty

This table was not filled in because, as previously illustrated, the Intesa Sanpaolo Group primarily calculates counterparty risk using the EPE approach, which is not based on the concept of future exposure. According to the internal models approach, the EPE (Expected Positive Exposure) is calculated as a statistical-time-based average of the future mark-to-market evolution of the derivatives, strengthened by conservative restrictions on the mark-to-market profiles that do not decrease over time.

1.3 BANKING GROUP - LIQUIDITY RISK

QUALITATIVE INFORMATION

General aspects, liquidity risk management processes and measurement methods

Liquidity risk is defined as the risk that the Bank may not be able to meet its payment obligations due to the inability to obtain funds on the market (funding liquidity risk) or liquidate its assets (market liquidity risk).

The arrangement of a suitable control and management system for that specific risk has a fundamental role in maintaining stability, not only at the level of each individual bank, but also of the market as a whole, given that imbalances within a single financial institution may have systemic repercussions. Such a system must be integrated into the overall risk management system and provide for incisive controls consistent with developments in the context of reference.

The new provisions on liquidity - introduced in the European Union on 27 June 2013 with the publication of (EU) Regulation 575/2013 and Directive 2013/36/EU, which was followed by European Commission Delegated Regulation of 10 October 2014, incorporated the new minimum liquidity requirements set out in the reform plan that the Basel Committee on Banking Supervision (BCBS) promoted to strengthen regulations on liquidity, by adjusting them to European specificities. Since March 2014, banking groups have been required to fulfil specific reporting obligations to record their exposure to liquidity risk.

The "Guidelines for Group Liquidity Risk Management" approved by Intesa Sanpaolo's corporate bodies, incorporate the above regulatory provisions and illustrate the tasks of the various corporate functions, the rules and the set of control and management processes aimed at ensuring prudent monitoring of liquidity risk, thereby preventing the emergence of crisis situations. The key principles underpinning the Liquidity Policy of the Intesa Sanpaolo Group are:

– the existence of liquidity management guidelines approved by senior management and clearly disseminated throughout the bank;
– the existence of an operating structure that works within set limits and of a control structure that is independent from the operating structure;
– the constant availability of adequate liquidity reserves in relation to the pre-determined liquidity risk tolerance threshold;
– the assessment of the impact of various scenarios, including stress testing scenarios, on the cash inflows and outflows over time and the quantitative and qualitative adequacy of liquidity reserves;
– the adoption of an internal fund transfer pricing system that accurately incorporates the cost/benefit of liquidity, on the basis of the Intesa Sanpaolo Group's funding conditions.

From an organisational standpoint, a detailed definition is prepared of the tasks assigned to the strategic and management supervision bodies and reports are presented to the senior management concerning certain important formalities such as the approval of measurement methods, the definition of the main assumptions underlying stress scenarios and the composition of early warning indicators used to activate emergency plans.

The departments of the Parent Company that are in charge of ensuring the correct application of the Guidelines are, in particular, the Treasury Department and the Planning, Strategic ALM and Capital Management Department, responsible for liquidity management, and the Risk Management Department, directly responsible for measuring liquidity risk on a consolidated basis.

With regard to liquidity risk measurement metrics and mitigation tools, in addition to defining the methodological system for measuring short-term and structural liquidity indicators, the Group also formalises the maximum tolerance threshold (risk appetite) for liquidity risk, the criteria for defining liquidity reserves and the rules and parameters for conducting stress tests.

The short-term Liquidity Policy is aimed at ensuring an adequate, balanced level of cash inflows and outflows with certain or estimated maturities included in 12 months' time horizon, in order to face periods of tension, including extended ones, on different funding markets, also by establishing adequate liquidity reserves in the form of assets eligible for refinancing with Central Banks or liquid securities on private markets. To that end, and in keeping with the liquidity risk appetite, the system of limits consists of two short-term indicators for holding periods of one week (cumulative projected imbalance in wholesale operations) and of one month (Liquidity Coverage Ratio - LCR).

The cumulative projected wholesale imbalances indicator measures the Bank's independence from unsecured wholesale funding in the event of a freeze of the money market and aims to ensure financial autonomy, assuming the use on the market of only the highest quality liquidity reserves. The LCR indicator is aimed at strengthening the short-term liquidity risk profile, ensuring that sufficient unencumbered high quality liquid assets (HQLA) are retained that can be converted easily and immediately into cash on the private markets to satisfy the short-term liquidity requirements (30 days) in a liquidity stress scenario. To this end, the Liquidity Coverage Ratio measures the ratio between: (i) the stock of HQLA and (ii) the total net cash outflows calculated according to the scenario parameters defined by the Regulations. Based on the applicable European regulations, the LCR requirement will gradually come into force, starting with a percentage of 60% in October 2015 to reach 100% on 1 January 2018.

The aim of Intesa Sanpaolo Group's structural Liquidity Policy is to adopt the structural requirement provided for by the regulatory provisions of Basel 3: Net Stable Funding Ratio (NSFR). This indicator is aimed at promoting the increased use of stable funding, to prevent medium/long-term operations from giving rise to excessive imbalances to be financed in the short term. To this end, it sets a minimum acceptable" amount of funding exceeding one year in relation to the needs originating from the characteristics of liquidity and residual duration of assets and off-balance sheet exposures. NSFR's regulatory requirement, which is still subject to a period of observation, will come into force starting from 1 January 2018.

Within the Liquidity Policy it is also envisaged the time extension of the stress scenario for LCR indicator, provided by the new regulatory framework, measuring, for up to 3 months, the effect of specific acute liquidity tensions (at bank level) combined with a widespread and general market crisis. The internal management guidelines also envisage an alert threshold (Stressed soft ratio) for the LCR indicator up to 3 months, with the purpose of establishing an overall level of reserves covering greater cash outflows during a period of time that is adequate to implement the required operating measures to restore the Group to balanced conditions.
The Guidelines also establish methods for management of a potential liquidity crisis, defined as a situation of difficulty or inability of the Bank to meet its cash obligations falling due, without implementing procedures and/or employing instruments that, due to their intensity or manner of use, do not qualify as ordinary administration. By setting itself the objectives of safeguarding the Group's asset value and also guaranteeing the continuity of operations under conditions of extreme liquidity emergency, the Contingency Liquidity Plan ensures the identification of the early warning signals and their ongoing monitoring, the definition of procedures to be implemented in situations of liquidity stress, the immediate lines of action, and the intervention measures for the resolution of emergencies. The early warning indexes, aimed at spotting the signs of a potential liquidity strain, both systematic and specific, are monitored with daily frequency by the Risk Management Department.
Moreover, there are no medium/long-term loan contracts containing contractual clauses that result in the immediate collectability of the loans following the downgrading of the bank. For several medium/long-term loan contracts from supranational bodies, compensation for the rating trigger, i.e. loss of the minimum rating, may be requested with the issue of additional guarantees or collateral deemed suitable by the counterparty.

The Group's sound liquidity position - supported by suitable high quality liquid assets (HQLA) and the significant contribution from retail stable funding - remained well within the risk limits set out in the current Group Liquidity Policy for all of 2014: both indicators (LCR and NSFR) were met, already reaching a level above the limits under normal conditions. As at 31 December 2014, the Central Banks eligible liquidity reserves, mainly under centralised management by the Treasury Department of the Parent Company, came to a total of 97 billion euro (124 billion euro at the end of December 2013), of which 63 billion euro, net of haircut, was unencumbered (88 billion euro at the end of December 2013).
Also the stress tests, when considering the high availability of liquidity reserves (liquid or eligible), yielded results in excess of the target threshold for the ISP Group, with a liquidity surplus capable of meeting extraordinary cash outflows for a period of more than 3 months. Adequate and timely information regarding the development of market conditions and the position of the Bank and/or Group was provided to company bodies and internal committees in order to ensure full awareness and manageability of the main risk factors.

QUANTITATIVE INFORMATION

1. Breakdown by contractual residual maturity of financial assets and liabilities

The breakdown by maturity of financial assets and liabilities is shown in the tables below according to the rules set forth in financial statement regulations (Bank of Italy Circular 262 and related clarifications issued by the Supervisory Authority), using accounting information organised by contractual residual maturity.

Therefore, no operational data was used that would require, for example, the modelling of demand liabilities and the representation of cash items according to their level of liquidability.

Currency of denomination: Euro

(millions of euro)

	On demand	Between 1 and 7 days	Between 7 and 15 days	Between 15 days and 1 month	Between 1 and 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Over 5 years	Unspecified maturity
Cash assets	**67,683**	**13,566**	**8,824**	**10,279**	**24,396**	**17,670**	**30,247**	**109,986**	**109,007**	**1,688**
A.1 Government bonds	8	9	51	181	1,276	2,971	6,585	22,272	14,655	30
A.2 Other debt securities	8	1	1,150	1,084	617	365	1,000	6,653	9,280	3
A.3 Quotas of UCI	1,701	-	-	-	-	-	-	-	-	-
A.4 Loans	65,966	13,556	7,623	9,014	22,503	14,334	22,662	81,061	85,072	1,655
- Banks	*9,524*	*1,807*	*382*	*960*	*1,192*	*702*	*651*	*615*	*48*	*1,613*
- Customers	*56,442*	*11,749*	*7,241*	*8,054*	*21,311*	*13,632*	*22,011*	*80,446*	*85,024*	*42*
Cash liabilities	**166,202**	**31,348**	**3,595**	**8,280**	**19,601**	**8,493**	**19,676**	**88,358**	**26,896**	**2,101**
B.1 Deposits and current accounts	159,790	3,461	1,718	3,030	5,794	3,849	7,821	11,290	1,884	1
- Banks	*5,012*	*1,297*	*55*	*118*	*501*	*95*	*1,214*	*949*	*380*	-
- Customers	*154,778*	*2,164*	*1,663*	*2,912*	*5,293*	*3,754*	*6,607*	*10,341*	*1,504*	*1*
B.2 Debt securities	121	110	777	3,815	12,314	3,582	10,927	58,712	19,887	2,100
B.3 Other liabilities	6,291	27,777	1,100	1,435	1,493	1,062	928	18,356	5,125	-
Off-balance sheet transactions										
C.1 Financial derivatives with exchange of capital										
- Long positions	*326*	*7,282*	*4,212*	*6,689*	*12,361*	*5,040*	*5,588*	*12,973*	*10,332*	*5*
- Short positions	*615*	*6,792*	*3,207*	*7,618*	*9,420*	*3,702*	*6,313*	*14,565*	*9,855*	*5*
C.2 Financial derivatives without exchange of capital										
- Long positions	*35,195*	*24*	*4*	*126*	*269*	*182*	*369*	*839*	*288*	-
- Short positions	*36,999*	*45*	*7*	*119*	*139*	*189*	*359*	*867*	*269*	-
C.3 Deposits and loans to be settled										
- Long positions	*20,046*	*15*	-	-	-	-	-	-	-	-
- Short positions	-	*19,687*	*17*	*9*	*336*	*8*	*3*	-	-	-
C.4 Irrevocable commitments to lend funds										
- Long positions	*212*	*4,977*	*284*	*145*	*324*	*340*	*772*	*12,475*	*1,787*	*1*
- Short positions	*19,433*	*2,078*	*3*	*18*	*49*	*74*	*167*	*31*	*280*	*1*
C.5 Financial guarantees given	124	6	1	5	38	38	13	128	255	1
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with exchange of capital										
- Long positions	-	-	-	-	*998*	*1,656*	*1,190*	*8,005*	*1,551*	-
- Short positions	-	-	-	-	*998*	*1,656*	*1,190*	*8,005*	*1,551*	-
C.8 Credit derivatives without exchange of capital										
- Long positions	*932*	-	-	-	-	-	-	-	-	-
- Short positions	*949*	-	-	-	-	-	-	-	-	-

Currency of denomination: US dollar

(millions of euro)

	On demand	Between 1 and 7 days	Between 7 and 15 days	Between 15 days and 1 month	Between 1 and 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Over 5 years	Unspecified maturity
Cash assets	**3,749**	**1,994**	**1,119**	**1,543**	**3,883**	**1,951**	**1,699**	**6,648**	**3,179**	**5**
A.1 Government bonds	1	-	-	26	4	1	55	369	113	2
A.2 Other debt securities	18	65	3	-	27	72	155	2,417	495	-
A.3 Quotas of UCI	610	-	-	-	-	-	-	-	-	-
A.4 Loans	3,120	1,929	1,116	1,517	3,852	1,878	1,489	3,862	2,571	3
- Banks	*2,401*	*665*	*390*	*507*	*1,569*	*1,530*	*506*	*274*	*68*	*-*
- Customers	*719*	*1,264*	*726*	*1,010*	*2,283*	*348*	*983*	*3,588*	*2,503*	*3*
Cash liabilities	**5,688**	**2,040**	**1,353**	**1,474**	**2,265**	**2,371**	**1,180**	**6,712**	**4,209**	**-**
B.1 Deposits and current accounts	5,155	819	778	769	496	238	198	84	230	-
- Banks	*1,594*	*481*	*377*	*463*	*145*	*15*	*7*	*16*	*-*	*-*
- Customers	*3,561*	*338*	*401*	*306*	*351*	*223*	*191*	*68*	*230*	*-*
B.2 Debt securities	17	414	116	147	99	1,226	982	6,426	3,979	-
B.3 Other liabilities	516	807	459	558	1,670	907	-	202	-	-
Off-balance sheet transactions										
C.1 Financial derivatives with exchange of capital										
- Long positions	*321*	*7,599*	*3,148*	*6,021*	*7,697*	*2,702*	*5,031*	*9,276*	*6,004*	*6*
- Short positions	*549*	*6,356*	*3,872*	*5,458*	*9,067*	*3,666*	*5,232*	*8,160*	*5,948*	*6*
C.2 Financial derivatives without exchange of capital										
- Long positions	*1,601*	*-*	*4*	*-*	*5*	*3*	*20*	*-*	*-*	*-*
- Short positions	*1,111*	*7*	*1*	*3*	*5*	*5*	*10*	*-*	*-*	*-*
C.3 Deposits and loans to be settled										
- Long positions	*4*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*
- Short positions	*-*	*-*	*4*	*-*	*-*	*-*	*-*	*-*	*-*	*-*
C.4 Irrevocable commitments to lend funds										
- Long positions	*-*	*2*	*9*	*1*	*97*	*805*	*561*	*8,395*	*914*	*-*
- Short positions	*10,751*	*67*	*-*	*1*	*-*	*46*	*4*	*46*	*4*	*1*
C.5 Financial guarantees given	1	-	-	1	2	3	3	-	-	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with exchange of capital										
- Long positions	*-*	*-*	*-*	*-*	*1,161*	*998*	*467*	*2,286*	*173*	*-*
- Short positions	*-*	*-*	*-*	*-*	*1,161*	*998*	*467*	*2,286*	*173*	*-*
C.8 Credit derivatives without exchange of capital										
- Long positions	*228*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*
- Short positions	*217*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*

Currency of denomination: Pound sterling

(millions of euro)

	On demand	Between 1 and 7 days	Between 7 and 15 days	Between 15 days and 1 month	Between 1 and 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Over 5 years	Unspecified maturity
Cash assets	**221**	**462**	**52**	**160**	**219**	**403**	**75**	**264**	**475**	**-**
A.1 Government bonds	-	-	-	-	-	333	4	-	45	-
A.2 Other debt securities	34	-	-	-	2	2	3	63	275	-
A.3 Quotas of UCI	-	-	-	-	-	-	-	-	-	-
A.4 Loans	187	462	52	160	217	68	68	201	155	-
- Banks	*25*	*32*	*4*	*14*	*9*	*-*	*-*	*-*	*-*	*-*
- Customers	*162*	*430*	*48*	*146*	*208*	*68*	*68*	*201*	*155*	*-*
Cash liabilities	**351**	**47**	**218**	**80**	**442**	**55**	**60**	**110**	**316**	**-**
B.1 Deposits and current accounts	314	47	11	27	50	34	58	1	-	-
- Banks	*80*	*14*	*1*	*3*	*3*	*-*	*-*	*-*	*-*	*-*
- Customers	*234*	*33*	*10*	*24*	*47*	*34*	*58*	*1*	*-*	*-*
B.2 Debt securities	-	-	-	12	6	21	-	33	316	-
B.3 Other liabilities	37	-	207	41	386	-	2	76	-	-
Off-balance sheet transactions										
C.1 Financial derivatives with exchange of capital										
- Long positions	*2*	*599*	*302*	*487*	*492*	*656*	*438*	*691*	*2,589*	*-*
- Short positions	*7*	*1,235*	*593*	*511*	*350*	*578*	*458*	*766*	*2,627*	*-*
C.2 Financial derivatives without exchange of capital										
- Long positions	*234*	*2*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*
- Short positions	*123*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*
C.3 Deposits and loans to be settled										
- Long positions	*7*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*
- Short positions	*-*	*3*	*-*	*-*	*5*	*-*	*-*	*-*	*-*	*-*
C.4 Irrevocable commitments to lend funds										
- Long positions	*-*	*-*	*1*	*-*	*-*	*-*	*-*	*392*	*-*	*-*
- Short positions	*418*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*
C.5 Financial guarantees given	-	-	-	-	-	-	-	-	-	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with exchange of capital										
- Long positions	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*
- Short positions	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*
C.8 Credit derivatives without exchange of capital										
- Long positions	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*
- Short positions	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*

Currency of denomination: Hungarian forint

(millions of euro)

	On demand	Between 1 and 7 days	Between 7 and 15 days	Between 15 days and 1 month	Between 1 and 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Over 5 years	Unspecified maturity
Cash assets	**324**	**279**	**370**	**194**	**181**	**402**	**182**	**483**	**126**	**-**
A.1 Government bonds	-	-	-	24	110	23	11	143	3	-
A.2 Other debt securities	-	-	-	-	-	-	-	-	-	-
A.3 Quotas of UCI	4	-	-	-	-	-	-	-	-	-
A.4 Loans	320	279	370	170	71	379	171	340	123	-
- Banks	*59*	*259*	*349*	*137*	*-*	*-*	*-*	*-*	*-*	*-*
- Customers	*261*	*20*	*21*	*33*	*71*	*379*	*171*	*340*	*123*	*-*
Cash liabilities	**1,340**	**293**	**63**	**94**	**318**	**112**	**221**	**335**	**226**	**-**
B.1 Deposits and current accounts	1,340	293	63	94	243	111	123	289	226	-
- Banks	*1*	*1*	*-*	*-*	*8*	*11*	*20*	*108*	*28*	*-*
- Customers	*1,339*	*292*	*63*	*94*	*235*	*100*	*103*	*181*	*198*	*-*
B.2 Debt securities	-	-	-	-	75	1	98	46	-	-
B.3 Other liabilities	-	-	-	-	-	-	-	-	-	-
Off-balance sheet transactions										
C.1 Financial derivatives with exchange of capital										
- Long positions	*1*	*74*	*86*	*184*	*230*	*11*	*10*	*-*	*-*	*-*
- Short positions	*-*	*311*	*117*	*18*	*899*	*314*	*57*	*-*	*-*	*-*
C.2 Financial derivatives without exchange of capital										
- Long positions	*-*	*-*	*-*	*48*	*19*	*41*	*28*	*275*	*-*	*-*
- Short positions	*-*	*-*	*-*	*-*	*19*	*40*	*27*	*275*	*-*	*-*
C.3 Deposits and loans to be settled										
- Long positions	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*
- Short positions	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*
C.4 Irrevocable commitments to lend funds										
- Long positions	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*
- Short positions	*-*	*-*	*1*	*22*	*30*	*27*	*45*	*9*	*-*	*-*
C.5 Financial guarantees given	-	-	-	-	-	-	-	-	-	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with exchange of capital										
- Long positions	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*
- Short positions	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*
C.8 Credit derivatives without exchange of capital										
- Long positions	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*
- Short positions	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*

Currency of denomination: Swiss franc

(millions of euro)

	On demand	Between 1 and 7 days	Between 7 and 15 days	Between 15 days and 1 month	Between 1 and 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Over 5 years	Unspecified maturity
Cash assets	**185**	**27**	**34**	**29**	**62**	**56**	**103**	**572**	**1,017**	**-**
A.1 Government bonds	-	-	-	-	-	-	-	-	-	-
A.2 Other debt securities	-	-	-	-	-	-	-	-	4	-
A.3 Quotas of UCI	-	-	-	-	-	-	-	-	-	-
A.4 Loans	185	27	34	29	62	56	103	572	1,013	-
- Banks	*39*	*16*	*26*	*5*	*-*	*4*	*-*	*-*	*-*	*-*
- Customers	*146*	*11*	*8*	*24*	*62*	*52*	*103*	*572*	*1,013*	*-*
Cash liabilities	**176**	**36**	**3**	**15**	**25**	**26**	**54**	**144**	**185**	**-**
B.1 Deposits and current accounts	157	36	3	15	25	26	54	137	185	-
- Banks	*22*	*-*	*-*	*6*	*6*	*7*	*22*	*123*	*185*	*-*
- Customers	*135*	*36*	*3*	*9*	*19*	*19*	*32*	*14*	*-*	*-*
B.2 Debt securities	-	-	-	-	-	-	-	7	-	-
B.3 Other liabilities	19	-	-	-	-	-	-	-	-	-
Off-balance sheet transactions										
C.1 Financial derivatives with exchange of capital										
- Long positions	*-*	*289*	*169*	*376*	*359*	*164*	*483*	*277*	*-*	*-*
- Short positions	*-*	*395*	*290*	*328*	*322*	*131*	*471*	*499*	*241*	*-*
C.2 Financial derivatives without exchange of capital										
- Long positions	*23*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*
- Short positions	*21*	*10*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*
C.3 Deposits and loans to be settled										
- Long positions	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*
- Short positions	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*
C.4 Irrevocable commitments to lend funds										
- Long positions	*-*	*-*	*-*	*-*	*2*	*-*	*-*	*32*	*4*	*-*
- Short positions	*38*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*
C.5 Financial guarantees given	-	-	-	-	-	1	-	-	-	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with exchange of capital										
- Long positions	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*
- Short positions	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*
C.8 Credit derivatives without exchange of capital										
- Long positions	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*
- Short positions	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*

Currency of denomination: Other currencies

(millions of euro)

	On demand	Between 1 and 7 days	Between 7 and 15 days	Between 15 days and 1 month	Between 1 and 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Over 5 years	Unspecified maturity
Cash assets	**1,815**	**1,626**	**224**	**843**	**1,418**	**1,938**	**2,324**	**3,399**	**859**	**1,080**
A.1 Government bonds	5	46	4	1	440	1,041	1,175	1,030	69	-
A.2 Other debt securities	1	10	38	24	43	5	5	36	73	-
A.3 Quotas of UCI	37	-	-	-	-	-	-	-	-	-
A.4 Loans	1,772	1,570	182	818	935	892	1,144	2,333	717	1,080
- Banks	*841*	*1,383*	*65*	*12*	*81*	*20*	*20*	*69*	*-*	*1,080*
- Customers	*931*	*187*	*117*	*806*	*854*	*872*	*1,124*	*2,264*	*717*	*-*
Cash liabilities	**4,291**	**995**	**345**	**571**	**665**	**716**	**762**	**2,910**	**323**	**-**
B.1 Deposits and current accounts	4,218	928	276	539	465	459	478	414	63	-
- Banks	*135*	*159*	*9*	*29*	*26*	*8*	*26*	*114*	*30*	*-*
- Customers	*4,083*	*769*	*267*	*510*	*439*	*451*	*452*	*300*	*33*	*-*
B.2 Debt securities	5	4	13	32	200	253	283	2,278	260	-
B.3 Other liabilities	68	63	56	-	-	4	1	218	-	-
Off-balance sheet transactions										
C.1 Financial derivatives with exchange of capital										
- Long positions	*75*	*1,307*	*783*	*1,630*	*2,251*	*1,089*	*1,768*	*4,318*	*305*	*2*
- Short positions	*5*	*2,408*	*718*	*1,560*	*1,993*	*1,535*	*1,389*	*2,720*	*193*	*2*
C.2 Financial derivatives without exchange of capital										
- Long positions	*143*	*39*	*-*	*9*	*32*	*36*	*27*	*63*	*-*	*-*
- Short positions	*154*	*2*	*-*	*5*	*40*	*20*	*41*	*63*	*-*	*-*
C.3 Deposits and loans to be settled										
- Long positions	*44*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*
- Short positions	*-*	*43*	*1*	*1*	*-*	*-*	*-*	*-*	*-*	*-*
C.4 Irrevocable commitments to lend funds										
- Long positions	*-*	*4*	*6*	*4*	*17*	*56*	*17*	*7*	*3*	*-*
- Short positions	*115*	*24*	*4*	*81*	*51*	*84*	*77*	*218*	*540*	*-*
C.5 Financial guarantees given	-	2	-	2	6	6	20	21	1	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with exchange of capital										
- Long positions	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*
- Short positions	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*
C.8 Credit derivatives without exchange of capital										
- Long positions	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*
- Short positions	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*

2. Disclosure on encumbered assets recognised in the financial statements

(millions of euro)

	ENCUMBERED		UNENCUMBERED		31.12.2014	31.12.2013
	Book value	Fair value	Book value	Fair value	TOTAL BOOK VALUE	TOTAL BOOK VALUE
1. Cash and cash equivalents	120	X	5,100	X	5,220	6,525
2. Debt securities	21,703	21,260	57,860	55,163	79,563	91,410
3. Equities	12	12	7,943	7,883	7,955	5,077
4. Loans	83,564	X	272,919	X	356,483	355,570
5. Other financial assets	20	X	78,756	X	78,776	40,126
6. Non-financial assets	20	X	6,336	X	6,356	39,114
TOTAL 31.12.2014	**105,439**	**21,272**	**428,914**	**63,046**	**534,353**	**X**
TOTAL 31.12.2013	**88,120**	**25,640**	**449,702**	**67,381**	**X**	**537,822**

Intragroup deposits of 3,178 million euro, established to serve securities lending with subjects outside the Group, were netted.

3. Disclosure on encumbered owned assets not recognised in the financial statements

(millions of euro)

	ENCUMBERED	UNENCUMBERED	31.12.2014	31.12.2013
1. Other financial assets	21,291	37,470	58,761	69,705
- Securities	*21,291*	*35,800*	*57,091*	*69,506*
- Other	*-*	*1,670*	*1,670*	*199*
2. Non-financial assets	-	2,918	2,918	-
TOTAL 31.12.2014	**21,291**	**40,388**	**61,679**	**X**
TOTAL 31.12.2013	**17,861**	***51,844***	**X**	**69,705**

The guarantees provided in connection with the refinancing operations at the European Central Bank amount to approximately 34 billion euro for the owned assets recorded and to approximately 1 billion euro for the assets not recognised in the financial statements.

4. Self-securitisations

The Intesa Sanpaolo Group has carried out securitisations in which all the liabilities issued by the vehicle companies involved were subscribed by Group companies.
A brief description of the existing transactions as at 31 December 2014 is provided below.

Adriano Lease SEC S.r.l.

The transaction in question is a securitisation undertaken pursuant to Law 130/99 with the support of the vehicle Adriano Lease SEC S.r.l., which took the form of the sale by the subsidiary Leasint (merged by incorporation into Mediocredito Italiano in 2014) of a portfolio of loans selected on the basis of pre-defined criteria and arising from performing property, equipment and car lease contracts, for a total amount of approximately 5.8 billion euro. The purpose of the transaction is to expand the liquidity reserve that may be activated through refinancing transactions on the Eurosystem. The vehicle Adriano Lease SEC issued two series of notes:

– a senior series, with a nominal value of 2.8 billion euro, listed and assigned an A+ rating by Standard & Poor's and AAA by DBRS. As at 31 December 2014, the note, which is being repaid, had a residual nominal value of 48 million euro;
– a junior series, with a nominal value of 3 billion euro, unlisted and unrated.

All these notes were purchased by the subsidiary Leasint (now Mediocredito Italiano). In 2014, the junior notes were assigned through a repurchase agreement to Intesa Sanpaolo, which partially used them as collateral for a loan received.

Intesa Sanpaolo SEC S.A.

The securitisation of loans issued to large international corporate customers by some international branches of Intesa Sanpaolo (Frankfurt, Hong Kong, Madrid and New York) was finalised in August 2013. The securitisation was conducted through the Luxemburg-based vehicle company Intesa Sanpaolo SEC. SA., which is wholly owned and is part of the Group.
The securities issued, with a total value of about 321 million euro, were subscribed by Intesa Sanpaolo and used for a value of about 305 million euro (corresponding to the most senior class of notes issued, representing the principal of the securitised loans) as collateral of a loan received by a primary European bank.

The table below shows the characteristics of the securities issued by the vehicles and subscribed by the Group companies.

(millions of euro)

Vehicle		Type of security issued	Type of asset securitised	External rating	Principal as at 31.12.2014
Adriano Lease SEC S.r.l.					**3,092**
		Senior	Loans deriving from leasing contracts	A+	48
		Junior	Loans deriving from leasing contracts	no rating	3,044
Intesa Sanpaolo SEC SA					**321**
of which issued in EUR					291
	Secured Principal Notes	Senior	Loans to large foreign corporate customers	no rating	276
	Secured Income Notes	Junior	Loans to large foreign corporate customers	no rating	15
of which issued in USD					30
	Secured Principal Notes	Senior	Loans to large foreign corporate customers	no rating	29
	Secured Income Notes	Junior	Loans to large foreign corporate customers	no rating	1
TOTAL					**3,413**

SOVEREIGN RISK EXPOSURE BY COUNTRY OF RESIDENCE OF THE ULTIMATE BORROWER

The following table illustrates the value of the main exposures of Intesa Sanpaolo Group to sovereign risk.

(millions of euro)

	DEBT SECURITIES							LOANS
	Banking Group					Insurance companies (*)	Total	
	Loans and Receivables	Financial assets available for sale	Investments held to maturity	Financial assets designated at fair value through profit and loss	Financial assets held for trading			
EU Countries	**7,563**	**40,850**	**1,033**	**822**	**6,870**	**57,016**	**114,154**	**20,035**
Austria	-	416	3	-	31	6	456	-
Belgium	-	931	-	-	42	10	983	-
Bulgaria	-	-	-	-	-	-	-	-
Croatia	134	49	24	776	14	4	1,001	949
Cyprus	3	-	-	-	-	-	3	-
Czech Republic	-	-	-	-	1	-	1	-
Denmark	-	-	-	-	17	-	17	-
Estonia	-	-	-	-	-	-	-	-
Finland	-	30	-	-	182	8	220	10
France	106	2,733	-	-	620	131	3,590	16
Germany	39	2,989	-	-	1,394	2,122	6,544	-
Greece	-	-	-	-	-	-	-	-
Hungary	28	307	-	-	46	28	409	242
Ireland	-	-	-	-	-	92	92	-
Italy	6,814	30,596	383	46	3,040	52,653	93,532	17,965
Latvia	-	-	-	-	-	-	-	58
Lithuania	-	21	-	-	-	-	21	-
Luxembourg	50	-	-	-	570	102	722	-
Malta	-	-	-	-	-	-	-	-
Netherlands	-	44	-	-	415	137	596	-
Poland	25	-	-	-	-	-	25	-
Portugal	-	-	-	-	2	26	28	18
Romania	10	138	-	-	6	49	203	9
Slovakia	-	1,030	623	-	6	-	1,659	121
Slovenia	-	174	-	-	-	7	181	183
Spain	354	1,392	-	-	93	1,641	3,480	464
Sweden	-	-	-	-	347	-	347	-
United Kingdom	-	-	-	-	44	-	44	-
North African Countries	**-**	**1,213**	**-**	**-**	**-**	**-**	**1,213**	**-**
Algeria	-	-	-	-	-	-	-	-
Egypt	-	1,213	-	-	-	-	1,213	-
Libya	-	-	-	-	-	-	-	-
Morocco	-	-	-	-	-	-	-	-
Tunisia	-	-	-	-	-	-	-	-
Japan	**-**	**-**	**-**	**-**	**554**	**-**	**554**	**-**

(*) Debt securities of insurance companies are classified almost entirely to the available-for-sale portfolio

As illustrated in the table, the exposure to Italian government securities totalled approximately 94 billion euro, in addition to around 18 billion euro represented by loans. The value of debt security exposures decreased by approximately 10 billion euro compared to the figure recorded at 31 December 2013.

INFORMATION ON STRUCTURED CREDIT PRODUCTS

The risk exposure to structured credit products amounted to 2,492 million euro as at 31 December 2014, with respect to funded and unfunded ABSs/CDOs, compared to 2,033 million euro as at 31 December 2013, in addition to an exposure of 21 million euro with respect to structured packages, broadly in line with the exposure to 31 December 2013.
The rise in funded and unfunded ABS/CDO exposure (from 1,068 million euro in December 2013 to 1,821 million euro in December 2014) classified in the trading portfolio is mainly due to higher investments in ABSs (for the most part securities with underlying residential mortgages and CLOs with mainly AA ratings) by the subsidiary Banca IMI, part of which was classified to the available-for-sale portfolio.
With regard to the exposure represented by securities classified under the loan portfolio, on the other hand, a significant decrease was recorded (from 965 million euro in December 2013 to 671 million euro in December 2014), mostly attributable to the Parent Company loan portfolio and mainly due to sales. In detail, an early payment of approximately 78 million euro was recorded for one of securities classified in the funded super-senior CDO segment in the third quarter.

From an income statement perspective, structured credit products generated a net income of 40 million euro as at 31 December 2014 compared to 67 million euro at the end of 2013.
The exposure to funded and unfunded ABSs/CDOs had an effect on “Profits (Losses) on trading – Caption 80” of 39 million euro. The profit on this segment was a result of the effects of:

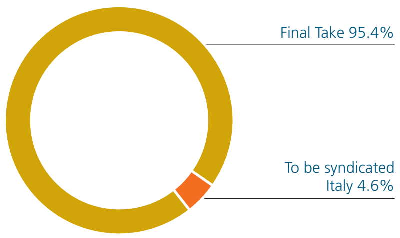
- unfunded Super CDO positions for +5 million euro;
- European and US funded ABSs/CDOs (+29 million euro), entirely attributable to the subsidiary Banca IMI. The impact was the result of the profits realised on the partial disposal of the trading book (20 million euro) and of the revaluation of outstanding positions (9 million euro);
- the negative contribution of the subprime exposure for 2 million euro;
- unfunded Multisector CDO positions for 9 million euro;
- other unfunded positions for -2 million euro.

As regards to the exposure to funded and unfunded ABSs/CDOs, it should be noted that the securities classified by the subsidiary Banca IMI in the portfolio of available-for-sale recorded an increase in fair value of 1 million euro, accounted for in the specific shareholders’ equity reserve.
The securities reclassified to the loan portfolio had a positive impact of 2 million euro as at 31 December 2014. This is the combination result of the 8 million euro in profits realised on the sale of positions and 6 million euro in impairment losses on a number of securities included in the portfolio.
The “Monoline risk” and “Non-monoline packages” made a contribution of -1 million euro to “Profits (Losses) on trading – caption 80” as at 31 December 2014, compared to the positive result of 40 million euro recorded at 31 December 2013. The segment trend reflects the spread volatility of the counterparty on which this exposure is concentrated.

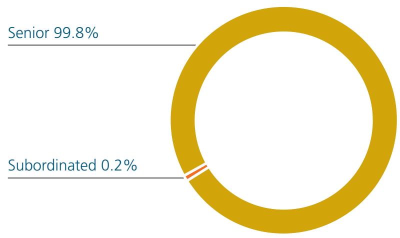
INFORMATION ON LEVERAGED FINANCE TRANSACTIONS

Since there is no univocal and universally agreed-upon definition of leveraged finance transactions, Intesa Sanpaolo decided to include in this category the exposures (loans granted and disbursed in relation to structured financing operations, normally medium/long term) to legal entities, in which the majority of share capital is held by private equity funds.
These are mainly positions in support of Leveraged Buy Out projects (therefore with high financial leverage), i.e. linked to the full or partial acquisition of companies through recourse to SPEs created for this purpose. After acquisition of the target company's shares/quotas package, these SPEs are normally merged into the target. The target companies generally have good economic prospects, stable cash flows in the medium term and low original leverage levels. Intesa Sanpaolo has financed entities of this type, as normal borrowers, without acting as sponsor.
None of these SPEs is consolidated, since the guarantees to support the transaction are solely instrumental for the granting of the financing and are never directed to the acquisition of direct or indirect control over the vehicle.
As at 31 December 2014, 114 transactions for a total amount granted of 2,858 million euro met the above definition.
These exposures are classified under the loans portfolio. They also include the portions of syndicated loans underwritten or under syndication. In line with disclosure requirements, breakdown of exposures by geographical area, economic sector and by level of subordination is set out below.

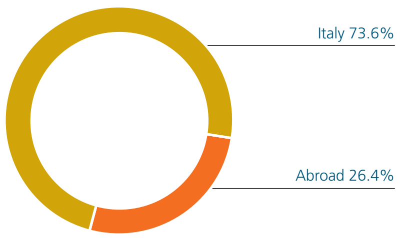
Breakdown by type of risk



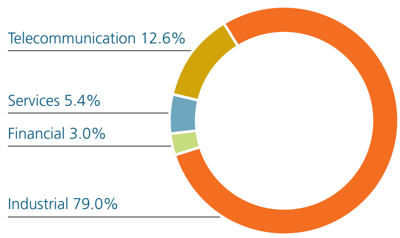
Breakdown by subordination level



Breakdown by geographical area



Breakdown by economic sector



INFORMATION ON INVESTMENTS IN HEDGE FUNDS

The hedge fund portfolio as at 31 December 2014 totalled 733 million euro, compared to 744 million euro recorded in December 2013. An analysis of changes in the portfolio shows distributions and redemptions during the period, which, however, were more than offset by the increase in the value in euro of the positions in US dollars due to the sharp appreciation of the foreign currency.
As at the same date, the overall result of the investments in this segment was positive for 11 million euro, compared to 70 million euro of the "Profits (Losses) on trading – caption 80" as at 31 December 2013.
Net profits of 11 million euro, recognised as at 31 December 2014 under "Profits on trading – caption 80", were almost fully attributable to profits on foreign exchange transactions deriving from the sharp appreciation of the US dollar against the euro, even with a breakeven position in foreign currency.
The hedge fund portfolio saw profits and losses on trading which offset each other and had a nil impact on the "Profits (losses) on trading – caption 80". Gross capital gains on the final residual amount (24 million euro), spread across 12 positions, were almost fully offset by capital losses (24 million euro), spread across 14 positions.
During the fourth quarter of 2014, there were no noteworthy changes in the portfolio's overall strategy, which still prevalently aims to benefit from the implementation of specific corporate events, typically independent from the general market trend.

INFORMATION ON TRADING TRANSACTIONS IN DERIVATIVES WITH CUSTOMERS

The Intesa Sanpaolo Group is active in the sale of "over the counter" (OTC) derivatives to various customer segments, through two main poles (in terms of volumes traded):

– Banca dei Territori Division, for the sale of derivative products to retail and SME customers with consolidated turnover under 350 million euro, through the branch network of Intesa Sanpaolo and of the Group's Italian banks. Derivatives sold by the network are hedged back to back with a swap house which, in most cases, is Banca IMI;
– Corporate and Investment Banking Division, for the sale of derivative products to medium-sized and large companies, through the branch network of Intesa Sanpaolo and the Group's Italian banks, and to entities of the Public Administration. Derivatives sold by the network are hedged back to back with Banca IMI.

Customer financial needs that the Intesa Sanpaolo Group aims to satisfy through derivative instruments are diverse and depend on customer segment. In short, the following picture emerges:

1) retail and business customers served by Banca dei Territori acquire derivative instruments for investment or the hedging of financial risks, with a few typical differences:
   i) companies enter into derivative contracts to hedge risks, mostly interest rate and foreign exchange risk;
   ii) individuals normally do not stipulate derivatives explicitly with the Intesa Sanpaolo Group as counterparty, with the exception of contracts aimed at hedging interest rate risk on retail mortgages;
2) customers of the Corporate and Investment Banking Division (mostly large businesses, mainly qualified operators) sign derivative contracts for hedging/managing risks, mostly interest rate and foreign exchange risk;
3) entities of the Public Administration sign derivative contracts to manage their liquidity and modify/hedge their debt positions.

The centres of responsibility that sign contracts with customers (essentially, Intesa Sanpaolo and Network Banks) do not take market risks, since these are systematically hedged back to back, in most cases with the Group's securities house, Banca IMI. The latter hedges the risks transferred to it dynamically and collectively, within the assigned limits, for the purpose of maximising financial effectiveness. Counterparty risk is not transferred.

Considering relations with customers only, as at 31 December 2014, the Intesa Sanpaolo Group, in relation to derivatives trading with retail customers, non-financial companies and public entities (therefore excluding banks, financial and insurance companies), presented a positive fair value, having not applied netting agreements, of 8,731 million euro (5,542 million euro as at 31 December 2013). The notional value of such derivatives totalled 49,251 million euro (54,087 million euro as at 31 December 2013). Of these, the notional value of plain vanilla contracts was 44,543 million euro (51,817 million euro as at 31 December 2013), and of structured contracts was 4,708 million euro (4,475 million euro as at 31 December 2013).

Please note that the positive fair value of structured contracts outstanding with the 10 customers the highest exposures was 558 million euro (363 million euro as at 31 December 2013). The same indicator, referred to the total contracts with a positive fair value, was 5,890 million euro.

Conversely, negative fair value determined with the same criteria, for the same types of contracts and with the same counterparties, totalled 1,306 million euro as at 31 December 2014 (606 million euro as at 31 December 2013).

The notional value of these derivatives totalled 17,000 million euro (17,627 million euro as at 31 December 2013). Of these, the notional value of plain vanilla contracts was 15,150 million euro (17,787 million euro as at 31 December 2013), and of structured contracts was 1,850 million euro (1,030 million euro as at 31 December 2013).

The fair value of derivative financial instruments stipulated with customers was determined considering, as for all other OTC derivatives, the creditworthiness of the single counterparty ("Bilateral Credit Value Adjustment"). With regard to contracts outstanding at 31 December 2014, this led to a negative effect of 58 million euro being recorded under "Profits (Losses) on trading" in the income statement.

As regards the means of calculation, for the various methodologies used in the determination of the fair value of financial instruments, see the specific paragraphs in this chapter.

Please note that contracts made up of combinations of more elementary derivative instruments have been considered "structured" and that the aforesaid figures do not include fair value of derivatives embedded in structured bond issues neither the relative hedges agreed by the Group.

1.4. BANKING GROUP – OPERATIONAL RISK

QUALITATIVE INFORMATION

General aspects, operational risk management processes and measurement methods
Operational risk is defined as the risk of suffering losses due to inadequacy or failures of processes, human resources and internal systems, or as a result of external events. Operational risk includes legal risk, that is, the risk of losses deriving from breach of laws or regulations, contractual or out-of-contract liability or other disputes; ICT (Information and Communication Technology) risk and model risk. Strategic and reputation risks are not included.
The Intesa Sanpaolo Group has for some time defined the overall operational risk governance framework by setting up a Group policy and organisational processes for measuring, managing and controlling operational risk.
With regard to operational risk, as from 31 December 2009, the Group adopted the Advanced Measurement Approach (AMA - internal model), used partially along with the standardised (TSA) and basic approaches (BIA) to determine the associated capital requirement for regulatory purposes. The AMA approach was adopted by the leading banks and companies in the Banca dei Territori, Corporate and Investment Banking, Private Banking and Asset Management Divisions, by the Intesa Sanpaolo Group Services consortium and by VUB Banka (including Consumer Financial Holding and VUB Leasing) and PBZ Banka.
The remaining companies, currently using the Standardised approach (TSA), which are included in the roll-out plan, will migrate progressively to the Advanced approaches starting from the first half of 2015, based on the roll-out plan presented to the Management and Supervisory Authorities.
The control of the Group's operational risks was attributed to the Management Board, which identifies risk management policies, and to the Supervisory Board, which is in charge of their approval and verification, as well as the guarantee of the functionality, efficiency and effectiveness of the risk management and control system.
Moreover, the tasks of the Intesa Sanpaolo Group Internal Control Coordination and Operational Risk Committee include periodically reviewing the overall operational risk profile, authorising any corrective measures, coordinating and monitoring the effectiveness of the main mitigation activities and approving operational risk transfer strategies.

The Group has a centralised function within the Risk Management Department for management of the Group's operational risk. This function is responsible for the definition, implementation, and monitoring of the methodological and organisational framework, as well as for the measurement of the risk profile, the verification of mitigation effectiveness and reporting to Top Management.
In compliance with current requirements, the individual Organisational Units are responsible for identifying, assessing, managing and mitigating risks. Specific officers and departments have been identified within these business units to be responsible for Operational Risk Management (structured collection of information relative to operational events, scenario analyses and evaluation of the business environment and internal control factors).

The Integrated self-assessment process, conducted on an annual basis, allows the Group to:
- identify, measure, monitor and mitigate operational risk through identification of the main operational problem issues and definition of the most appropriate mitigation actions;
- create significant synergies with the specialised functions of the Personnel and Organisation Department that supervise the planning of operational processes and business continuity issues, with the Administrative and Financial Governance and with control functions (Compliance and Internal Auditing) that supervise specific regulations and issues (Legislative Decree 231/01, Law 262/05) or conduct tests of the effectiveness of controls of company processes.

The Self-assessment process identified a good overall level of control of operational risks and contributed to enhancing the diffusion of a business culture focused on the ongoing control of these risks.
The process of collecting data on operational events (in particular operational losses, obtained from both internal and external sources) provides significant information on the exposure. It also contributes to building knowledge and understanding of the exposure to operational risk, on the one hand, and assessing the effectiveness or potential weaknesses of the internal control system, on the other hand.
The internal model for calculating capital absorption is conceived in such a way as to combine all the main sources of quantitative (operational losses) and qualitative information (self-assessment).
The quantitative component is based on an analysis of historical data concerning internal events (recorded by organisational units, appropriately verified by the central function and managed by a dedicated IT system) and external events (by the Operational Risk Management eXchange Association).
The qualitative component (scenario analyses) focuses on the forward-looking assessment of the risk exposure of each unit and is based on the structured, organised collection of subjective estimates expressed directly by management (subsidiaries, Parent Company's business areas, the Corporate Centre) with the objective of assessing the potential economic impact of particularly severe operational events.
Capital-at-risk is therefore identified as the minimum amount at Group level required to bear the maximum potential loss (worst case); Capital-at-risk is estimated using a Loss Distribution Approach model (actuarial statistical model to calculate the Value-at-risk of operational losses), applied on quantitative data and the results of the scenario analysis assuming a one-year estimation period, with a confidence level of 99.90%; the methodology also applies a corrective factor, which derives from the qualitative analyses of the risk level of the business environment, to take account of the effectiveness of internal controls in the various organisational units.
Operational risks are monitored by an integrated reporting system, which provides Management with support information for the management and/or mitigation of the operational risk.
In order to support the operational risk management process on a continuous basis, a structured training programme was fully implemented for employees actively involved in this process.

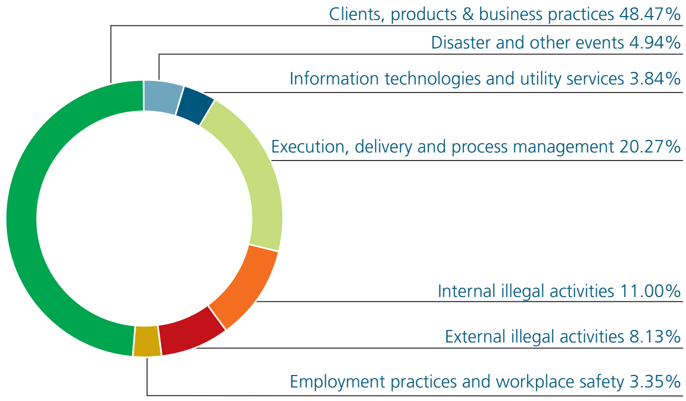
In addition the Group activated a traditional operational risk transfer policy (to protect against offences such as employee disloyalty, theft and theft damage, cash and valuables in transit losses, computer fraud, forgery, earthquake and fire, and third-party liability), which contributes to mitigating exposure to operational risk. At the end of June 2013, in order to allow optimum use of the available operational risk transfer tools and to take advantage of the capital benefits, pursuant to applicable regulations the Group stipulated an insurance coverage policy named Operational Risk Insurance Programme, which offers additional coverage to traditional policies, significantly increasing the limit of liability, transferring the risk of significant operational losses to the insurance market. The internal model's insurance mitigation component was approved by the Bank of Italy in June 2013 with immediate effect of its benefits on operations and on the capital requirements.

QUANTITATIVE INFORMATION

To determine its capital requirements, the Group employs a combination of the approaches allowed under applicable regulations. The capital absorption resulting from this process amounts to 1,693 million euro as at 31 December 2014, down compared to June 2014 (1,770 million euro) and compared to 31 December 2013 (1,819 million euro).

The following shows the breakdown of capital requirement relating to the Advanced Measurement Approach (AMA) by type of operational event.

Breakdown of capital requirement (Advanced Measurement Approach - AMA) by type of operational event



LEGAL RISKS

Legal risks are thoroughly and individually analysed by the Parent Company and Group companies. Provisions are made to the Allowances for risks and charges when there are legal obligations for which it is probable that funds will be disbursed to meet such obligations and where the amount of the disbursement may be reliably estimated.
As at 31 December 2014 a total of 19,415 disputes were pending, with total remedy sought of 10,352 million euro and allowances of 838 million euro. Among the main types of lawsuits, bankruptcy revocatory actions had remedy sought of 662 million euro and allowances of 105 million euro; lawsuits concerning financial services had remedy sought of 507 million euro and allowances of 107 million euro; lawsuits concerning terms applied to customers had remedy sought of 1,073 million euro and allowances of 141 million euro; lawsuits for operational errors had remedy sought of 311 million euro and allowances of 82 million euro and labour lawsuits had remedy sought of 151 million euro and allowances of 112 million euro.
The most complex and/or potentially costly legal procedures are described in the paragraphs below.

Dispute relating to anatocism - In 1999, the Italian Court of Cassation reversed its stance and found the quarterly capitalisation of interim interest payable on current accounts to be unlawful, assuming that the relevant clauses in bank contracts do not integrate the contract with a "regulatory" standard practice, but rather with a "commercial" practice, and therefore, such clauses are not adequate to derogate from the prohibition of anatocism pursuant to Art. 1283 of the Italian Civil Code.
The subsequent Legislative Decree 342 of 1999 confirmed the legitimacy of interim capitalisation of interest on current accounts, as long as interest is calculated with the same frequency on deposits and loans. From April 2000 (the date on which this regulation came into effect), quarterly capitalisation of both interest income and expense was applied to all current accounts.
Therefore the dispute on this issue concerns only those contracts which were stipulated before the indicated date.
In the judgment no. 24418 handed down by its Joint Sections on 2 December 2010, the Court of Cassation ruled that the ten-year statute of limitations applicable to account-holders' entitlement to reimbursement of capitalised interest debited on the current account begins to toll on the date the account is closed, if the account had an overdraft facility and the facility's limit was respected, or on the date on which deposits were made to cover part or all of previous interest debits if the account was drawn beyond such limits or did not have an overdraft facility.
These principles have not always been uniformly applied by courts in the first and second instances. However, though with varying effectiveness based on the specific cases, they contribute to a general decrease in the claims for restitution put forward by account holders, especially when the claims relate to transactions far back in time.
In addition to this aspect, it must be noted that, though the overall number of lawsuits increased due to the current economic situation, it remains at an insignificant level in absolute terms and is the subject of constant monitoring. The risks related to these disputes are covered by specific, adequate provisions to the Allowances for risks and charges.
Dispute relating to investment services - Disputes relating to investment services show a diversified trend based on the type of financial instrument concerned by the dispute.
Disputes relating to Parmalat and Cirio bonds can now be considered as coming to an end.
Disputes concerning Argentina bonds are steadily declining, with a decrease of approximately 20% on the outstanding lawsuits in

2013 and 60% on 2012.
The disputes concerning bonds issued by companies belonging to the Lehman Brothers Group decreased slightly, both in the number of disputes and the values of the economic claims compared to the previous year, without prejudice to the fact that these disputes remained at insignificant levels in absolute terms. The judgments to this point in relation to Intesa Sanpaolo – with the exception of a few isolated cases subject to appeal – have all been favourable to the Bank. As part of a system-wide initiative, the Intesa Sanpaolo Group oversaw and secured the establishment of proof of debt in the insolvency procedures pending in various foreign countries for its customers who hold the aforementioned bonds, at no cost to its customers.
There were no significant changes in disputes concerning derivative products compared to previous years. They remain at insignificant levels (both in number and value).
All risks related to this category of disputes are constantly monitored and covered by accurate allowances that reflect the specific characteristics of the individual cases.

Disputes regarding the Cirio Group default - In November 2002, the Cirio Group defaulted on the repayment of a loan issued on the Euromarket. This event led to a cross default on all its existing issues. In April 2007, ten companies of the Cirio Group in Extraordinary Administration notified Intesa Sanpaolo and Banca Caboto (now Banca IMI), as well as five other banks, considered to be severally liable, of the filing of a claim for the reimbursement of alleged damages deriving from:
- the worsening of the default of the Cirio Group, from the end of 1999 to 2003, favoured also by the issue in the 2000-2002 period of 6 bond issues; the damages thereof were quantified with the main criteria in 2,082 million euro and, with the control criteria, in 1,055 million euro or 421 million euro;
- the impossibility by the Extraordinary Administration procedures of undertaking bankruptcy repeal, for undetermined amounts, in the event that the default of Cirio Group companies was not postponed in time;
- the payment of fees of 9.8 million euro for the placement of the various bond issues.

In a judgment filed on 3 November 2009, the Court of Rome found the Cirio Group's claims to be unfounded on the merits and therefore rejected said claims on the grounds of a lack of a causal relationship between the actions of the banks named defendants in the suit and the claimed damage event.
The claimants appealed against this judgment, proposing in that venue a stay of enforcement of the judgment to pay legal fees, firstly, and said petition was accepted by the Rome Court of Appeal. The lawsuit has been postponed to 27 January 2016 for an evidentiary hearing.

Disputes regarding tax-collection companies sold - As part of the government's re-internalisation of tax collection operations, Intesa Sanpaolo sold to Equitalia S.p.A. (a company owned by Agenzia delle Entrate - Italian Revenue Agency - and INPS) the entire share capital of Gest Line and ETR/ESATRI, companies which managed tax-collection activities in the respective areas of the former Sanpaolo Imi Group (Gest Line) and the former Intesa Group (ETR/ESATRI), undertaking to indemnify the buyer against any out-of-period expenses associated with the collection activity carried out up to the moment of sale of the investment. The most significant portion of those out-of-period expenses consist in costs incurred for operations prior to the sale, such as charges resulting from negative outcomes of litigation with taxpayers, tax authorities or employees, tax collection expenses not recovered due to events attributable to the former concessionaires (mainly expenses for unsuccessful administrative detentions). The above commitments were triggered not only by contractual guarantees, but also by a statute, which entered into force in 2005, that directly transfers to the seller any payment obligation concerning tax collection activities conducted by the company sold prior to the sale thereof. In October 2012 a board of experts was set up for dialogue with Equitalia, to assess both the grounds for and the amount of the requests for compensation submitted pertaining to said guarantee. The board also examines asset captions for the seller, to be reconciled with those that are the subject of the requests for compensation.
Specifically regarding the litigation, as things stand, only one main dispute should be noted. This is the ruling promoted before the Campania Regional Section of the Court of Auditors by the bankruptcy proceedings of SERIT S.p.A., which was already the collection agent for section "B" of the Province of Caserta. The bankruptcy appellant is claiming that the defendants (in addition to our Bank, Ministry for Economy and Finance and the Italian Revenue Agency) are liable for breach of contract with the resulting request for compensation for the damages suffered, as a result of the failure to refund the taxes paid in advance by SERIT under the "contingent payment obligation" system (note that in 1994 SERIT'S concession was revoked and then assigned to Banco Napoli as Government Commission Agent). The claim for damages is quantified as 129 million euro, unless more accurately specified through an expert's report to be drawn up during the proceedings.
The Bank's position is founded on valid defence arguments, both in pre-trial phase and on the merits, which lead us to consider the dispute as free from risks.

Intesa Sanpaolo (formerly Banca OPI, then Banca Infrastrutture Innovazione e Sviluppo) and Municipality of Taranto litigation - Banca Infrastrutture Innovazione e Sviluppo (BIIS), as the successor to Banca OPI, was involved in a case pending before the Court of Taranto brought by the Municipality of Taranto, in relation to the subscription in 2004 by Banca OPI of a 250 million euro bond issued by the Municipality.
In its judgement of 27 April 2009, the Court declared the invalidity of the operation, ordering the Bank to reimburse, with interest, the partial repayments of the loan made by the Municipality of Taranto. The latter was ordered to reimburse, with interest, the loan granted. The Court also ordered compensation for damages in favour of the Municipality, to be calculated by separate proceedings. The Municipality and the Bank jointly agreed not to enforce the judgement.
On 20 April 2012 the Court of Appeal, without prejudice to the findings of the separate proceedings regarding the alleged damages, partially reformulated the first instance ruling by ordering that:
- BIIS reimburse the sums paid by the Municipality of Taranto, plus legal interest;
- the Municipality of Taranto reimburse BIIS for the sums disbursed in execution of the bond loan, less amounts already paid, plus legal interest and currency appreciation;
- BIIS reimburse the Municipality for first instance legal costs, compensated against those for the appeal.

Intesa Sanpaolo, which succeeded BIIS in the proceedings following the well-known corporate operations, filed an appeal against this judgement before the Court of Cassation. The date of the hearing has not been set.
In the meantime, the insolvency procedure entity for the Municipality of Taranto informed BIIS that the Municipality's debt to the Bank for the repayment of the 250 million euro bond had been added to "the insolvency procedures' list of debts". The Bank

nonetheless appealed the judgment before the Regional Administrative Court of Puglia, which found the appeal inadmissible, ruling that the dispute fell within the jurisdiction of the civil courts and – albeit on an incidental basis – the appealed judgment was devoid of dispositional content and was thus incapable of undermining the Banks' credit claims.
The Bank and the Municipality have met repeatedly to assess the possibility of an amicable settlement to the pending litigation, however, such settlement could not be reached due to the intervention of the insolvency procedure entity, which claimed its own jurisdiction over managing the debt in question. In order to ascertain the illegitimacy of including the Bank's receivable in the insolvency procedures' list of debts and the lack of jurisdiction of the Extraordinary Liquidator, BIIS thus filed an extraordinary appeal to the President of the Republic, which is still pending.
The Bank has also initiated additional civil proceedings before the Court of Rome, for a ruling on its lack of liability for damages to the Municipality of Taranto. By way of non-final ruling, the Court of Rome, accepting the plaintiff's requests, rejected the claims of lack of interest to sue, demurrer and estoppel, and ordered the continuation of the proceedings for the purpose of drawing up a court-appointed expert's report, not only on amount but also on the cause of the alleged damages. Moreover, the court-appointed expert's report must be limited to the documents already filed in the records, as all the preclusions pertaining to the preliminary investigation have been applied, and should be confirmed by the Bank's stance that the Municipality of Taranto suffered no damages as a result of the loan from BIIS. The lawsuit was suspended pending the outcome of the judgment from the Court of Cassation.
These events are also connected to criminal proceedings before the Court of Taranto, against several Executives of Banca OPI and Sanpaolo IMI, among others, in which the preliminary hearing judge has ruled that the Municipality of Taranto may file an appearance as civil claimant in the criminal proceedings. The defendants are charged with indirect abuse of office, a crime which is not significant for the purposes of Legislative Decree 231/2001. In these proceedings, BIIS (now Intesa Sanpaolo) has been charged with civil liability for an amount of no less than 1 billion euro. In its ruling of 6 October 2014, the Court sentenced two Banca OPI Executives, while acquitting all of Bank's other defendants, in addition to jointly and severally ordering the Bank and the two aforementioned Executives, to pay compensation for damages in favour of the Municipality, to be settled in separate proceedings, as well as to pay an immediately enforceable provisional award of 26,167,175 euro, almost entirely represented by the interest portion of the repayments made by the Municipality - i.e. 25,167,175 euro - previously the subject of sentences from the First Instance Court and the Court of Appeal. Both the former employees found to be liable and the Bank will appeal this judgment, applying for a stay of the provisional enforcement of the civil remedies. It is noted that for the provisional award the Bank will not have to incur any outlays, as it can offset the amount in question with the higher credit claimed from the Municipality, as recognised by the Court of Appeal in the civil proceedings.
The assessment of the compensation risk indicated that there was no need to recognise a specific provision as at 31 December 2014.

Altroconsumo class action – In 2010, Altroconsumo, representing three account holders, brought a class-action suit seeking a finding of the unlawfulness of overdraft charges and the fee for overdrawing accounts without credit facilities, the latter of which had been adopted in 2009 as part of adjustments of contracts to the new rules imposed by lawmakers regarding bank fees. The suit also sought a finding that the "threshold rate" set out in the law on usury had been exceeded. By order of 28 April 2010, the Court of Turin declared the suit inadmissible. Following the complaint filed by the plaintiffs, the Torino Court of Appeal, by order of 16 September 2011, overturned the previous order, restricting the scope of the suit solely to account overdraft charges applied effective 16 August 2009. A total of 104 applications to join the suit were then filed within the terms set by the Court. The suit was resolved by the judgment filed on 10 April 2014, in which 101 of the 104 applications were found to be inadmissible due to formal irregularities of presentation or failure to meet consumer requirements by some of the applicants. On the merits, having rejected the claims regarding usury, the judgment finds that the account overdraft charge is void on the basis of the principle according to which, in the absence of a formal credit facility, an overdraft would not justify the application of additional costs to the account holder, given that no banking service requiring compensation has been provided in such cases. The decision was appealed because it is founded upon an untenable interpretation of the statute concerned. Altroconsumo and three parties promoting the class action appeared in court in the second instance proceedings, proposing an incidental appeal, specifically regarding the decision ruling that most of the participants in the class action were inadmissible. In economic terms, the ruling is irrelevant both in terms of the claims made by the three current account holders admitted and in terms of those referring to current account holders currently excluded. It bears clarifying that the contested fee was replaced, effective October 2012, by the expedited approval fee introduced by the Monti administration's Save Italy Decree.

Angelo Rizzoli lawsuit - In September 2009, Angelo Rizzoli filed suit against Intesa Sanpaolo (as the successor of the former Banco Ambrosiano) and four other parties seeking a finding of nullity for the transactions undertaken between 1977 and 1984 alleged to have resulted in a detrimental loss of the control that he would have exercised over Rizzoli Editore S.p.A. and claiming compensation in an amount ranging from 650 to 724 million euro according to entirely subjective damage quantification criteria.
Rizzoli's claims, in addition to being without foundation on the merits due to the lack of a breach of the provision that prohibits preferential collateral rights argued to have occurred in the transactions whereby Rizzoli Editore S.p.A. was transferred, are also inadmissible at a preliminary procedural level, as held by the Bank in its motion of appearance, on the grounds that the Milan Court of Appeal had already decided the matter in its judgment of 1996, which has become res judicata, as well as that Rizzoli lacked an interest to sue due to prescription of claims for compensation or restitution and usucaption by third parties.
In a judgment filed on 11 January 2012, the Court of Milan granted the preliminary objections of prescription and change into res judicata of the subject of the dispute and rejected the claims brought by Angelo Rizzoli, sentencing him to compensate Intesa Sanpaolo for expenses and frivolous litigation.
In February 2012 the plaintiff filed an appeal and, in relation to his request for suspension of the enforceability of the first instance ruling, the Court of Appeal granted the suspension of solely the frivolous litigation conviction. The lawsuit, postponed to 21 October 2014 for an evidentiary hearing, was declared interrupted due to the death of Angelo Rizzoli. Considering the favourable outcome of the first instance proceedings, no provisions were allocated.

Allegra Finanz AG litigation – On 31 January 2011, Allegra Finanz AG and other international institutional investors sued Intesa Sanpaolo and Eurizon Capital SGR, along with six other major international financial institutions, before the Court of Milan. The claimants are seeking compensation of approximately 129 million euro due to the losses they sustained as a result of various

investments in bonds and shares issued by Parmalat Group companies.
According to the claimants, those investments were allegedly undertaken under the assumption that the issuers were solvent, an assumption deliberately fabricated by the banks named as defendants in the suit, which are alleged to have acted in various capacities and ways to permit the Parmalat Group to survive, despite an awareness of its state of insolvency.
Intesa Sanpaolo's involvement is claimed to derive from a private placement of 300 million euro by Parmalat Finance Corporation BV, fully underwritten by Morgan Stanley and placed with Nextra in June 2003, a transaction that subsequently gave rise to disputes with the Administration procedure to which the Parmalat Group companies were subject and a settlement between the Administration procedure and Intesa Sanpaolo (which succeeded Nextra due to the subsequent corporate events affecting the latter).
Intesa Sanpaolo raised a number of objections at a preliminary level (including the termination of the statute of limitations on the right to claim compensation brought against it) and on the merits (including the lack of a causal relationship between the actions attributed to Nextra and the loss claimed by the claimants, considering their capacity as professional operators and the speculative nature of the investments undertaken).
On conclusion of the preliminary investigation phase, in which the Court resolved various pre-trial issues raised by the defendants and rejected all preliminary motions brought by the plaintiffs, the lawsuit was postponed to the hearing of 16 September 2014 for a ruling. With the ruling of 26 January 2015 the Court rejected all claims brought by the plaintiffs, declaring the termination of the claim for compensation brought against Intesa Sanpaolo due to statute of limitations.

Relations with the Giacomini Group – Starting from May 2012, certain media outlets published news of criminal investigations of members of the Giacomini family (which controls the industrial group of the same name) and other individuals in connection with possible illegal exportation of capital and other related offences.
In further detail, it was brought to light that the Public Prosecutor's Offices of Verbania and Novara have initiated investigations of possible tax offences committed by the Giacomini family and their advisors, and the Public Prosecutor's Office of Milan is investigating possible complicity in money-laundering by certain of the Giacominis' financial advisors and the former CEO of the Luxembourg subsidiary, Société Européenne de Banque - SEB, and the head of Corporate Division relations of Intesa Sanpaolo, as well as SEB and ISP for administrative liability pursuant to Legislative Decree no. 231/01.
In regard to this matter, the Bank has conducted internal inspection reviews to reconstruct the facts, including in reference to a loan disbursed by SEB in December 2008 in the amount of 129 million euro to Alberto Giacomini's family in the context of a family buy-out transaction. No significant irregularities have emerged so far in relation to this.
To date, the records of the investigating authorities of which Group companies have been made aware do not permit an evaluation of the existence of liability, and thus of risks and charges (in addition to the appropriate writedowns of receivables already performed by SEB).

Dispute relating to the acquisition of Bank of Alexandria - In 2006 Sanpaolo IMI acquired from the Egyptian government an 80% investment in Bank of Alexandria, as part of the government privatisation programme launched in the 1990's. In 2011, two proceedings were initiated before the Administrative Court of Cairo, by two private entities against several members of the previous government, aimed at the cancellation of the administrative measure for privatisation and the resulting deed of purchase and sale, based on alleged irregularities in the administrative process and the alleged unfairness of the share transfer price. Bank of Alexandria has intervened in both proceedings to fight the lawsuits, claiming the lack of jurisdiction of the administrative judge in the pre-trial proceedings and the groundlessness of the opponents' claims on the merits. Concerning the latter aspect, it has been inferred, with the support of suitable documentation, that the privatisation procedure was conducted correctly and - contrary to the opponents' allegations - in the form of public auction in which numerous international banks participated, as a result of which Sanpaolo IMI was judged as the best bidder. The two proceedings, which are going forward at the same time and have been subject to numerous postponements and slowdowns, are currently in the preliminary investigation phase. As things stand, and in consideration of the current phase of the proceedings, there are no critical issues in view with regard to the problems which are the focus of the disputes. Law 32/2014 was enacted on 24 April 2014. The statute clarifies the subjective requirements for appealing previous privatisations by limiting standing to sue to the original contracting parties only. The counsel to the defence believe that the statute is also applicable to the ongoing proceedings to which Bank of Alexandria is a party. Moreover, the statute was reviewed by Egypt's Constitutional Court due to contentions of unconstitutionality that arose in other proceedings to which Bank of Alexandria is not a party. Both lawsuits are constantly monitored by the Parent Company, also in terms of possible developments of the scenario.

Judicial and administrative proceedings involving the New York branch - During 2012 the criminal investigation instigated by the New York District Attorney's Office and the Department of Justice aimed at verifying the methods used for clearing through the United States of payments in dollars to/from countries embargoed by the US government in the years from 2001 to 2008, an update on which has been provided each year, was concluded in the Bank's favour in 2012.
As regards the transactions (the handling of bank transfers in dollars through the SWIFT interbank payments service, cleared through US banks), the Bank was also subject to assessments by the OFAC (Office of Foreign Assets Control), the authority of the United States Department of the Treasury responsible for foreign exchange control. As a result of these assessments, the Bank paid a fine of 2.9 million dollars due to the acknowledgement of the commission of a small number of administrative errors during the period 2004-2007.
The transactions in question remain subject to the scrutiny of the FED and the New York State Department for Financial Services. The related proceedings are still pending and, at present, it is not possible to forecast its outcome or assess the risk of penalties.

Alberto Tambelli Lawsuit - In January 2013 – before the Milan Court of Appeal – Alberto Tambelli summarised a judgment of the Court of Cassation, claiming compensation for damages in terms of lost earnings for a total of approximately 110 million euro. The proceedings originate from futures transactions performed in 1994 with the Milan branch of the former Banca Popolare dell'Adriatico (now Banca dell'Adriatico) resulting in a capital loss for Mr. Tambelli. On termination of both levels of proceedings brought against the Bank, Mr. Tambelli obtained reimbursement of the damages suffered but both the Ordinary Court and the Milan Court of Appeal denied compensation for other damages associated with loss of earnings which, in Mr. Tambelli's opinion, could have been achieved in the period in which he was deprived of availability of the sums lost in the aforementioned financial

transactions. The Court of Appeal judgment was challenged by both parties before the Court of Cassation, which by decision dated 1 October 2012 rejected the Bank's appeal, thereby finalising the order to compensate damages resulting from the loss of capital invested (which had in any event already been paid to Mr. Tambelli in 2004) and, vice versa, accepted Mr. Tambelli's claim, considering that – unlike the decision of the Milan Court of Appeal – the further claims for compensation for loss of earnings were not time-barred and their merits could therefore be assessed in new proceedings before a different bench by the Milan court.
As a result of the corporate affairs affecting Banca Popolare dell'Adriatico, the new proceedings were brought against Intesa Sanpaolo, as universal successor to the merged company Banca Popolare dell'Adriatico, and also against Banca dell'Adriatico as specific successor of the former bank.
At the hearing of 23 April 2013, the judge, without considering Mr. Tambelli's preliminary claims, ordered the case to be decided by the Bench and set the date for the evidentiary hearing as 9 February 2016.
As the lawsuit is deemed lacking in grounds no provisions have been made.

Interporto Sud Europa (ISE) lawsuit against Banco di Napoli - By write of summons served on 28 December 2013, Interporto Sud Europa (ISE) summoned Banco di Napoli and another bank before the Court of Santa Maria Capua Vetere, calling for them to be jointly ordered to compensate for damages, quantified at 186 million euro.
In further detail, the plaintiff claimed that it decided to assume the debt arising from the first tranche of a pool loan disbursed to Comes S.r.l. (a total of 70 million euro for the construction of the shopping centre in Marcianise) on the understanding that the two banks concerned would then have disbursed an additional loan of 35 million euro for which ISE had applied directly (while reducing the original loan from 70 million to 35 million euro).
However, that loan was not in fact disbursed, and this situation allegedly resulted in a serious lack of liquidity for ISE, which, among other effects, purportedly prevented it from selling said shopping centre to third parties at a price regarded as expedient.
However, during the internal assessment process, various factual elements were brought to light, justifying the two banks' decision not to provide the loan.
The judge set the first hearing for 13 April 2015, granting the parties the terms in which to submit briefs setting out their claims and pre-trial requests which, however, the counterparty failed to file.

Dispute initiated by Acotel Group S.p.A - In its document initiating arbitration proceedings served on 4 November 2013, Acotel Group seeks an award ordering ISP to provide compensation for damages, quantified at a total of 150 million euro, caused by alleged breach of a complex cooperation agreement, which took the concrete form of various contracts aimed at developing and selling an innovative telephone SIM card known as "SIM Noverca" to bank customers. Acotel assumes that the failure of the commercial initiative and the resulting damages were the result solely of breach of contract by ISP due to the lack of interest shown in the promotion and distribution of the product amongst its customers, which culminated in the cancellation and termination of the commercial agreements. The Bank conducted its defence by raising a number of exceptions of a procedural nature. On the merits, it argued that the reasons for the transaction's lack of success may be found to lie in the technological inadequacy of the SIM card, which was rapidly rendered obsolete by the development of other, more attractive propositions on the market and the low level of competitiveness of the rate scheme, both of which were problems that Noverca was unable to overcome. Due to the lack of interest in proceeding with the arbitration shown by Acotel (which reserved the right to take action in the ordinary courts) and its consequent inactivity, the Chamber of Arbitration of Milan declared the proceedings closed by decision of 10 June 2014. By writ of summons served on 2 October 2014, Acotel Group S.p.A. and Noverca Italia S.r.l. resubmitted the same arguments to the Court of Turin, presenting, in the case of Acotel Group, a compensation claim of similar amount to that previously entered in the arbitration proceedings and, in the case of Noverca, a request for damages of the lesser amount of approximately 11.5 million euro by way of contractual penalties.
In light of the defence arguments which can be objected to, the lawsuit is considered free from risks. The preliminary investigation phase is currently underway.

Compensation claim of G & C Holding S.r.l. - With summons served on 5 December 2014, G. & C. Holding S.r.l. brought a legal action before the Court of Milan against the former CEO and the Head of ISP Corporate Division, as well as the Bank, as jointly liable with the two defendants.
Said writ also summoned Roberto Colaninno (Chairman of CAI), Rocco Sabelli (CEO of CAI) and Alitalia – Compagnia Aerea Italiana S.p.A., as jointly liable with the two defendants.
In substance, G.& C. Holding claims that it incurred, from the end of 2008 to the beginning of 2009, an investment in Alitalia – CAI of approximately 40 million euro, for the purpose of revitalising the Italian national airline, from the point of view outlined in the 'Fenice' project.
Intesa Sanpaolo, as the "director" of the project, is charged with misrepresenting the actual outlook for the investment, thereby inducing the company into taking on the initiative in a transaction which ended in bankruptcy.
The request for compensation, against all defendants, has been quantified at 65 million euro, in addition to interest and revaluation.
The first hearing was postponed automatically to 7 July 2015.
The preliminary pre-trial assessments are underway and, pending developments, the possibility of lawsuit risk will be assessed.

Lawsuit brought by Alis Holding S.r.l. in liquidation - By writ of summons served on 10 December 2014, Alis Holding S.r.l. in liquidation brought a compensation claim before the Court of Milan, requesting that Intesa Sanpaolo be sentenced to pay 127.6 million euro as a result of the failure to achieve the positive results expected in relation to the value that its investment Cargoitalia was expected to reach.
The plaintiff claims that in developing a project launched in 2008 to enhance the potential for business in the air cargo sector in Italy, it purchased, along with Intesa Sanpaolo as its financial partner, investments – in the amount of two-thirds (66.67%) and one-third (33.33%) – in the share capital of Cargoitalia, based on investment and shareholders' agreements through which the Bank reserved a series of prerogatives on significant issues for itself.
In 2011, as a result of an adverse economic situation and the presence of a fierce competitor, Cargoitalia suffered a situation of financial tension which made it necessary to draw up a three-year recovery plan (2011-2014) to protect the business as a going concern.

The recovery plan included obtaining 8 million euro in resources through debt financing, which Intesa Sanpaolo was to disburse in a pool with another Bank. Alis Holding claims that Intesa Sanpaolo allegedly refused, without reason, to honour that financing commitment, causing the winding up of Cargoitalia due to the impossibility of pursuing the corporate purpose and its resulting implementation of arrangement with creditors. Alis Holding thus claims liability of the Bank due to breach of a shareholders' loan agreement which was assumed to be entered into on a de facto basis or, alternatively, due to the de facto exercise of management and coordination of Cargoitalia which was allegedly carried out in breach of the principles of sound company management.
The defence arguments are currently being drawn up in view of appearance in court for the hearing of 16 June 2015.

Lawsuit brought by Novembre RSA S.r.l. impresa sociale, Segno Unico S.r.l. and Novembre SGI S.r.l. – By writ of summons served on 5 August 2014 (first hearing set for May 2015) Novembre RSA S.r.l. impresa sociale, Segno Unico S.r.l. and Novembre SGI S.r.l., which have common owners, brought a compensation claim before the Court of Turin in which they seek a finding of joint and several liability against Intesa Sanpaolo and Mediocredito Italiano for the payment of compensation for damages of approximately 63 million euro, for which both banks are claimed to be liable for having failed to disburse a loan intended to finance a home for the elderly. The banks' liability depends on their alleged conduct in bad faith, which allegedly generated in the plaintiffs a good faith reliance that the loan would be disbursed.
The lawsuit joins the other disputes concerning misappropriation of accounts of said three companies, disputes which, though the related claims are unclear, have economic content significantly lower than that stated in the claim for damages.
The lawsuit in question is deemed to be unfounded in that the grounds of the failure to approve the loan are to be sought in multiple factors attributable to objective situations to which the defendant banks are completely extraneous. For these reasons, the lawsuit is deemed to be free of risks.

Lawsuit brought by Fondazione Monte Paschi di Siena – By writ served on 11 July 2014, Fondazione MPS brought a lawsuit before the Court of Siena against former members of the Foundation’s administrative body, as well as all of the banks, including Intesa Sanpaolo and Banca IMI, that had participated in 2011 in a pool loan to the Foundation intended to provide the Foundation with the resources required to subscribe for a capital increase undertaken by its subsidiary, Banca Monte Paschi di Siena.
In support of its compensation claim of approximately 286 million euro, the Foundation argued that the former directors and advisor bore contractual liability for having breached the limit on the debt-to-equity ratio imposed by the articles of association, as well as that the lending banks bore tortious liability for having knowingly been complicit in the alleged breach by the directors. Even though, as regards internal dealings between the defendants, alleged liability for compensation may be allocated proportionally, the Foundation sought a finding of joint and several liability of all the defendants in the proceedings.
The compensation claim, as presented, against the banks summoned is believed to be unfounded on a variety of grounds that relate not only, in general, to the possibility of attributing tortious liability to the banks, but also to an incorrect technical valuation of the financial statement captions which form the basis of the alleged breach of said financial parameter, the inexistence of a causal relationship between the objectionable conduct and the harmful event as well as the determination of the amount of the items of the damages into which the compensation claim is divided. The first hearing has been scheduled for 14 May 2015.

POTROŠAČ litigation against and PBZ relating to loans denominated in CHF - In the context of historically low interest rates on assets denominated in Swiss francs (CHF), in 2004 numerous Croatian banks began to disburse retail loans in Swiss francs. This practice was immediately appreciated by customers. Therefore, in order to avoid erosion of market share, PBZ also began to offer similar products in February 2005.
Though it was following market trends, PBZ implemented procedures significantly different than those of other banks. In particular, in informing its customers of exchange rate risk, PBZ included specific clauses in its loan contracts which notified customers of the possibility that the amount of their instalments could change due to the volatility of exchange rates.
In addition to foreign currency, a fundamental characteristic of this loan portfolio is the presence of so-called "administered interest rate”, which means that interest rates could be changed at the discretion of the Bank, without a clearly identified underlying index. This type of interest rate was the most common type in the Croatian banking sector along with fixed interest rates. Only with the introduction of the new law on consumer credit were administered interest rates banned for all new loans starting from January 2013. PBZ correctly complied with these law provisions by introducing index-linked interest rates.
By writ of summons served on 23 April 2012, PBZ was sued, along with seven major Croatian banks (subsidiaries of non-Croatian groups) by a consumer association (Potrošač). Extremely in brief, the association called for the banks to be sentenced for:
- not having appropriately informed customers of the risks of an exposure in a foreign currency such as the Swiss franc;
- not having clearly set out in the contracts the rules for determining the interest rate, which the bank could unilaterally change.

On 4 July 2013, in the first instance, the Commercial Court of Zagreb had substantially accepted the requests of the consumers association, ordering the banks to transform their receivables into Kuna at the exchange rate at the disbursement date and to a fixed interest rate equal to the interest rate applicable to loan contracts on the date of their subscription.
The execution of the first instance ruling had been suspended pending the judgment on the appeal.
On 16 July 2014, the High Commercial Court of the Republic of Croatia rendered its second instance ruling. The resulting situation appears more favourable than the first instance ruling. In particular:
- the part of the first instance ruling which established that the banks were to denominate in HRK the principal originally lent to the borrowers of loans granted in Swiss francs, was overturned.
- the first instance ruling was also overturned in the part in the part referring to the loans granted in Swiss francs to be converted, establishing that the banks were to apply a fixed interest rate equal to that applicable to the loan agreement when granted.
- on the other hand, the court upheld the unlawful nature of the unilateral changes to interest rates on the loans by the banks. In 2013 PBZ provisioned adequate amounts which, according to the appeal ruling, may be regarded as extremely prudential.

In relation to the foregoing, it is necessary to consider that, in order to secure recognition of their right to reimbursement of the unduly paid sums, individual customers will be required to take action against their banks separately. This should be a benefit for PBZ, since it has adopted policies focusing on customer relations, for example by offering the possibility to convert principal from CHF into HRK given the strong appreciation of the Swiss currency in recent years. Moreover, PBZ discontinued the offering of loans in CHF in 2008.

The banks appealed to the Croatian Supreme Court, in order to obtain the review of the part of the appeal ruling in which they are found liable. The appeal to the Supreme Court does not provide a stay of the enforcement of the appeal ruling.
From August 2014 to 31 December 2014, PBZ received 1,458 reimbursement applications, of which only 12 have resulted in litigation before the competent authorities to date.
The risks relating to the ruling, concerning the unilateral changes in interest rates, are covered by suitable provisions.

Labour litigation
There were no significant cases of labour litigation from either a qualitative or quantitative standpoint as at 31 December 2014. In general, all labour litigation is covered by specific provisions adequate to meet any outlays.

TAX LITIGATION

Overall tax litigation risks of the Group are covered by adequate provisions to allowances for risks and charges.
The Parent Company is a party to 306 litigation proceedings, in which a total of 952 million euro is at issue, including proceedings in both administrative and judicial venues at various instances. The actual risks associated with these proceedings were quantified at 75 million euro at 31 December 2014.
The Group's other Italian companies within the scope of consolidation are parties to tax litigation proceedings in which a total of 370 million euro is at stake at that date, reflected by specific allowances of 29 million euro.
Pending international charges, totalling 9 million euro, are not material in amount when compared to the size of the business conducted by the Group. Specific provisions of adequate amount have been recognised to account for the risks associated with such charges.

In general, the checks conducted by the financial authorities in 2014 featured the mere reiteration of issues concerning interpretations which had arisen in previous years and have not been unequivocally defined.

With regard to Intesa Sanpaolo, it is important to note the issue of the assessment report for 2009 of the charges concerning a series of transactions implemented for the purpose of capital strengthening by issuing preference shares through international subsidiaries (in the form of LLCs) resident in Delaware (USA). The claim is based on the assumption that the subordinated deposits in place between the international subsidiaries and the Parent Company can be reclassified as loans, subject to 12.50% final withholding tax pursuant to the last paragraph of art. 26 of Italian Presidential Decree no. 600/1973. The claim related to said year, totalling 38 million euro in withholding taxes, penalties and interest, was, obviously, appealed before the court.
Moreover, the dispute for the year 2008, amounting to 74 million euro, is pending in the first instance. Conversely, the dispute relating to the year 2007, which amounted to 63 million euro, had a negative outcome in the first instance, in line with the adverse approach taken on the specific matter in the proceedings on the merits relating to equivalent charges against other banks. In spite of the approach of case law, due to the absolute debatable tax authority's argument, no provisions were made.

With regard to other Group companies, assessment notices were issued by the Agenzia delle Entrate against Intesa Sanpaolo Group Service Scpa as a result of the audit of the year 2009, containing a claim for IRES tax, IRAP tax and VAT, penalties and interests totalling 25 million euro. This claim is based on (i) the alleged breach of the accruals principle in relation to the division over time of costs relating to contributions to said Investee by the Parent Company in 2009, (ii) the rejection of the pertinence of the amortisation charge for the period prior to the contribution of the assets included in the business units contributed, (iii) the applicability of VAT to the recoveries relating to said costs, assuming that the exemptions for consortia do not apply to these and, rather, the ordinary tax regime applies with a rate of 20%. In relation to the expected outcome of the disputes initiated based on said position, the pre-existing precautionary allocation of 7 million euro was increased by 1 million euro, mainly due to the update of the interest caption.

In terms of the main outcomes of proceedings during the reporting period, the following is worth mentioning:

- for the Parent Company, the positive judgement in all proceedings on the merits, in the first and second instance, in relation to the reclassifications by Agenzia delle Entrate of contributions of business lines and the subsequent sale of shares deriving from contributions as a step transaction, equivalent to the transfer of a business line; Moreover, with regard to the contributions of bank branches to CariParma and FriulAdria in 2007, the State Attorney's Office submitted an appeal to the Court of Cassation on behalf of the Agenzia delle Entrate;
- for the merged company Centro Leasing Banca, the favourable ruling of the Court of Cassation, though with a structure that implies the confirmation of the second instance ruling, regarding the issue of real estate lease-back transactions performed by the Company, which, in the tax audit of the years 2003 to 2007 were claimed to be a misuse of a right, concluded with the forecast of a total claim of 56 million euro for additional IRES tax, IRAP tax and VAT, in addition to penalties and interest. The tax claims under said ruling concerning the years 2004 and 2005 amounted to 16 million euro.

Using dispute settlement mechanisms, at the end of December 2014 Banca IMI settled the dispute concerning "misuse of a right" involving the sales of futures on listed Italian shares carried out as part of market maker operations in 2009, which the financial authorities reclassified as repurchase agreements based on their affirmed circular nature. Also in relation to this position, as previously done, the decision to settle that litigation was taken, though fully convinced of the groundlessness of the claim, in consideration of the inappropriateness of nurturing litigations that are time-consuming and costly, with a sharp degree of randomness in the specific matter. In the case in point, the tax claim, amounting to 157 million euro (for taxes, withholding taxes and penalties) was settled with a payment of 4 million euro.

After the close of the year, on 10 February 2015 the Tax Police squad in Milan served Eurizon Capital S.A. – Luxembourg with a report on findings which, in relation to the tax years 2004 to 2013, claimed the failure to declare, for IRES purposes, income totalling approximately 731 million euro, based on the company's alleged tax residence in Italy due to the alleged presence in the country of the administrative headquarters and its main purpose. In particular, the auditors formulated said claim based on the documentation acquired during an audit which is still underway of Eurizon Capital SGR. In this regard, the claim is deemed to be absolutely unfounded. This consideration is due to the correctness of the conduct of the subsidiary - which has operated in Luxembourg since 1988 with a structure comprising over 50 highly qualified employees mainly dedicated to the management, marketing and administration of Luxembourg mutual funds and subject to supervision by the Luxembourg regulatory authorities – always focused on full compliance with national tax laws and the double taxation treaty between Italy and Luxembourg.

Out of the total cases of tax litigation pending as at 31 December 2014, at Group level 236 million euro is posted to the balance sheet among assets, 200 million euro of which refers to the Parent Company, representing the total amount paid by way of provisional tax collection where assessments are conducted.

For said cases of litigation, provisions for risks and charges amount to 49 million euro at Group level, of which 35 million euro for the Parent Company.

In this regard, it is important to note that the provisional payments were made in compliance with specific legal provisions, which mandate such payments based on an automatic mechanism completely unrelated to whether the related tax claims are actually founded and, thus, irrespective of the higher or lower level of risk of a negative outcome in the related proceedings. Thus, these payments were made solely based on the administrative deeds that set forth the related tax claim, which does not lose its effectiveness even when appealed, has no suspensive effect and does not ad d to the assessments of the actual risk of a negative outcome, which must be measured using the criteria set forth in IAS 37 for liabilities.

Potential assets

As far as potential assets are concerned, it is noted that judgment of the Court of Appeal of Rome on 7 March 2013, which has become final, ordered the revocation, due to judicial misconduct, of the judgment issued by said Court of Appeal of Rome on 26 November 1990, which had ordered IMI to pay the heir of entrepreneur Nino Rovelli (who passed away in the meantime) the amount of around 980 billion lira (amount paid to the heir on 13 January 1994: 678 billion lira, net of inheritance taxes and withholding on default interest settled at the time of the judgment).

As a result of the revocation of the judgment, Intesa Sanpaolo - assignee of the rights of Mr. Rovelli's heir - submitted an application for refund from the financial authorities of the taxes paid at the time for various reasons following the first judgment, which was cancelled as a result of the revocation. Based on the applicable accounting standards, as there is a reasonable certainty that said assets may be realised at least partially, the 2013 financial statements posted assets totalling 128.1 million euro. On 8 August 2014 the financial authorities settled the entire amount of inheritance tax paid at the time by the heir, amounting to approximately 111 million euro.

As regards the other two taxes, i.e. registration tax applied to the revoked judgment and the tax withholdings applied to the interest on the late payment due by IMI to the heir, all amounting to approximately 43 million euro, the measures of the administration are currently pending as a result of the process initiated by way of the applications for refund.

SECTION 2 – RISKS OF INSURANCE COMPANIES

2.1 INSURANCE RISKS

QUALITATIVE AND QUANTITATIVE INFORMATION

Life business

The typical risks of the life insurance portfolio (managed by Intesa Sanpaolo Vita, Intesa Sanpaolo Life and Fideuram Vita) may be divided into three main categories: premium risks, actuarial and demographic risks and reserve risks.
Premium risks are managed initially during definition of the technical features and product pricing, and over the life of the instrument by means of periodic checks on sustainability and profitability (both at product level and at portfolio level, including liabilities). During the definition of a product, profit testing is used, aimed at measuring profitability and identifying any weaknesses beforehand, by means of specific sensitivity analyses. The issue process for a product involves its prior presentation to the Product Committee in order to take account of and validate its structure and features.
Actuarial and demographic risks arise when an unfavourable trend is recorded in the actual loss ratio compared with the trend estimated when the rate was calculated, and these risks are reflected in the level of "reserves". The loss ratio refers not only to actuarial loss, but also to financial loss (guaranteed interest rate risk). The Company guards against these risks by means of systematic statistical analysis of the evolution of liabilities in its own contract portfolio, divided by risk type, and through simulations of expected profitability of the assets hedging technical reserves.
Reserve risk is guarded against through the exact calculation of mathematical reserves, with a series of detailed checks (for example, checking that all the variables required for the calculation such as yields, quotations, technical foundations, parameters for the supplementary reserves, and recalculation of the value of single contracts are correctly saved in the system) as well as overall verifications, by comparing results with the estimates produced on a monthly basis. Specific attention is paid to checking the correct assumption of contracts, by checking the relative portfolio against the reconstruction of movements during the period, divided by purpose, and checking the consistency of the amounts settled compared with the movements of reserves.

The tables below show the structure of the mathematical reserves by expiry date, excluding reserves for amounts to be paid and before intercompany netting, and the structure of the guaranteed minimum yield as at 31 December 2014.

(millions of euro)

Breakdown of mathematical reserves of life branch: maturity	Mathematical reserve	%
up to 1 year	2,391	3.27
1 to 5 years	3,441	4.70
6 to 10 years	3,554	4.86
11 to 20 years	1,531	2.09
over 20 years	62,226	85.08
TOTAL	**73,143**	**100.00**

(millions of euro)

Breakdown of risk concentration by type of guarantee	Total Reserves	%
Insurance and investment products with guaranteed annual yield		
0% - 1%	25,521	32.18
from 1% to 3%	37,990	47.90
from 3% to 5%	4,645	5.86
Insurance products	**4,987**	**6.29**
Shadow reserve	**6,160**	**7.77**
TOTAL	**79,303**	**100.00**

The mathematical reserves are calculated on almost the entire portfolio, on a contract-by-contract basis, and the methodology used to determine the reserves takes account of all the future commitments of the company.

The following table shows a breakdown by maturity of financial liabilities, before intercompany netting, represented by assets covering commitments arising under unit- and index-linked policies and subordinated liabilities.

(millions of euro)

Breakdown of financial liabilities by maturity	**Within 12 months**	**Over 12 months**	**Total as at 31.12.2014**	**Total as at 31.12.2013**
Unit linked	433	36,874	37,307	29,748
Index linked	154	295	449	1,099
Subordinated liabilities	-	1,423	1,423	703
Total	**587**	**38,592**	**39,179**	**31,550**

Non-life business

The typical risks of the non-life insurance portfolio (managed through Intesa Sanpaolo Assicura and Intesa Sanpaolo Vita) mainly relate to premium and reserve risks.
Premium risks are managed initially during definition of the technical features and product pricing, and over the life of the instrument by means of periodic checks on sustainability and profitability (both at product level and at portfolio level, including liabilities).
Reserve risk is guarded against through the exact calculation of technical reserves. More specifically, for companies with non-life business the technical reserves may be broken down into: premium reserves, claims reserves, profit sharing and reversal reserves, other technical reserves and the equalisation reserve.
With regard to risk assumption, policies are checked when acquired through an automatic system aimed at detecting the underwriting parameters associated with the applicable tariff. The check is thus not only formal, but also substantive, and in particular allows the identification of exposures in terms of capital and limits of liability, in order to verify that the portfolio matches the technical and tariff scheme agreed upon with the sales network.
Subsequently, statistical checks are carried out to verify potentially anomalous situations (such as concentration by area or by type of risk) and to keep under control accumulation at the level of individual persons (with particular reference to policies that provide cover in the accident and health branches). This is also carried out in order to provide the Reinsurance department with suitable indications of the portfolio characteristics in order to prepare the annual reinsurance plan.

The following table presents the development of claims by year of generation, broken down into the major business lines of operation, as at 31 December 2014.

(millions of euro)

Development of Claims Reserves	**YEAR OF GENERATION/EVENT**					**TOTAL**
	2010	**2011**	**2012**	**2013**	**2014**	
Reserve amount:						
as at 31/12 generation year N	66	69	92	116	125	
as at 31/12 year N+1	60	78	92	111		
as at 31/12 year N+2	54	74	89			
as at 31/12 year N+3	52	70				
as at 31/12 year N+4	51					
Total claims paid	**47**	**58**	**66**	**68**	**37**	**276**
Claims reserve booked as at 31.12.2014	**4**	**12**	**23**	**43**	**88**	**170**
Final claims reserve for previous years						**5**
Total claims reserve booked as at 31.12.2014						**175**

2.2 FINANCIAL RISKS

Financial Risks

These risks derive from the level or volatility of market prices of financial instruments that impact the book value of both assets and liabilities. The risk factors identified by the company are as follows:

- Interest rate risk: impacts assets and liabilities whose value is sensitive to changes in the forward structure of interest rates or the volatility of interest rates;
- Equity price risk: derives from the level or volatility of market prices of equities and impacts assets and liabilities whose value is sensitive to changes in equity prices;
- Property risk: derives from the level or volatility of market prices of real estate property and impacts assets and liabilities sensitive to said changes;
- Foreign exchange risk: derives from changes in the level or volatility of foreign exchange rates;
- Spread risk: impacts assets and liabilities whose value is sensitive to adverse changes in credit spreads;
- Concentration risk: reflects the risk of holding high percentages of financial assets of the same counterparty.

Investment portfolios

As at 31 December 2014, the investment portfolios of Group companies, recorded at book value, amounted to 120,300 million euro. Of these, the part regarding traditional revaluable life policies, the financial risk of which is shared with the policyholders by virtue of the mechanism whereby the returns on assets subject to segregated management are determined, non-life policies and free capital amounted to 77,302 million euro. The other component, whose risk is borne solely by the policyholders, mainly consists of investments related to Index-Linked policies, Unit-Linked policies and pension funds and amounted to 42,998

million euro.
Considering the various types of risks, the analysis of investment portfolios, described below, concentrates on the financial assets used to cover traditional revaluable life policies, non-life policies and free capital.

Financial assets under segregated funds and free capital

In terms of breakdown by asset class, net of loans on policies and positions in derivative financial instruments (-373 million euro at book value) detailed below, approximately 92% of the assets (71,188 million euro) consisted of bonds, whereas assets subject to equity price risk represented approximately 1% of the total and amounted to 1,027 million euro. The remaining 5,460 million euro (approximately 7%) consisted of investments relating to UCI, private equity and hedge funds.
Investments relating to the free capital of Intesa Sanpaolo Vita and Fideuram Vita amounted to 2,415 million euro (market values, net of current account balances) and had a risk level in terms of Value at Risk (99% confidence level, 10-day holding period) of approximately 72 million euro.

Interest rate risk exposure

The breakdown by maturity of bonds showed 11% short-term (under 1 year), 26% medium-term and 54% long-term (over five years).

(millions of euro)

Financial assets	Book value	%	Duration
Fixed-rate bonds	**65,237**	**83.99**	**5.64**
up to 1 year	8,721	11.23	
1 to 5 years	16,543	21.30	
over 5 years	39,973	51.46	
Floating rate/indexed bonds	**5,951**	**7.66**	**2.57**
up to 1 year	79	0.10	
1 to 5 years	3,842	4.95	
over 5 years	2,030	2.61	
TOTAL	**71,188**	**91.65**	**-**
Equities or similar capital securities	**1,027**	**1.32**	
UCI, Private Equity, Hedge Fund	**5,460**	**7.03**	
TOTAL AS AT 31.12.2014	**77,675**	**100.00**	

The modified duration of the bond portfolio, or the synthetic financial term of assets, is 5.4 years. The reserves relating to the life policies with profit participation under segregated funds have an average modified duration of 5.7 years. The related portfolios of assets have a modified duration of around 4.9 years.
The sensitivity of the fair value of the portfolio of financial assets to interest rate movements is summarised in the table below which highlights both exposure of the securities portfolio and the effect of positions represented by hedging derivatives which reduce its sensitivity.

(millions of euro)

	Book value	%	Fair value changes due to interest rate fluctuations	
			+100 bps	-100 bps
Fixed-rate bonds	65,236	91.64	-6,685	4,632
Floating rate/indexed bonds	5,952	8.36	-290	91
Interest rate risk hedging effect	-	-	-	-
TOTAL	**71,188**	**100.00**	**-6,975**	**4,723**

Credit risk exposure

The table below sets forth the distribution of the bond portfolio by rating class: AAA/AA bonds represented approximately 5% of total investments and A bonds approximately 4%. Low investment grade securities (BBB) were approximately 81% of the total, while the portion of speculative grade or unrated was minimal (2%).
With regard to exposure to BBB rated securities, approximately 53 billion euro was related to bonds issued by the Republic of Italy.

(millions of euro)

Breakdown of financial assets by issuer rating	Book value	%
Bonds	**71,189**	**91.65**
AAA	2,528	3.26
AA	1,031	1.33
A	2,839	3.65
BBB	63,001	81.11
Speculative grade	1,549	1.99
Unrated	241	0.31
Equities or similar capital securities	**1,026**	**1.32**
UCI, Private Equity, Hedge Fund	**5,460**	**7.03**
TOTAL	**77,675**	**100.00**

The analysis of the exposure in terms of the issuers/counterparties produced the following results: securities issued by governments, central banks and other public entities made up approximately 74% of the total investments, whereas the securities of corporate issuers contributed around 17%.
The sensitivity values of the fair value of the bonds with respect to a variation in the creditworthiness of the issuers, namely a market credit spread shock of ±100 basis points, as at end of 2014, are shown in the table below.

(millions of euro)

	Book value	%	Fair value changes due to credit spread fluctuations	
			+100 bps	-100 bps
Government bonds	57,628	80.95	-6,072	6,610
Corporate bonds	13,560	19.05	-1,125	1,167
TOTAL	**71,188**	**100.00**	**-7,197**	**7,777**

Equity risk exposure

The sensitivity of the equity portfolio to a hypothetical deterioration in equity prices of 10% amounts to approximately 102 million euro, as shown in the table below.

(millions of euro)

	Book value	%	Fair value changes due to stock price fluctuations
			-10%
Equities - Financial institutions	262	25.54	-26
Equities - Non-financial companies and other counterparties	764	74.46	-76
TOTAL	**1,026**	**100.00**	**-102**

Exchange risk exposure

The investment portfolio is not appreciably exposed to foreign exchange risk: approximately 98% of investments are made up of assets denominated in euro. The remaining part hedges the reserves of the insurance policies which lead to payments in foreign currency.

Financial derivative instruments

Financial derivative instruments are used to hedge the financial risks of the investment portfolio or for effective management.
Liquidity risk associated with positions in financial derivative instruments is primarily attributable to plain-vanilla derivatives (chiefly interest rate swaps, constant-maturity swaps and credit default swaps) traded on OTC markets with significant liquidity characteristics and sizes. These instruments are thus also liquid and easily liquidated both with the counterparty with which they were traded and with other market operators.
The table below shows the book values of the financial derivative instruments as at 31 December 2014.

(millions of euro)

Type of underlying	INTEREST RATES		EQUITIES, EQUITY INDICES, COMMODITIES, EXCHANGE RATES		TOTAL	
	Quoted	Unquoted	Quoted	Unquoted	Quoted	Unquoted
Hedging derivatives	-	-49	-	-	-	-49
Effective management derivatives	-	-278	-	-46	-	-324
TOTAL	**-**	**-327**	**-**	**-46**	**-**	**-373**

The capital losses shown for the hedging derivatives are offset, due to the nature of the instruments, by the capital gains on the positions hedged. For the purpose of reducing investment risk, the instruments shown under effective management derivatives are also netted with the appreciation of the associated assets.

SECTION 3 – RISKS OF OTHER COMPANIES

QUALITATIVE INFORMATION

The risks of other companies are essentially concentrated in the companies Romulus Funding Corporation and Duomo Funding Plc., subsidiaries included on the scope of consolidation pursuant to IFRS 10. These are asset-backed commercial paper conduits, originally established to support Intesa Sanpaolo's strategy of offering customers an alternative financing channel via access to the international commercial paper market. The assets originated by customers are concentrated in Duomo, leaving Romulus activity of fund-raising on the U.S. market. Nonetheless, due to the subsequent downgrading of Intesa Sanpaolo at the end of 2014, US investors gradually divested without the vehicle being able to find new third party investors with which to place the commercial papers. As at 31 December 2014, around 2.2 billion euro of the around 2.4 billion euro in securities issued by Romulus had been subscribed by the Parent Company Intesa Sanpaolo.
The risks associated with these entities, and more specifically, the potential interest rate and exchange rate risks arising from the operations of the two companies, must be covered in accordance with the Intesa Sanpaolo Group policy for the management of these risks.
As already indicated for Banking Group risks, risk management performs dynamic hedging on the OTC derivatives market to manage both volatility and interest rate risk, as well as listed derivatives to optimise interest rate strategies.
Companies are not generally permitted to take foreign-exchange positions.

QUANTITATIVE INFORMATION

As at 31 December 2014, the investment portfolio of vehicle Romulus included 2,361 million euro in loans to the vehicle Duomo. These are in addition to 2 million euro in positive fair value of hedging derivatives and 1 million euro in cash and other assets.
Against those assets, the vehicle issued asset-backed commercial paper (ABCP) with a nominal value of 2.4 billion euro, which, as mentioned above, were almost fully acquired by the Parent Company.
The table below shows the information and figures for the above two vehicles as at 31 December 2014.

(millions of euro)

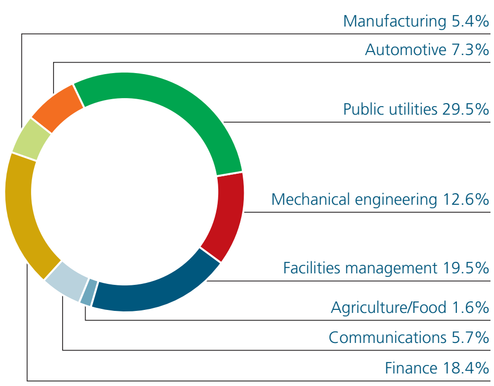
		Vehicle data		Liquidity lines		Guarantees given		Securities issued	of which: held by the Group		
		Total assets	Cumulated losses	loan facilities	use	nature	amount	amount	amount	IAS classification	Valuation
ROMULUS FUNDING CORP.	Asset-backed commercial paper conduit	2,364 (1)		-	-		-	2,364	2,225	Loans	Amortised cost
DUOMO FUNDING CORP.	Asset-backed commercial paper conduit	2,375	-	2,416 (2)	-		-	-			

(1) Entirely made up of loans disbursed to Duomo for transactions booked in the financial statements of the vehicle.
(2) of which 1.564 million euro referring to credit lines granted to cover loans which did not meet the criteria for derecognition pursuant to IAS 39.

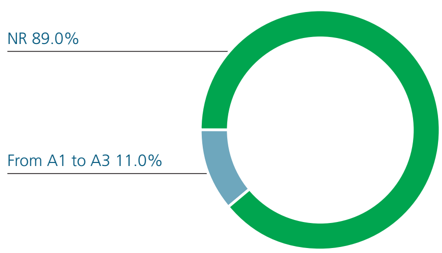
At the end of 2014 the portfolio of the vehicle Duomo consisted – in addition to loans to banks of the Group of 1,571 million euro - also loans to customers of 767 million euro, fully comprised of structured credit products subscribed in the context of normal customer lending activity, the collateral for which had not shown any sign of impairment as at 31 December 2014. In portfolio, the vehicle also holds quotas of a mutual fund originated by an Intesa Sanpaolo Group company with a value of 36 million euro as at 31 December 2014.
The total assets of the conduits Romulus and Duomo, net of dealings between the two vehicles, made up 0.37% of the total consolidated assets.

The portfolio of the two vehicles is approximately 75% accounted for by commercial loans and the remainder by consumer loans (10%), by inventory-backed loans (8%), by loans deriving from lease contracts (4%) and by loans/lease contracts to pharmaceutical companies (3%). Almost all of the eligible assets held by the vehicles are expressed in euro (98.6% of the total portfolio). The remainder is denominated in US dollars.
The following information is provided concerning the portfolio of eligible assets.

Breakdown by economic sector



Breakdown of assets by rating



The unrated share of eligible assets is structured in such a way as to obtain an implicit A/AA rating.
With reference to the geographical distribution of the assets held by the two vehicles, please note that approximately 87% of the debtors are located in Italy.
Please note that the uses in relation to the eligible assets in the portfolios of the Romulus and Duomo vehicles were of sufficient credit quality for the commercial papers issued by Romulus to maintain the A-3/P-2 ratings.

Part F – Information on consolidated capital

SECTION 1 – CONSOLIDATED CAPITAL

A. Qualitative information

The control of the capital adequacy both at consolidated level and at single entities level is ensured by the activity of capital management which defines the size and optimum combination of the different capital instruments in accordance with regulatory constraints and consistently with the risk exposure taken on by the Group.
The Intesa Sanpaolo Group assigns a primary role to the management and allocation of capital resources, considering this to be an instrument for strategic leverage, as well as a way to ensure consistency of the operating plans of the business units.
Once the Group's strategic profitability, capital soundness and liquidity objectives have been defined, capital and financial resources are allocated to business units through a process that evaluates their growth potential, capacity to generate value and financial autonomy.
The capital at risk considered is twofold:

– regulatory capital covering Pillar 1 risks;
– overall internal capital covering Pillar 2 risks, for ICAAP purposes.

Regulatory capital and overall internal capital differ from each other by definition and by their coverage of risk categories. The first arises from formats defined in supervisory provisions, the second from operational measurements.
Hence, capital management activity comprises the management of current and prospective capital adequacy through careful control of both regulatory Pillar 1 constraints (in compliance with Basel 3 rules, effective from 1 January 2014) and operational Pillar 2 constraints. Projections are also produced under stress conditions in order to ensure that the available resources are adequate to cover all risks, even in adverse conditions.
As part of the process of defining budget targets, a compatibility analysis is conducted annually at Group level and at the level of individual entities of the Group. Depending on the expected performance of balance sheet and income statement aggregates, the appropriate capital management measures to ensure the required financial resources for the individual business units are already identified in this phase, if necessary.
Compliance with the target levels of capitalisation is monitored on a quarterly basis, taking appropriate action when necessary.
Compliance with capital adequacy is sought via various levers, such as the dividend distribution policy, the definition of strategic finance operations (capital increases, issue of convertible loans and subordinated bonds, disposal of non-core assets, etc.) and the management of investments, particularly loans, on the basis of counterparty risk.
Further analyses for preliminary assessment of capital adequacy are performed during extraordinary operations (mergers, acquisitions, disposals, etc.) whether internal to the Group or changing the scope of consolidation of the Group.
Furthermore, since 2013, the Group has carried out a Recovery Plan process in line with the regulatory recommendations and international practises. The preparation of the restructuring and resolution plans is an integral part of the regulatory response agreed with the G20 heads of State to the problem of the cross-border resolution of the "too-big-to-fail" banks and financial institutions, brought to light after the Lehman Brothers default and the consequences on the financial system at a global level.
The Recovery Plan is defined in continuity with the Group's RAF and with the contingency policies and the Bank's governance rules.

The minimum capital requirements requested to the Intesa Sanpaolo Group from 1 January 2014 equal 7% of the Common Equity Tier 1, including the capital retention reserve equal to 2.5%, 8% of Tier 1 and 10.5% of Tier Total.
On 25 February 2015 the Group received the ECB's final decision regarding the minimum total capital requirements to be met at consolidated level (9% Common Equity Tier 1 ratio and 11.5% Total Capital Ratio).

B. Quantitative information

B.1. Consolidated shareholders' equity: breakdown by type of company

(millions of euro)

	Banking group	Insurance companies	Other companies	Netting and adjustments on consolidation	TOTAL	*of which: minority interests*
Share capital	**8,998**	**-**	**181**	**-181**	**8,998**	***273***
Ordinary shares	8,510	-	181	-181	8,510	*270*
Savings shares	488	-	-	-	488	*3*
Share premium reserve	**27,369**	**-**	**-**	**-**	**27,369**	***20***
Reserves	**9,093**	**-809**	**-339**	**1,148**	**9,093**	***39***
Legal reserve	1,710	-	-	-	1,710	-
Extraordinary reserve	774	-	-	-	774	-
Concentration reserve (as per Art. 7, par. 3 of Law 218 of 30/7/1990)	232	-	-	-	232	-
Concentration reserve (as per Art. 7 of Law 218 of 30/7/1990)	302	-	-	-	302	-
Consolidation reserve	5,542	-809	-339	1,148	5,542	*39*
Other reserves	533	-	-	-	533	-
Equity instruments	**-**	**-**	**-**	**-**	**-**	**-**
(Treasury shares)	**-66**	**-11**	**-**	**-**	**-77**	***-3***
Valuation reserves:	**-1,631**	**618**	**12**	**-630**	**-1,631**	***-9***
Financial assets available for sale	216	618	-	-	834	*5*
Property and equipment	-	-	-	-	-	-
Intangible assets	-	-	-	-	-	-
Hedges of foreign investments	-	-	-	-	-	-
Cash flow hedges	-1,365	-	-	-	-1,365	*-1*
Foreign exchange differences	-760	-	12	-12	-760	*-9*
Non current assets held for sale	-	-	-	-	-	-
Actuarial gains (losses) on defined benefit plans	-780	-	-	-	-780	*-5*
Share of valuation reserves connected with investments carried at equity	708	-	-	-618	90	*1*
Legally-required revaluations	350	-	-	-	350	-
Parent Company's net income (loss) and minority interest	**1,310**	**498**	**-31**	**-467**	**1,310**	***59***
Shareholders' equity	**45,073**	**296**	**-177**	**-130**	**45,062**	***379***

The table above indicates the components of net book value, adding those of the Group to those of third parties, broken down by the type of consolidated company. In further detail, the column of the Banking group indicates the amount resulting from the consolidation of the companies belonging to such group, gross of the effects on the income statement of transactions with other companies within the scope of consolidation. Subsidiaries other than those belonging to the Banking group and consolidated on a line-by-line basis are stated here at equity. The columns Insurance companies and Other companies contain the amounts resulting from consolidation, gross of the effects on the income statement of transactions with companies belonging to the Banking group. The columns Netting and adjustments on consolidation show the adjustments required to obtain the figure represented in the financial statements.

B.2. Valuation reserves of financial assets available for sale: breakdown

(millions of euro)

	Banking group		Insurance companies		Other companies		Netting and adjustments on consolidation		TOTAL 31.12.2014	
	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Debt securities	831	-358	566	-3	-	-	-566	3	831	-358
2. Equities	346	-27	46	-1	-	-	-46	1	346	-27
3. Quotas of UCI	77	-23	16	-6	-	-	-16	6	77	-23
4. Loans	14	-14	-	-	-	-	-	-	14	-14
Total as at 31.12.2014	**1,268**	**-422**	**628**	**-10**	**-**	**-**	**-628**	**10**	**1,268**	**-422**
Total as at 31.12.2013	**913**	**-542**	**341**	**-22**	**-**	**-**	**-341**	**22**	**913**	**-542**

Approximately 9% of the positive reserve on equities is attributable to quoted securities classified as level 1, while the remaining 91% is attributable to securities classified as level 2 and 3.

B.3. Valuation reserves of financial assets available for sale: annual changes

(millions of euro)

	Debt securities	Equities	Quotas of UCI	Loans
1. Initial amount	**67**	**280**	**26**	**-2**
2. Positive fair value differences	**922**	**270**	**76**	**3**
2.1 Fair value increases	845	241	66	-
2.2 Reversal to the income statement of negative reserves	50	25	6	3
- impairment	*2*	*25*	*1*	*3*
- disposal	*48*	-	*5*	-
2.3 Other changes	27	4	4	-
3. Negative fair value differences	**-516**	**-231**	**-48**	**-1**
3.1 Fair value decreases	-220	-181	-27	-1
3.2 Impairment losses	-	-	-	-
3.3 Reversal to the income statement of positive reserves: disposal	*-252*	*-20*	*-18*	-
3.4 Other changes	-44	-30	-3	-
4. Closing amount	**473**	**319**	**54**	**-**

Trading on treasury shares

During the year, Intesa Sanpaolo and Group companies – on the basis of specific Shareholders' Meeting authorisations – carried out the following transactions on treasury shares:

Ordinary shares:

Initial number	no.	26,978,368
Purchased	no.	64,568,072
Sold	no.	-66,403,892
End-of-year number	no.	25,142,548

Non-convertible savings shares:

Initial number	no.	179,000
Purchased	no.	0
Sold	no.	-179,000
End-of-year number	no.	0

B.4. Valuation reserves relating to the defined benefit plans: annual changes

During the year the reserves in question recorded a negative change of 404 million euro (299 million euro of which referring to pension funds and 105 million euro to employee termination indemnities). As at 31 December 2014 there is an overall negative reserve equal to 780 million euro for defined benefit plans.

SECTION 2 – OWN FUNDS AND CAPITAL RATIOS FOR BANKS

2.1. Scope of application of regulations

The "Banking Group" differs from the scope of consolidation for the purposes of the financial statements prepared in accordance with the IAS/IFRS. The differences essentially relate to:
- the line-by-line consolidation in the IAS/IFRS financial statements of non-banking, financial and instrumental companies (primarily the insurance segment) not included in the "Banking group";
- the proportional consolidation in the "Banking Group" of the jointly controlled entities conducting banking, financial and instrumental business that are consolidated at equity in the financial statements.

Own funds and capital ratios were calculated on the basis of the provisions in force (Circulars 285 and 286, both issued during 2013, and the update to Circular 154 of 22 November 1991) issued by the Bank of Italy following the implementation of Directive 2013/36/EU (CRD IV) and Regulation (EU) 575/2013 (CRR) of 26 June 2013, which transpose the banking supervision standards defined by the Basel Committee (the Basel 3 Framework) to European Union laws.

2.2. Own funds of banks

A. Qualitative information

The new regulatory framework requires that Own Funds (or regulatory capital) are made up of the following tiers of capital:
- Tier 1 capital, in turn composed of:
  - Common Equity Tier 1 Capital (CET1);
  - Additional Tier 1 Capital (AT1);
- Tier 2 capital (T2)

Tier 1's predominant element is Common Equity, mainly composed of equity instruments (e.g. ordinary shares net of treasury shares), share premium reserves, profit reserves, valuation reserves, eligible minority interests, plus deducted elements.
In order to be eligible for Common Equity, the equity instruments issued must guarantee absorption of losses on going concern, by satisfying the following characteristics:
- maximum level of subordination;
- option for suspending the payment of dividends/coupons at the full discretion of the issuer and in a non-cumulative manner;
- unredeemability;
- absence of redemption incentives.

At present, with reference to the Intesa Sanpaolo Group, no equity instrument other than ordinary shares is eligible for inclusion in Common Equity.

A number of prudential filters are also envisaged with effects on Common Equity:
- filter on profits associated with future margins deriving from securitisations;
- filter on cash flow hedge (CFH) reserves;
- filter on profits or losses on liabilities valued at fair value (derivatives or otherwise) associated with changes in own credit rating;
- adjustments to fair value assets associated with the "prudent valuation".

The regulations also envisage a series of elements to be deducted from Common Equity Tier 1:
- goodwill and intangible assets;
- deferred tax assets (DTA) that rely on future profitability and do not arise from temporary differences (e.g. DTA on tax losses carried forward);
- expected losses exceeding total credit risk adjustments (the shortfall reserve) for positions weighted according to IRB approaches;
- net assets deriving from defined benefit plans;
- exposures for which it is decided to opt for deduction rather than a 1.250% weighting among RWA;
- CET1 instruments of financial sector entities where the institution does not have a significant investment (deducted for the amount exceeding the threshold envisaged in the regulations);
- deferred tax assets (DTA) that rely on future profitability and arise from temporary differences (deducted for the amount exceeding thresholds envisaged in the regulations);
- CET1 instruments of financial sector entities where the institution has a significant investment (deducted for the amount exceeding thresholds envisaged in the regulations).

In general, the AT1 category includes equity instruments other than ordinary shares, meetingthe regulatory requirements for inclusion in that level of own funds (e.g. savings shares).

Tier 2 capital is mainly composed of eligible subordinated liabilities and any excess of credit risk adjustments over and above expected losses (the excess reserve) for positions weighted according to IRB approaches.

Moreover, it has been envisaged that the new regulatory framework be introduced gradually over a transitional period, generally until 2017, during which several elements that, when the framework is in full effect, will be eligible for full inclusion in (or deduction from) Common Equity, will only have a partial percent effect on Common Equity Tier 1 Capital. Generally, the residual percentage, after the applicable portion, is included in/deducted from AT1 or T2, or is considered among risk-weighted assets.

Specific transitional provisions have also been established for subordinated instruments that do not meet the requirements envisaged in the new regulatory provisions, aimed at the gradual exclusion of instruments no longer regarded as eligible from own funds (over a period of eight years).
The main contractual characteristics of the financial instruments respectively included in Common Equity Tier 1 – CET 1, in the Additional Tier 1 – AT1 and in the Tier 2 –T2, are summarised below. A distinction is also made between the financial instruments that are subject to grandfathering and other financial instruments.

For a detailed analysis of the contractual characteristics such as, for example, the duration, remuneration, etc., please see the information in the document "Basel 3 Pillar 3".

1. Common Equity Tier 1 Capital (CET1)

The Common Equity Tier 1 only includes ordinary shares, for an amount equal to 35,589 million euro, including 27,349 million euro of share premium reserve.

2. Additional Tier 1 Capital (AT1)

The Additional Tier 1 includes savings shares listed for 485 million euro, in addition to the subordinated liabilities listed below.

Additional Tier 1 Capital (AT1) equity instruments eligible for grandfathering

Issuer	Interest rate	Step-up	Issue date	Expiry date	Early redemption as of	Currency	Subject to grandfathering	Original amount in currency	Contribution to regulatory capital (millions of euro)
Intesa Sanpaolo	up to 14/10/2019: 8.375% fixed rate; thereafter 3-month Euribor + 687 bps/year	YES	14-Oct-2009	perpetual	14-Oct-2019	Eur		1,500,000,000	593
Intesa Sanpaolo	up to 20/6/2018 (excluded): 8.047%; thereafter 3-month Euribor + 4.10%	YES	20-Jun-2008	perpetual	20-Jun-2018	Eur		1,250,000,000	464
Intesa Sanpaolo	9.5% fixed rate	NO	01-Oct-2010	perpetual	01-Jun-2016	Eur		1,000,000,000	383
Intesa Sanpaolo	up to 24/9/2018 (excluded): 8.698%; thereafter 3-month Euribor + 5.05%	YES	24-Sep-2008	perpetual	24-Sep-2018	Eur		250,000,000	200
Total Additional Tier 1 capital instruments									**1,640**

3. Tier 2 capital (T2).

Issuer	Interest rate	Step-up	Issue date	Expiry date	Early redemption as of	Currency	Subject to grandfathering	Original amount in currency	Contribution to regulatory capital (millions of euro)
Intesa Sanpaolo	up to 2/3/2015: 3.75% p.a.; thereafter: 3-month Euribor + 0.89% p.a.	YES	02-Mar-2005	02-Mar-2020	02-Mar-2015	Eur	YES	500,000,000	267
Intesa Sanpaolo	quarterly interests according to the formula (3-month Euribor + 1.6%)/4	NO	30-Sep-2010	30-Sep-2017	NO	Eur	YES	805,400,000	266
Intesa Sanpaolo	quarterly interests according to the formula (3-month Euribor + 2%)/4	NO	31-Mar-2011	31-Mar-2018	NO	Eur	YES	373,400,000	194
Intesa Sanpaolo	quarterly interests according to the formula (3-month Euribor + 1.60%)/4	NO	10-Nov-2010	10-Nov-2017	NO	Eur	YES	479,050,000	165
Intesa Sanpaolo (*)	8.375% fixed rate up to 14/10/2019; thereafter 3-month Euribor + 687 bps/p.a.	YES	14-Oct-2009	perpetuo	14-Oct-2019	Eur	YES	1,500,000,000	148
Intesa Sanpaolo (*)	up to 20/6/2018 excluded: 8.047%; thereafter 3-month Euribor + 4.10%	YES	20-Jun-2008	perpetuo	20-Jun-2018	Eur	YES	1,250,000,000	115
Intesa Sanpaolo (*)	9.5% fixed rate	NO	01-Oct-2010	perpetuo	01-Jun-2016	Eur	YES	1,000,000,000	84
Intesa Sanpaolo	quarterly interests according to the formula (3-month Euribor + 4%)/4	NO	24-Feb-2009	24-Feb-2016	NO	Eur	YES	635,350,000	58
Intesa Sanpaolo (*)	8.698% up to 24/9/2018 excluded; thereafter 3-month Euribor+5.05%	YES	24-Sep-2008	perpetuo	24-Sep-2018	Eur	YES	250,000,000	50
Intesa Sanpaolo	4% fixed rate	NO	30-Sep-2008	30-Sep-2015	NO	Eur	YES	1,096,979,000	33
Intesa Sanpaolo	6.25% fixed rate	NO	12-Nov-2008	12-Nov-2015	NO	Eur	YES	544,546,000	19
Intesa Sanpaolo	quarterly interests according to the formula (3-month Euribor + 4%)/4	NO	12-Mar-2009	12-Mar-2016	NO	Eur	YES	165,050,000	16
Intesa Sanpaolo	up to 18/3/2019 excluded: 5.625% p.a.; thereafter: 3-month Sterling Libor + 1.125 p.a.	YES	18-Mar-2004	18-Mar-2024	18-Mar-2019	Gbp	YES	165,000,000	15
Intesa Sanpaolo	5.87% fixed rate	NO	26-Nov-2008	26-Nov-2015	NO	Eur	YES	415,156,000	15
Intesa Sanpaolo	6.16% fixed rate	NO	29-Oct-2008	29-Oct-2015	NO	Eur	YES	382,401,000	12
Intesa Sanpaolo	0.048	NO	28-Mar-2008	28-Mar-2015	NO		YES	800,000,000	8
Total Tier 2 capital instruments subject to transition requirements									**1,465**
Intesa Sanpaolo	5.017% fixed rate	NO	26-Jun-2014	26-Jun-2024	NO	Usd	NO	2,000,000,000	1,647
Intesa Sanpaolo	up to 12/11/2012 6.375%; thereafter 3m GBP Libor + 135 bps	NO	13-Sep-2013	13-Sep-2023	NO	Eur	NO	1,445,656,000	1,407
Intesa Sanpaolo	5% fixed rate	NO	23-Sep-2009	23-Sep-2019	NO	Eur	NO	1,500,000,000	990
Intesa Sanpaolo	3.928% fixed rate	NO	15-Sep-2014	15-Sep-2026	NO	Eur	NO	1,000,000,000	912
Intesa Sanpaolo	5.15% fixed rate	NO	16-Jul-2010	16-Jul-2020	NO	Eur	NO	1,250,000,000	912
Intesa Sanpaolo	6.625% fixed rate	NO	08-May-2008	08-May-2018	NO	Eur	NO	1,250,000,000	562
Intesa Sanpaolo	5.75% fixed rate; from 28/05/2013 3-month Euribor +1.98%	YES	28-May-2008	28-May-2018	NO	Eur	NO	1,000,000,000	171
Intesa Sanpaolo	up to 20/2/2013 excluded: 3-month Euribor + 0.25% p.a.; thereafter: 3-month Euribor + 0.85% p.a.	YES	20-Feb-2006	20-Feb-2018	NO	Eur	NO	750,000,000	93
Intesa Sanpaolo	6.16 % fixed rate	NO	27-Jun-2008	27-Jun-2018	NO	Eur	NO	120,000,000	84
Intesa Sanpaolo	up to 26/6/2013 excluded: 4.375% p.a.; thereafter: 3-month Euribor + 1.00% p.a.	YES	26-Jun-2006	26-Jun-2018	NO	Eur	NO	500,000,000	76
Intesa Sanpaolo	3-month Euribor + 0.85%	NO	17-Jul-2007	17-Jul-2017	NO	Eur	NO	30,000,000	15
Intesa Sanpaolo	6.375% fixed rate ; from 12 Nov 2012 3-month gpb libor	YES	12-Oct-2007	12-Nov-2017	NO	Gbp	NO	250,000,000	3
Intesa Sanpaolo	6.11% fixed rate; as of 23 Feb 2005 97% of 30-year Euro Swap Mid rate	NO	23-Feb-2000	23-Feb-2015	NO	Eur	NO	65,000,000	2
Intesa Sanpaolo	92% of 30-year Euro Swap Mid rate; never less than that of previous coupon.	NO	12-Mar-2001	23-Feb-2015	NO	Eur	NO	50,000,000	2
Minor subordinated liabilities issued by other Group companies									9
Total Tier 2 capital instruments not subject to transition requirements									**6,885**

(*) Instrument subject to "Grandfathering" in Additional Tier 1 capital, portion subject to cap pursuant to Art. 486 of EU Regulation 575/2013 (CRR).

B. Quantitative information

(millions of euro)

	31.12.2014
A. Common Equity Tier 1 (CET1) before the application of prudential filters	**43,067**
of which CET1 instruments subject to transitional adjustments	-
B. CET1 prudential filters (+ / -)	**-465**
C. CET1 before items to be deducted and effects of transitional period (A +/- B)	**42,602**
D. Items to be deducted from CET 1	**-7,842**
E. Transitional period - Impact on CET1 (+/-), including minority interests subject to transitional adjustments	**1,787**
F. Total Common Equity Tier 1 (CET1) (C-D +/-E)	**36,547**
G. Additional Tier 1 (AT1) before items to be deducted and effects of transitional period	**2,131**
of which AT1 instruments subject to transitional adjustments	1,640
H. Items to be deducted from AT1	**-**
I. Transitional period - Impact on AT1 (+/-), including instruments issued by subsidiaries and included in AT1 subject to transitional adjustements	**-431**
L. Total Additional Tier 1 (AT1) (G - H +/- I)	**1,700**
M. Tier 2 (T2) before items to be deducted and effects of transitional period	**8,354**
of which T2 instruments subject to transitional adjustments	1,464
N. Items to be deducted from T2	**-178**
O. Transitional period - Impact on T2 (+ / -), including instruments issued by subsidiaries and included in T2 subject to transitional adjustments	**-133**
P. Total Tier 2 (T2) (M - N +/- O)	**8,043**
Q. Total own funds (F + L + P)	**46,290**

Consolidated own funds benefited from the regulation, which permits the gradual recognition in the regulatory capital of the effects deriving from application of the new IAS 19.
The amount of the "prudential filter" under the actuarial profits (losses) reserve on the defined benefit pension plans, negative for about 775 million euro, equals around 752 million euro.

In addition, on the basis of Article 467 (2) of the CRR, adopted by the Bank of Italy in Circular 285, the Intesa Sanpaolo Group has opted not to include in any element of own funds unrealised gains or losses on exposures to central governments classified in the "Available for Sale" category. The effect on Common Equity Tier 1 Capital as at 31 December 2014 was four basis point negative, equal to 97 million euro.

The tables below show the changes in Own Funds

Common Equity Tier 1 Capital and Additional Tier 1 Capital

(millions of euro)

INFORMATION	31.12.2014
Common Equity Tier 1 capital (CET1) - Beginning of the period[a]	**33,658**
Common Equity Tier 1 capital (CET1) before regulatory adjustments (beginning of the period)	**43,356**
Common Equity Tier 1 capital (CET1)	
Share capital - ordinary shares	179
Share premium reserve[b]	-3,585
Reserves [b]	-1,666
Accumulated other comprehensive income	-548
Allocation of previous period loss	4,550
Net income for the period	1,251
Net income for the period not eligible [c]	-1,251
Dividends distributed during the period	822
Dividends to be distributed [d]	-
Minority interests	-41
Common Equity Tier 1 capital (CET1) before regulatory adjustments (end of the period)	**43,067**
Total regulatory adjustments to Common Equity Tier 1 capital (CET1) - (beginning of the period)	**-12,291**
Common Equity Tier 1 capital (CET1): Regulatory adjustments	
Treasury shares	-8
Goodwill [e]	68
Other intangible assets [e]	210
Deferred tax assets that rely on future profitability and do not arise from temporary differences	101
Negative amounts resulting from the calculation of expected losses (shortfall reserve)	502
Defined benefit pension funds assets	-
Prudential filters	
- of which Cash Flow Hedge Reserves	*484*
- of which Gains or Losses due to change in own credit risk (DVA)	*-65*
- of which Prudent valuation adjustements	*-92*
- of which Other prudential filters	*-*
CET1 instruments of financial sector entities where the institution does not have a significant investment, held directly, indirectly and synthetically	-
Deductions with 10% threshold	353
- of which Deferred tax assets (DTA) that rely on future profitability and arise from temporary differences	*-*
- of which CET1 instruments of financial sector entities where the institution has a significant investment, held directly, indirectly and synthetically	*353*
Deductions with 15% threshold [f] [g]	-
Positive or negative items - other [h]	2,431
Total regulatory adjustments to Common Equity Tier 1 capital (CET1) - (end of the period)	**-8,307**
Total adjustments in the transitional period (CET1) - (beginning of the period)	**2,593**
Changes in adjustments in the transitional period	-806
Total adjustments in the transitional period (CET1) - (end of the period)	**1,787**
Common Equity Tier 1 capital (CET1) - (end of the period)	**36,547**

Additional Tier 1 capital (AT1) - beginning of the period	**1,099**
Additional Tier 1 capital (AT1) before regulatory adjustments - (beginning of the period)	**505**
Additional Tier 1 capital (AT1)	
Savings shares	-
Other AT1 instruments	-
Minority interests	-14
Additional Tier 1 capital (AT1) before regulatory adjustments - (end of the period)	**491**
Total regulatory adjustments to Additional Tier 1 capital (AT1) - (beginning of the period)	**-**
Additional Tier 1 capital (AT1) : Regulatory adjustments	
AT1 instruments of financial sector entities where the institution does not have a significant investment, held directly, indirectly and synthetically	-
AT1 instruments of financial sector entities where the institution has a significant investment, held directly, indirectly and synthetically	-
Positive or negative items - other	-
Total regulatory adjustments to Additional Tier 1 capital (AT1) - (end of the period)	**-**
Total adjustments in the transitional period including minority interests (AT1) - (beginning of the period)	**-1,046**
Changes in adjustments in the transitional period	615
Total adjustments in the transitional period including minority interests (AT1) - (end of the period)	**-431**
AT1 instruments eligible for grandfathering - (beginning of period)	**1,640**
Change in AT1 instruments eligible for grandfathering	-
AT1 instruments eligible for grandfathering - (end of period)	**1,640**
Additional Tier 1 capital (AT1) - end of the period	**1,700**
TIER 1 CAPITAL (Tier 1 = CET1 + AT1)	**38,247**

[(a)] Pro-forma figure calculated for comparative purposes by applying the rules in effect from 1/1/2014 on the basis of the figures at 31/12/2013. The figure indicated has not been subject to COREP reporting.

[(b)] Net of the distribution of reserves approved by the Shareholders' Meeting on 8 May 2014.

[(c)] In the calculation of Common Equity Tier 1 no account has been taken of profit for 2014, as the eligibility conditions of Art. 26, paragraph 2 of (EU) Regulation 575 of 26 June 2013 (CRR) are not satisfied (audit by independent auditors and authorisation from the supervisory authority).

[(d)] Not including the dividend to be distributed in 2015

[(e)] Net of related deferred tax liabilities.

[(f)] The deductions reported refer solely to DTAs and significant investments not deducted in the 10% threshold.

[(g)] The threshold refers to the percentage indicated by the regulations for the transitional period. The threshold will become 17.65% with effect from 2018.

[(h)] As of 2014 the stake in the Bank of Italy is not deducted from capital, but included among Risk Weighted Assets

Development of Own Funds - Tier 2 Capital

(millions of euro)

INFORMATION	31.12.2014
Tier 2 Capital (T2) - beginning of the period	**8,162**
Tier 2 Capital (T2) before regulatory adjustments - (beginning of the period)	**9,225**
Tier 2 Capital (T2)	
T2 instruments	-2,054
Minority interests	-17
Excess of provisions over expected losses eligible (excess reserve)	-264
Tier 2 capital (T2) before regulatory adjustments - (end of the period)	**6,890**
Total regulatory adjustments to Tier 2 capital (T2) - (beginning of the period)	**-517**
Tier 2 capital (T2): Regulatory adjustments	
T2 instruments of financial sector entities where the institution does not have a significant investment, held directly, indirectly and synthetically	-
T2 instruments of financial sector entities where the institution has a significant investment, held directly, indirectly and synthetically	27
Positive or negative items - other	312
Total regulatory adjustments to Tier 2 capital (T2) - (end of the period)	**-178**
Total adjustments in the transitional period including minority interests (T2) - (beginning of the period)	**-927**
Changes in adjustments in the transitional period	794
Total adjustments in the transitional period including minority interests (T2) - (end of the period)	**-133**
T2 instruments eligible for grandfathering - (beginning of period)	**381**
Change in T2 instruments eligible for grandfathering	1,083
T2 instruments eligible for grandfathering - (end of period)	**1,464**
Tier 2 Capital (T2) - (end of the period)	**8,043**
TOTAL CAPITAL (TC = T1 + T2)	**46,290**

2.3. Capital adequacy

A. Qualitative information

According to the regulations for the prudential supervision of banks (Bank of Italy Circular 285 of 17 December 2013 and subsequent amendments), which adopt the provisions on capital measurement and capital ratios (Basel 3), the Banking Group's capital must amount to at least 10.5% of total risk-weighted assets (total capital ratio) arising from the risks typically associated with banking and financial activity (credit, counterparty, market, and operational risk), weighted according to the regulatory segmentation of borrowers and considering credit risk mitigation techniques and the decrease in operational risk following insurance coverage.

With respect to credit risks, the Group received authorisation to use internal ratings-based approaches effective from the report as at 31 December 2008 on the Corporate portfolio for a scope extending to the Parent Company, network banks in the Banca dei Territori Division and the main Italian product companies. Progressively, the scope of application has been gradually extended to include the SME Retail and Mortgage portfolios, as well as other Italian and international Group companies, as shown in the following table.

	Corporate		SME Retail	Mortgage
	FIRB	AIRB LGD	IRB LGD	IRB LGD
Intesa Sanpaolo	Dec - 2008	Dec - 2010	Dec - 2012	Jun - 2010
Banco di Napoli	Dec - 2008	Dec - 2010	Dec - 2012	Jun - 2010
Cassa di Risparmio del Veneto	Dec - 2008	Dec - 2010	Dec - 2012	Jun - 2010
Cassa di Risparmio di Bologna	Dec - 2008	Dec - 2010	Dec - 2012	Jun - 2010
Cassa di Risparmio del Friuli Venezia Giulia	Dec - 2008	Dec - 2010	Dec - 2012	Jun - 2010
Cassa dei Risparmi di Forlì e della Romagna	Dec - 2008	Dec - 2010	Dec - 2012	Jun - 2010
Banca dell'Adriatico	Dec - 2008	Dec - 2010	Dec - 2012	Jun - 2010
Banca di Trento e Bolzano	Dec - 2008	Dec - 2010	Dec - 2012	Jun - 2010
Mediocredito Italiano	Dec - 2008	Dec - 2010	Dec - 2012	n.a.
Gruppo Cassa di Risparmio di Firenze	Dec - 2009	Dec - 2010	Dec - 2012	Jun - 2010
Cassa di Risparmio dell'Umbria	n.a.	Dec - 2010	Dec - 2012	Dec - 2011
Cassa di Risparmio della Provincia di Viterbo	n.a.	Dec - 2010	Dec - 2012	Dec - 2011
Cassa di Risparmio di Rieti	n.a.	Dec - 2010	Dec - 2012	Dec - 2011
Banca Monte Parma	n.a.	Dec - 2013	Mar - 2014	Dec - 2013
Banca Prossima	n.a.	Dec - 2013	Dec - 2013	n.a.
Banca IMI	n.a.	Jun - 2012	n.a.	n.a.
Intesa Sanpaolo Bank Ireland	Mar - 2010	Dec - 2011	n.a.	n.a.
Vseobecna Uverova Banka	Dec - 2010	Jun - 2014	Jun - 2014	Jun - 2012

Dedicated rating approaches have been developed for the Banks and Public Entities Portfolio according to the type of counterparty to be assessed. This was the subject of a pre-validation inspection by the Supervisory Authority conducted in December 2013 as part of the process leading up to the application for authorisation to be submitted in the first half of 2015.
The Group is also proceeding with the development of rating approaches for the other segments and the extension of the scope of companies for their application in accordance with a plan presented to the Supervisory Authority.
Banks must also comply with capital requirements for market risks calculated on the whole trading book separately for the various types of risk: position risk on debt securities and equities and concentration risk. Moreover, with reference to the entire financial statements, foreign exchange risk, settlement risk and position risk on commodities must be calculated. The use of internal models to calculate the capital requirement for market risks is permitted; in particular, Intesa Sanpaolo and Banca IMI apply the internal model to calculate general position risk (price fluctuation risk) and specific risk (issuer risk) for equities, and general position risk (rate fluctuation risk) for debt securities. Subsequently, Intesa Sanpaolo and Banca IMI have been authorised by the Supervisory Authority to extend the scope of the model to specific risk on debt securities. The model was extended on the basis of the current methodological framework (a historical simulation in full evaluation), and required the integration of the incremental risk charge into the calculation of the capital requirement for market risks; for Banca IMI, position risk in quotas of UCIs is also included in the internal model (with regard to the Constant Proportion Portfolio Insurance – CPPI component). The scope of validated risks has subsequently been extended to position risk on dividend derivatives and position risk on commodities for Banca IMI, which is the only legal entity in the Group authorised to hold open positions in commodities. In addition, Banca IMI and Intesa Sanpaolo have been using Stressed VaR to calculate the requirement for market risks, since December 2011. Lastly, as from June 2014, capital requirements for the Parent Company's Hedge Fund portfolios are reported according to the internal model. Standardised approaches are used for the other types of risk.
Counterparty risk is calculated independently of the portfolio of allocation.
Effective the report as at 31 March 2014, the parent company Intesa Sanpaolo and Banca IMI have received authorisation from the Bank of Italy to use the internal counterparty risk model for regulatory purposes. From that reporting date, therefore, the two banks use the internal model to calculate the EAD component of the requirement with respect to default risk and to calculate the new CVA Capital Charge. The advanced measurement approach for counterparty risk is in the development phase for the Network Banks, with the aim of launching the validation process for regulatory purposes.
With regard to Operational Risk, the Group obtained authorisation to use the Advanced Measurement Approach (AMA – internal model) to determine the associated capital requirement for regulatory purposes, with effect from the report as at 31 December 2009. The scope of application of the advanced approaches is being progressively expanded in accordance with the roll out plan presented to the Management and to the Supervisory Authorities.
As already illustrated in Section 2.2 on "Own funds of banks" above, the total regulatory capital is made up of the algebraic sum of the elements specified below:
– Tier 1 Capital (capable of absorbing losses under going concern conditions). This capital is divided into Common Equity Tier 1 Capital and Additional Tier 1 Capital;
– Tier 2 Capital (capable of absorbing losses in the event of a crisis).

The elements indicated above are subject to the following limits:
– Common Equity Tier 1 must at all times be equal to at least 4.5% of risk-weighted assets;
– Tier 1 must at all times be equal to at least 6% of risk-weighted assets (5.5% for 2014 only);
– Own funds (i.e. the total regulatory capital), equal to Tier 1 plus Tier 2 capital, must at all times be equal to at least 8.0% of risk-weighted assets.

Also, in addition to top-quality capital necessary to satisfy own funds requirements, banks are expected to maintain a capital conservation buffer amounting to 2.5% of the bank's total risk exposure. The minimum capital requirements requested to the Intesa Sanpaolo Group from 1 January 2014 equal 7% of the Common Equity Tier 1, including the capital conservation buffer equal to 2.5%, 8% of Tier 1 (in view of the 5.5% minimum requirement for 2014 only, rather than 6%) and 10.5% of Tier Total.
The Common Equity Tier 1 ratio requirements set by the ECB as part of the Comprehensive Assessment was 8%.
In this regard, on 26 October the European Central Bank and European Banking Authority communicated the results of the 2014 EU-wide Comprehensive Assessment, the exercise conducted by such authorities on the financial statements of European banks for the year ended 31 December 2013 and consisting of an Asset Quality Review (AQR) and the simulation of the impact of an adverse macroeconomic scenario on capital solidity (Stress Test). For the Intesa Sanpaolo Group the Common Equity Tier 1 ratio (CET1) that emerged was well above the minimum threshold set by the Comprehensive Assessment.
Lastly, it should be noted that in April 2014 the Group presented its Annual Internal Capital Adequacy Assessment Process Report as a "class 1" Banking group, according to Bank of Italy classification, based on the extensive use of internal approaches for the measurement of risk, internal capital and total capital available.
It is noted that, as shown previously, on 25 February 2015 Intesa Sanpaolo received the ECB's final decision concerning the specific capital requirements that the Bank has to meet on a consolidated basis, i.e.: 9% in terms of Common Equity Tier 1 ratio and 11.5% in terms of Total Capital ratio. No difficulty is currently predicted with regard to the current and future ability of Intesa Sanpaolo to meet these requirements.

B. Quantitative information

	31.12.2014	
	Unweighted amounts (*)	**Weighted amounts/ requirements**
A. RISK ASSETS		
A.1 Credit and counterparty risk	**521,077**	**229,873**
1. Standardised approach	227,775	103,830
2. Internal rating based approach	288,812	121,604
2.1 Basic	*2,342*	*4,903*
2.2 Advanced	*286,470*	*116,701*
3. Securitisations	4,490	4,439
B. CAPITAL REQUIREMENTS		
B.1 Credit and counterparty risks		**18,389**
B.2 Credit valuation adjustment risk		**122**
B.3 Settlement risk		**-**
B.4 Market risk		**1,318**
1. Standardised approach		333
2. Internal models		985
3. Concentration risk		-
B.5 Operational risk		**1,693**
1. Basic indicator approach		53
2. Standardised approach		255
3. Advanced measurement approach		1,385
B.6 Other calculation elements		**61**
B.7 Total capital requirements		**21,583**
C. RISK-WEIGHTED ASSETS AND CAPITAL RATIOS		
C.1 Risk-weighted assets		**269,790**
C.2 Common Equity Tier 1 /Risk-weighted assets (CET1 capital ratio)		**13.5%**
C.3 Tier 1 Capital / Risk-weighted assets (Tier 1 capital ratio)		**14.2%**
C.4 Total own funds / Risk-weighted assets (Total capital ratio)		**17.2%**

(*) In the case of the standardised approach, "unweighted amounts" correspond – in accordance with regulatory provisions – to the exposure value, which takes into account prudential filters, risk mitigation techniques and credit conversion factors. In the case of the internal rating based approach, "unweighted amounts" correspond to "exposure at default" (EAD). For guarantees given and commitments to disburse funds, credit conversion factors are also included when determining EAD.

The validated risk profiles for market risks are: (i) generic/specific on debt securities and on equities for Intesa Sanpaolo and Banca IMI, (ii) position risk on quotas of UCI underlying CPPI (Constant Proportion Portfolio Insurance) products for Banca IMI, (iii) position risk on dividend derivatives and (iv) position risk on commodities for Banca IMI, the only legal entity in the Group authorised to hold open positions in commodities.

The Supervisory Authority authorised the Group to extend the internal model to specific risk on debt securities from the third quarter of 2012.

Effective from June 2014, market risks are to be reported according to the internal model for capital requirements for the Parent Company's hedge fund portfolios.

Starting from 1 July 2014, the capital requirements deriving from the use of internal models will benefit from the reduction in the prudential multipliers established by the Surveillance Body following completion of the previously recommended corrective actions.

In compliance with the recommendation of the Financial Stability Board, the Basel Committee on Banking Supervision developed a methodology to identify the Global Systemically Important Banks ("G-SIBs") that will be subject to additional requirements to absorb the losses starting from 1 January 2016. In particular, during the first updating of the Basel rules text (July 2013), the Committee has included since 2013 a new obligation of disclosure of the 12 indicators used in the assessment methodology for the banks with a leverage ratio exposure measure at the end of the year exceeding 200 billion euro and for those which - though being below this threshold - were designated as G-SIBs in the year before the reference one, or were added based on the judgement of the national Supervisory Authority.
Based on the provisions of the Financial Stability Board, for Italian banks with a leverage ratio exposure measure exceeding 200 billion euro – like Intesa Sanpaolo Group - Bank of Italy has envisaged the obligation of publication on their website of the information concerning the 12 significant indicators. The publication will take place within the terms provided by the Bank of Italy, at the link www.group.intesasanpaolo.com

SECTION 3 – REGULATORY CAPITAL AND CAPITAL RATIOS FOR INSURANCE COMPANIES

The insurance companies controlled solely by Intesa Sanpaolo Group and subject to insurance supervision are:
– Intesa Sanpaolo Vita;
– Intesa Sanpaolo Life;
– Intesa Sanpaolo Assicura;
– Fideuram Vita.

As insurance parent company, Intesa Sanpaolo Vita calculates the aggregate solvency situation for insurance companies. Under ISVAP (now IVASS) Regulation 18 of 12 March 2008 (the insurers' code), Intesa Sanpaolo Vita is required to prepare an "aggregate consolidated report". Intesa Sanpaolo Assicura and Intesa Sanpaolo Life fall within the scope of this aggregate, inasmuch as they are 100% subsidiaries, like Fideuram Vita, inasmuch as it is subject to unitary management in accordance with the insurers' code.
The elements that constitute the solvency margin are therefore calculated separately from the figures in the consolidated/aggregate financial statements due to unitary management prepared by Intesa Sanpaolo Vita. Corrections represented by the "prudential filters" are then applied to these figures. The application of these filters, which involves an asymmetrical approach, aims at eliminating only the effects of the application of IAS/IFRS deemed inconsistent with the objective of a calculation for prudential purposes. Prudential filter provisions refer to:
– the re-measurement of technical reserves;
– unrealised capital gains;
– other filters.
For the purposes of the adjusted solvency situation, the elements that make up the available solvency margin are compared with the associated capital use, represented by the required solvency margin. The latter, which is computed according to the provisions of ISVAP (now IVASS) Regulation 28 of 17 February 2009, consists of the sum of the parent insurance company's minimum solvency margin and the proportional share of the minimum solvency margin of the subsidiary or associate insurance companies of the parent insurance company or insurance companies subject to unitary management.
As at 31 December 2014, Intesa Sanpaolo Vita showed a solvency ratio in terms of adjusted solvency, defined as the ratio of available margin to required margin, of approximately 168.3%.
It is noted that Intesa Sanpaolo Vita issued a perpetual subordinated bond loan for 750 million euro, targeting the international markets, with 17 December 2014 as settlement date. The coupon, payable in arrears on 17 December of each year from and including 17 December 2015 and until 17 December 2024 (the First Call Date), is equal to 4.75% per annum. After the First Call Date, the rate corresponds to the 6-month Euribor rate plus 100 bps, payable every six months in arrears on 17 June and 17 December of each year. IVASS, with communication of 2 December 2014, authorised, pursuant to Art. 45 of Legislative Decree 209/2005, Articles 15 and 22 of ISVAP Regulation 19 of 14 March 2008 and Art. 16 of ISVAP Regulation 18 of 12 March 2008, the inclusion of the abovementioned subordinated loan among the elements that make up the Company individual adjusted solvency margin up to the maximum limit of 25% of the lower value between the available margin and the required solvency margin.
Furthermore, on 18 December 2014 the Intesa Sanpaolo Vita Shareholders' Meeting approved the distribution of other reserves to the shareholders for 701 million euro; the payment was carried out on 22 December 2014.
Lastly, the Group has an equity investment of a marginal amount in an insurance company located in Slovakia, subject to significant influence, held through subsidiary Vseobecna Uverova Banka (VUB).

SECTION 4 – THE CAPITAL ADEQUACY OF THE FINANCIAL CONGLOMERATE

(millions of euro)

	Amounts
A. Financial conglomerate amount	48,475
B. Capital requirements for banking elements	20,926
C. Solvency margins for insurance elements	3,244
D. Total capital requirements of the financial conglomerate (B+C)	**24,170**
E. Financial conglomerate surplus (definict) (A-D)	**24,305**

The Intesa Sanpaolo Group operates as a financial conglomerate that engages in universal banking activity and insurance services. As at 31 December 2014 the capital of the Intesa Sanpaolo financial conglomerate exceeded its capital requirements, defined as the conglomerate's capital needs, by 24,305 million euro.

Part G – Business combinations

SECTION 1 – TRANSACTIONS CARRIED OUT IN THE YEAR

1.1 Business combinations

During the year, no business combinations were undertaken, pursuant to IFRS 3, involving the acquisition of control over businesses or legal entities.

Several extraordinary intragroup transactions were carried out, which are not included in the scope of IFRS 3 and had no effects on the Consolidated financial statements. They consisted in transfers of business lines or legal entities between Intesa Sanpaolo Group companies or business combinations (under common control). Since the transfers were carried out for reorganisation purposes only, in accordance with the Group's accounting policy, these transactions were simply recorded applying book value accounting in the individual statements of the companies involved, without recognition of any economic effect.
The main intragroup transactions completed during the year concerned:

- the merger by incorporation of Recovery into VUB Factoring;
- the purchase by Mediocredito Italiano of the share held by Leasint in Intesa Lease SEC;
- the merger by incorporation of Neos Finance into Centro Leasing;
- the merger by incorporation of Centro Leasing into Intesa Sanpaolo;
- the contribution of the business line (leasing segment received from Centro Leasing, with the exception of some assets and liabilities) from Intesa Sanpaolo to Leasint;
- the merger by incorporation of Leasint into Mediocredito Italiano;
- the merger by incorporation of ISP Trust Company Fiduciaria into S.I.R.E.F.;
- the merger by incorporation of Mediofactoring into Intesa Sanpaolo;
- the contribution of the business line (factoring segment received from Mediofactoring, with the exception of some assets and liabilities) from Intesa Sanpaolo to Mediocredito Italiano;
- the merger by incorporation of Agriventure into Mediocredito Italiano;
- the contribution of the business line (line relating to the management of the pension business) from Intesa Sanpaolo Previdenza to Intesa Sanpaolo Vita and subsequent merger of Intesa Sanpaolo Previdenza into Intesa Sanpaolo;
- the sale of the investment in Intesa Sanpaolo Securitisation Vehicle, formerly Intesa Lease Sec, from Mediocredito Italiano to Intesa Sanpaolo;
- the merger by incorporation of Cassa di Risparmio di Venezia into Intesa Sanpaolo;
- the contribution of business lines (lines relating to the non-profit activities) from Intesa Sanpaolo and Banco di Napoli to Banca Prossima;
- the merger by incorporation of Banca di Credito Sardo into Intesa Sanpaolo;
- the merger by incorporation of Adriano Finance 2 into Intesa Sanpaolo.

Annual changes in goodwill

(millions of euro)

	31.12.2014
Initial goodwill	**3,899**
Increases	**-**
- Goodwill recorded in the year	-
- Positive foreign exchange differences and other changes	-
Decreases	**-**
- Impairment recorded in the year	-
- Disinvestments	-
- Negative foreign exchange differences and other changes	-
Final Goodwill	**3,899**

Goodwill

(millions of euro)

CGUs/Goodwill	31.12.2014	31.12.2013
Banca dei Territori [1]	1,076	1,859
Corporate and Investment Banking	-	-
Insurance	494	n.a.
Asset Management [2]	1,038	1,038
Private Banking [3]	1,291	1,002
Banche Estere	-	-
Bank of Alexandria (Egypt)	-	-
Pravex Bank (Ukraine)	-	-
Total	**3,899**	**3,899**

[1] Figures as at 31.12.13 refer to the Banca dei Territori CGU in the previous configuration including the insurance segment, Intesa Sanpaolo Private Banking and Sirefid.

[2] Figures as at 31.12.13 refer to the Eurizon Capital CGU.

[3] Figures as at 31.12.13 refer to the Banca Fideuram CGU.

With reference to the breakdown of CGUs, please see the contents of Part B of these Notes to the consolidated financial statements.

SECTION 2 – TRANSACTIONS CARRIED OUT AFTER THE END OF THE YEAR

2.1 Business combinations

No business combinations in the scope of IFRS 3 have been undertaken since the end of 2014.

SECTION 3 – RETROSPECTIVE ADJUSTMENTS

No adjustments are recognised in the current reporting period that relate to business combinations that occurred in previous reporting periods.

Part H – Information on compensation and transactions with related parties

A) TRANSACTIONS WITH RELATED PARTIES

1. Procedural features

As of 31 December 2012, the Group has applied the "Group procedures regulating the conduct of transactions with Intesa Sanpaolo S.p.A. related parties and Group associated entities", approved in June 2012 by the Management Board and Supervisory Board, upon favourable opinion by the Control Committee.
These Regulations take into account both the rules issued by Consob, pursuant to Article 2391-bis of the Italian Civil Code, as well as the supervisory provisions introduced by the Bank of Italy on 12 December 2011 in terms of risk and conflicts of interest by banks and banking groups with respect to "Associated Entities", issued in accordance with Article 53, paragraphs 4 et seq. of the Consolidated Law on Banking and CICR (Interdepartmental Committee for Credit and Savings) Resolution 277 of 29 July 2008.

The Regulations apply to the entire Intesa Sanpaolo Group and govern the deals with Related Parties of Intesa Sanpaolo and Associated Entities of the Intesa Sanpaolo Group with respect to the following aspects:
– the criteria for identifying Related Parties and Associated Entities;
– the process of analysis, decision-making and information for corporate bodies in connection with transactions with Related Parties and Associated Entities;
– market disclosure for transactions with Related Parties;
– the prudential limits and obligations for periodic reporting to the Bank of Italy for activities at risk in relation to Associated Entities;
– the rules governing organisational controls and safeguards;
– the general rules for disclosure and abstention about the management of the personal interests by board members and general managers, employees and company staff, including other than Associated Entities.

Pursuant to the mentioned Regulations, the following are considered Related Parties of Intesa Sanpaolo: parties that exercise significant control or influence, subsidiaries and associates, joint ventures, pension funds of the Group, Board Members and General Managers and Key Managers of Intesa Sanpaolo and their close family members and significant shareholdings.

The set of Associated Entities of the Group consists of the Associated Entities of each bank of the Group (including the Parent Company) and each significant intermediary monitored with regulatory capital greater than 2% of the consolidated shareholders' equity. The following are considered to be Associated Entities for each monitored significant bank or intermediary of the Group: i) shareholders that exercise control, significant influence or that are required to request authorisation pursuant to Article 19 of the Consolidated Law on Banking or that may appoint a member of the management or strategic supervisory body and the relative corporate groups; ii) subsidiaries, associated companies under joint control and associated companies, as well as the companies controlled by the latter, also jointly with others; iii) board members and general managers and their relative close family members up to the second degree and significant subsidiary entities.
As a form of self-regulation, the Bank has extended the regulations in terms of transactions with related parties, as well as those on activities involving risk and conflicts of interest with respect to Associated Entities, to shareholders of Intesa Sanpaolo and to the relative corporate groups with an equity investment in the Bank's voting capital of over 2%, calculated only on shares owned or under management. This approach allows closer monitoring of transactions with the main shareholders - by subjecting them to the same requirements for assessment, approval and subsequent disclosure to the Corporate bodies and the market as for transactions with related parties and Associated Entities - and by keeping the risk activities carried out by the Group with said parties within the prudential limits set by the Bank of Italy.

The Regulations set forth the assessment procedures that must be followed by the Parent Company and subsidiary companies when carrying out transactions with Related Parties of Intesa Sanpaolo and Associated Entities of the Group, to ensure appropriateness of the transactions. The Regulations also require detailed examination of the reasons and interests behind the transactions and their effects on the Bank's financials.

In line with the regulations implemented by Consob and by the Bank of Italy, a regime of full and partial exemptions from the application of the regulations is also envisaged.
With regard to decision-making, the procedure distinguishes between:
– transactions involving smaller amounts: with a value of less than or equal to 250,000 euro for individuals and 1 million euro for entities (excluded from application of the regulations);
– less significant transactions: with a value higher than the small-amount thresholds (250,000 euro for individuals and 1 million euro for entities) but lower or equal to the most significant thresholds indicated below;
– more significant transactions: with a value higher than the threshold of 5% of the indicators defined by Consob and by the Bank of Italy (approximately 2 billion euro for Intesa Sanpaolo);
– strategic transactions pursuant to the Articles of Association;
– transactions attributed to the shareholders' meeting, in accordance with the law or with the Articles of Association.

In the process of approval of transactions with Related Parties of Intesa Sanpaolo and Associated Entities of the Group, an important role is reserved for the Committee for Transactions with Related Parties, which has been established within the

Supervisory Board and is composed of 3 effective members and one alternate, who meet the independence requirements laid down in the Corporate Governance Code of Listed Companies. The Committee for Transactions with Related Parties can make use of independent experts, where considered appropriate, according to the degree of importance of the transaction, its specific economic or structural characteristics and the nature of the related party or associated entity.
For more significant or strategic transactions, the Committee must be promptly involved in the analysis and negotiation phases, receiving a complete and timely flow of information, with the right of the Committee to request additional information and make observations.
All transactions – that are not exempt based on the Regulations – undertaken by the Parent Company with one of its related parties or associated entities are subject to approval by the Management Board upon recommendation by the Committee for Transactions with Related Parties, and, for strategic transactions, authorisation of the Supervisory Board is also required.
The Regulations envisage specific controls in cases where the Management Board approves a more or less significant transaction and the Supervisory Board authorises a strategic transaction, despite the negative opinion of the independent Committee.

Transactions undertaken by subsidiaries with Related Parties of Intesa Sanpaolo and Associated Entities of the Group must be approved by the Board of Directors of the subsidiaries concerned, subject to prior authorisation from the Parent Company released in accordance with the procedure described above.

The Regulations also define the general criteria for the information to be provided, at least quarterly – also pursuant to Article 150 of the Consolidated Law on Finance – to the Management Board and by the latter to the Supervisory Board regarding transactions with related parties and associated entities completed in the reference period by the Parent Company or by its subsidiaries. All of the above is aimed at providing a complete overview of the transactions of greater importance, as well as the volumes and the main features of all those delegated. Reports must include all transactions, even if exempt from the decision-making procedure, for amounts greater than the small-amount thresholds. Bank funding transactions carried out at market or standard conditions and intragroup loans and bank funding are excluded from this requirement (provided they do not regard a subsidiary with significant interests of another Related Party or Associated Entity and do not present market or standard conditions). For ordinary intragroup transactions at market conditions, reporting is on an aggregate annual basis.

Lastly, each Italian subsidiary bank, as direct recipient of the Bank of Italy's supervisory regulations, in addition to having adopted the "Group regulations on the management of transactions with Related Parties of Intesa Sanpaolo S.p.A. and Associated Entities of the Group", has adopted an additional set of specific rules and procedures.
Transactions undertaken by Italian subsidiary banks with Associated Entities of the Group that have not been considered exempt must, subject to authorisation by the Parent Company, be approved by the relative Board of Directors, upon obtaining the opinion of a Committee of independent directors set up within the Board of Directors of the bank itself. Furthermore, specific reporting rules apply to transactions by the Bank's Bodies.

For the sake of completeness, note that the Italian banks of the Intesa Sanpaolo Group are required to apply Article 136 of the Consolidated Law on Banking, that envisages the adoption of a more thorough decision-making procedure (unanimous decision by the management body and favourable vote of members of the control body) in order to allow the bank's board members and general managers to contract obligations, directly or indirectly, with the bank in which they hold the position as board member or general manager.
In Intesa Sanpaolo, the special decision-making procedure set forth in Article 136 of the aforementioned law – even regarding related parties or associated entities – requires a prior resolution adopted unanimously by the Management Board, with the unanimous approvalby the members of the Supervisory Board. Without the approval of all the members of the control body, it is strictly prohibited for the transaction in question to go ahead.

Furthermore, the requirements envisaged by the Italian Civil Code regarding the personal interests of Directors are confirmed, insofar as Article 2391 requires each Board Member to report every instance of interest possessed, on his/her own name or through third parties, that may be significant in carrying out his/her function, with reference to a specific transaction. In accordance with the abovementioned provision, the Management Board has jurisdiction over decisions regarding transactions – including those with Related Parties – in which the Managing Director possesses an interest on his/her own account or through a third party and must therefore abstain from the decision, entrusting the board as per Article 2391 of the Italian Civil Code.

2. Information on balances with related parties

Receivable and payable balances with related parties as at 31 December 2014 within the consolidated accounts – other than the intragroup ones – amount to a total that is insignificant compared to the size of the Bank's capital base. Likewise, the weight of income and charges with related parties on consolidated operating margin is insignificant.
The scope of the "related parties" considered for the purposes of the tables in this section has been extended, effective 1 January 2011, in accordance with IAS 24.

	31.12.2014	
	Amount (millions of euro)	**Impact** (%)
Total financial assets	4,430	0.7
Total other assets	23	0.1
Total financial liabilities	1,633	0.4
Total other liabilities	462	0.2

	31.12.2014 Amount (millions of euro)	Impact (%)
Total interest income	147	0.9
Total interest expense	-6	0.1
Total fee and commission income	92	1.1
Total fee and commission expense	-19	1.2
Total operating costs	-153	1.7

During the year there were provisions for non-performing loans for 164 million euro on cash loans and 29 million euro on existing guarantees towards associates and companies subject to joint control.

The table below sets out the main terms of reference of transactions with each category of related party, as classified by IAS 24, net of intragroup operations. Please see the paragraph below for information on compensation to Supervisory and Management Board Members, General Managers and Key Managers, as well as information on Shareholders and their corporate groups (subsidiaries, parent companies and companies subject to joint control) with an equity investment with voting rights in the Bank of over 2% (calculated considering only shares owned), included as a form of self-regulation. With regard to Investments in subsidiaries, associates and companies subject to joint control, please see the tables in the Notes to the consolidated financial statements – Part B – Information on the consolidated balance sheet – Assets – Section 10.

The table does not show the impact of related party transactions on Group’s cash flows, as this was not significant.
For greater clarity and in line with the reports sent to the Supervisory Authorities, note that the off-balance sheet items were detailed on two separate columns by grouping on one side the guarantees/commitments given and on the other the guarantees/commitments received. The first category also includes the revocable commitments totalling 1.4 billion euro.
Concerning transactions with subsidiaries not consolidated on a line-by-line basis and transactions with associates, please note that these are normal internal business activities of a multifunctional banking group.

(millions of euro)

	Financial assets held for trading	Financial assets designated at fair value through profit and loss	Financial assets available for sale	Due from banks	Loans to customers	Other financial assets	Due to banks	Due to customers	Financial liabilities held for trading	Other financial liabilities	Guarantees and committments given	Guarantees and committments received
Subsidiaries not consolidated on a line-by-line basis	-	-	-	-	7	3	-	119	-	1	5	-
Companies subject to joint control and their subsidiaries	22	-	1	4	245	2	-	140	-	1	168	137
Associates and their subsidiaries	709	3	633	13	2,760	15	5	744	366	104	3,606	1,294
Board Members and General Managers, Key Managers and their related parties	-	-	-	-	11	-	-	11	-	1	2	17
Pension funds	-	-	-	-	-	2	-	119	-	355	1	-
Total	**731**	**3**	**634**	**17**	**3,023**	**22**	**5**	**1,133**	**366**	**462**	**3,782**	**1,448**
Shareholders (*)	2	1	-	-	19	1	-	129	-	-	250	56

(*) Shareholders and their groups that hold a stake in the Bank’s voting share capital exceeding 2% (calculated considering only shares owned).

For the sake of completeness, the Group’s most significant associates - and the companies controlled by them – in accordance with the version of IAS 24, in force since 1 January 2011, are Bank of Qingdao Co. Ltd., Autostrade Lombarde S.p.A., Penghua Fund Management Co. Ltd., Risanamento S.p.A., A4 Holding S.p.A., Cassa di Risparmio di Fermo S.p.A., Autostrada Pedemontana Lombarda S.p.A., Coinv S.p.A., LKS 2 S.a., GCL Holdings L.P. S.a.r.l., IREN S.p.A., Termomeccanica S.p.A., Mater-BI S.p.A., Mir Capital Sca Sicar, Telco S.p.A.. The main companies subject to joint control (joint venture) include Re Consult Infrastrutture S.p.A., Tangenziali Esterne di Milano S.p.A., Immobiliare Novoli S.p.A. and Allfunds Bank SA..

A detailed list of companies subject to joint control and companies subject to significant influence as at 31 December 2014 is provided in the Notes to the consolidated financial statements (Part B – Assets – Section 10).
For further information on the transactions entered into by the Parent Company, see the corresponding paragraph in the Notes to the Parent Company's financial statements.

3. Information on transactions with related parties

More significant transactions

During the year the Group has not carried out any transactions qualifying as non-ordinary "more significant transactions" at non-market or non-standard conditions that would have resulted – in accordance with the Intesa Sanpaolo Group Regulations on the management of transactions with related parties – in an obligation to publish a market disclosure document.

More significant intragroup transactions

With regard to more significant intragroup transactions – exempt, pursuant to the aforementioned internal Regulations, from the special decision-making procedure and from the obligation to publish a market disclosure document, unless other related parties hold significant interests in the subsidiary – several securitisation transactions took place during the year, as well as transactions aimed at the issue of Covered Bonds. These transactions are described in the Notes to the consolidated financial statements - Part E – Information on risks and relative hedging policies, to which reference is made. Note that more significant transactions are those that exceed the threshold of 5% of consolidated regulatory capital (approximately 2 billion euro for the year for Intesa Sanpaolo) or of the other indicators defined by the Consob regulation.

Other significant transactions

Transactions entered into with related parties fall within the scope of the Group's ordinary activities and are usually entered into at market conditions, based on valuations of mutual economic convenience, in line with the internal procedures mentioned above.

Some less significant transactions concluded during 2014 by the Parent Company or subsidiaries with related parties are reported below.

Relations between the Intesa Sanpaolo Group and board members and general managers refer to the Group's normal business activities and are defined applying, where conditions recur, the terms reserved to all employees, in full respect and transparency of terms applied, or, in relation to independent professionals with which a term contract exists, applying the terms reserved to professionals of similar standing, in full compliance with relevant regulations.

In the period, the Group granted credit facilities to the Group's Shareholders and Pension Funds, at market conditions, in order to support ordinary operations.
In particular, with respect to transactions with Shareholders with stakes exceeding 2% of the Bank's voting capital (to which the provisions governing transactions with related parties were extended as a form of self-regulation, subjecting them to the same assessment and approval procedure as applied to transactions with related parties), there are no transactions to report, in addition to the abovementioned lending transactions.

As for the Group's most significant relations with associates and companies controlled by them, during the year loans were granted to: Pirelli Tyre Co Ltd, Upa Servizi S.p.A., Società Produttori Sementi S.p.A., Alitalia-Compagnia Aerea Italiana S.p.A., Alitalia-Società Aerea Italiana S.r.l., Italconsult S.p.A., Euromilano S.p.A., Cascina Merlata S.p.A., Merlata Mall S.p.A., Intermarine S.p.A., Mater-Biotech S.p.A., Be Solutions S.p.A. Solve, Realize & Control, Museo della Città di Bologna S.r.l., Limacorporate S.p.A, Be Consulting S.p.A., Manucor S.p.A., Serenissima Partecipazioni S.p.A., Camfin S.p.A., Autostrada Brescia Verona Vicenza Padova S.p.A., Immobiliare Novoli S.p.A., Risanamento S.p.A., Prelios S.g.r. S.p.A., Nuovo Trasporto Viaggiatori S.p.A., Be Think, Solve, Execute S.p.A., Iren S.p.A., Argentea Gestioni S.c.p.a. and other minor companies. The transactions in question were carried out at market interest rates. Instead, the economic conditions in force on the loans towards Autostrada Pedemontana Lombarda were confirmed.

With reference to Camfin S.p.A., on 1 December the following became effective:
– the reverse merger of Lauro61 into Camfin, with the allocation of Camfin shares to the shareholders of Lauro61;
– the spin-off from Camfin into Coinv of the assets other than the investment held by Camfin in Pirelli.

Due to these transactions, Intesa Sanpaolo was assigned shares of the newly established Coinv S.p.A. equal to 24.26% of the share capital.
In addition, on 22 December, the investments previously held in Camfin by Nuove Partecipazioni, Intesa Sanpaolo and Unicredit in the same Coinv were conferred; consequently to this transaction, the final stake of the Parent Company in Coinv equals 12%.
Following the reorganisation, a new credit limit was granted to the Camfin Group, and the previous one in favour of the Marco Tronchetti group was revoked at the same time.

With reference to the Risanamento group, actions were taken in order to maintain a positive financial balance; these include cash loans subject to extension until the end of 2015 for 138 million euro and guarantee issues for 50 million euro.

In relation to Alitalia, since last spring Intesa Sanpaolo has been engaged in negotiations in view of a partnership and merger agreement between Alitalia-Compagnia Aerea Italiana S.p.A. and Etihad Airways. To that end, subject to the successful completion of the negotiations, Intesa Sanpaolo has indicated its willingness to support the transaction by granting new lines of credit and guaranteeing its participation, to the extent of its involvement, in an equity commitment, participating in the capital increase and debt restructuring of the Alitalia Group.
This transaction included the entry of the airline Ethiad in a newly established company, Alitalia-Società Aerea Italiana S.p.A., to which Alitalia C.A.I.'s operating assets were contributed.
Based on the agreements, some shareholders, including Intesa Sanpaolo, signed a commitment equalling a total of 300 million euro, of which Intesa Sanpaolo's pro-quota equals 86 million euro, of which 47 million euro disbursed in several tranches during the fourth quarter.
Based on the agreements signed and the payments for a future capital increase referred to above, totalling 47 million euro, on 23 December the Parent Company received 4,475,463,468 type 2 shares of Alitalia Compagnia Aerea Italiana S.p.A. On the same date, following the conversion of the restructured debt totalling 110 million euro, it received a further 6,731,257,625 type 3

shares and 3,752,234,360 type 4 shares. As at 31 December 2014, the Bank is still exposed for a residual commitment equalling 39 million euro, of which 5 million paid in January 2015.
Effective from 1 January 2015, the Parent Company then converted 13,988,341 bonds, receiving 278,934,524 ordinary shares of Alitalia Compagnia Aerea Italiana S.p.A. as well as 1,729,434 bonds held indirectly through Ottobre 2008, which received 34,485,780 ordinary shares.

With reference to Merlata Mall, a company of the Euromilano group, please note that in 2012 Banca Imi and Unipol had granted a pool loan for about 23 million euro (Banca Imi's share was about 17 million euro, equal to 74.6%) allocated to fund the costs of a commercial area as part of the wider project named "Cascina Merlata", developed by Euromilano S.p.A., adjacent to the Expo Milano area. The loan, whose expiry was set for April 2014, was then amended and extended until March 2016.
Concerning the parent company Euromilano, please note the renewal of the expired loans and the subscription of participatory financial instruments, partly through the conversion of loans disbursed in previous periods by Intesa Sanpaolo for a total of 130 million euro and partly through cash payments for about 55 million euro; these instruments are predated compared to the distributions for the shareholders, until the full recovery of the nominal value plus a preferential interest rate.

On 11 November 2014, Intesa Sanpaolo sold 29,162,596 ordinary shares of NH Hotel Group S.A., equal to about 8.3% of NH's share capital, for a fee of around 133 million euro.
Due to and following the described sale, the Parent Company retained, directly and indirectly, the ownership of an investment of about 7.6% in NH's share capital, which left the scope of the related parties as a consequence. For the sake of completeness, it is specified that in January 2015 the residual portion was sold in full.

As part of the transactions regarding the capital, the underwriting of capital increases or future capital increase subscriptions are: Coinv S.p.A., Risanamento S.p.A. through the conversion of a bond loan, Alitalia-Compagnia Aerea Italiana S.p.A., Bank of Qingdao Co. Ltd., Tangenziali Esterne di Milano S.p.A., Themys Investimenti S.p.A., and Naus S.p.A. as well as the already described operation with Immobiliare Novoli S.p.A.

In order to achieve a more effective credit recovery management and improve the overall credit risk profile, thanks to the better recovery performance, the service agreement for the loan recovery activity by Italfondiario was reviewed, with amendments to the scope, duration and conditions of the supply, in particular providing for the interruption of the assignment of the management of new doubtful loans flows starting from 1 January 2015 and the extension, until 2026, of the duration of the agreement on the portfolio remaining under the company's management.

Regarding the operations carried out by the subsidiaries, worth noting is the subscription, in the second half of the year, of a partial capital increase of Immobiliare Novoli by Banca Cr Firenze, both through payments in cash and by offsetting loans and the commitment to subscribe, pro quota and with the same methods, the remainder within 31 December 2015, in addition to the granting of a new credit line for unsecured commitments and the renegotiation of existing loans.

Highlighted among the supply contracts and the other operations of a commercial nature are, in addition to those already reported in the Half-yearly Report, the agreements between Intesa Sanpaolo Group Services and Iren Mercato to purchase a supply of natural gas.

Additional information on the Intesa Sanpaolo Group's reorganisation operations is provided in Part G of the Notes to the consolidated financial statements and of the Notes to the Parent Company's financial statements.

Other significant information

In the consolidated financial statements 2014, adjustments/impairment losses were recorded on the subsidiaries: Autostrade Lombarde S.p.A. for 34 million euro, Nuovo Trasporto Viaggiatori S.p.A. for 11 million euro, Euromilano S.p.A. for 8 million euro, ISM Investimenti for 4 million euro, Fenice S.r.l. for 4 million euro, Class Digital Service S.r.l. for 3 million euro and Fondo Centro Impresa for 3 million euro and other lesser impairment on other investments in associates. The net effect on the Telco subsidiary, between value adjustments/recoveries, was positive for 12 million euro. Please refer to Part C – Income Statement – Section 16 of the consolidated financial statements for more information on the income (loss) of associates.

For Pension Funds in which Group Companies are co-obliged by virtue of guarantees given, during the year provisions were made for the settlement of the technical imbalance of said Funds, as indicated in the Notes to the consolidated financial statements – Part B – Information on the consolidated balance sheet – Liabilities, Point 12.3 Post employment defined benefit plans, to which reference is made. Allowances for risks and charges include the provisions made against any outstanding or probable disputes.

B) INFORMATION REGARDING COMPENSATION OF SUPERVISORY AND MANAGEMENT BOARD MEMBERS AND KEY MANAGERS

The following table shows the amounts of the compensation paid in 2014 to Supervisory and Management Board Members and the General Managers of the Parent Company and of fully consolidated companies, as well as the compensation paid to other Key Managers of the Parent Company who fall within the notion of "related party". This also includes the maximum amounts of the variable portion of remuneration which shall be paid in cash and/or shares of the Parent Company, based on the Group's remuneration and incentive policy, subject to the verification of achievement of the assigned targets and the decisions of the competent bodies of the Parent Company.

(millions of euro)

	SUPERVISORY BOARD/ STATUTORY AUDITORS (1)		MANAGEMENT BOARD (2)		OTHER MANAGERS (3)		TOTAL as at 31.12.2014	
	Compensation to be paid	Compensation paid	Compensation to be paid	Compensation paid	Compensation to be paid	Compensation paid	Compensation to be paid	Compensation paid
Short-term benefits (4)	11	9	15	12	39	33	65	54
Post-employement benefits (5)	-	-	-	-	2	2	2	2
Other long-term benefits (6)	-	-	-	-	5	-	5	-
Termination benefits (7)	-	-	-	-	1	1	1	1
Share-based payments (8)	-	-	1	-	7	-	8	-
Total	**11**	**9**	**16**	**12**	**54**	**36**	**81**	**57**

(1) Figures referring to 198 positions

(2) Figures referring to 345 positions. The table does not include approximately 2.5 million euro relating to 85 positions on the Boards of Directors (or similar bodies), as this was fully transferred to other Group Companies

(3) Figures referring to 86 positions. The table does not include approximately 5.2 million euro relating to 15 General Manager positions (or similar positions), as this was fully transferred to other Group Companies

(4) Includes fixed and variable remuneration of Directors that may be treated as equivalent to labour cost and social security charges paid by the company for its employees

(5) Includes company contribution to pension funds and provisions for employee termination indemnities pursuant to law and company regulations

(6) Includes an estimate of provisions for employee seniority bonuses

(7) Includes benefits due under the employment contract for termination of employment

(8) The cost refers to the variable portion of short-/long-term remuneration to be paid in Intesa Sanpaolo shares/through LECOIPs

For detailed information on remuneration policies, pursuant to Art. 123 ter of the Consolidated Law on Finance, refer to the separate document "Report on Corporate Governance and Ownership Structures – Report on Remuneration", approved and published together with these financial statements, which sets forth data previously reported in the financial statements, specifically:

– a detailed indication of the compensation paid to Supervisory and Management Board Members and General Managers and, in aggregate, Key Managers, as well as the stock option plans reserved for Management Board Members, General Managers and Key Managers;
– the details and the evolution of the stock option plans relative to Key Managers;
– Parent Company's and subsidiary companies' shares held by Supervisory and Management Board Members, General Managers, Key Managers and other associated entities.

Part I – Share-based payments

A. QUALITATIVE INFORMATION

1. Description of share-based payments

1.1. Incentive Plan based on financial instruments

The Provisions regarding remuneration and incentive policies and practices in banks and in banking groups, issued on 30 March 2011 (now integrated in Circular 285 of the Bank of Italy), required, inter alia, that a portion of incentives paid (50%) to "Risk Takers" be granted through the assignment of financial instruments, over a multi-year time horizon. As a result:

– with regard to the results for 2011, and in implementation of the Shareholders' Meeting resolution of 28 May 2012, on 26 June 2012 the Intesa Sanpaolo Group totally purchased - through Banca IMI, in charge of the programme execution - 12,894,692 Intesa Sanpaolo ordinary shares (representing approximately 0.08% of the ordinary share capital) at an average purchase price of 0.97969 euro per share, for a total value of 12,632,743 euro.
– with regard to the results for 2012, and in implementation of the Shareholders' Meeting resolution of 22 April 2013, on 8 October 2013 the Intesa Sanpaolo Group totally purchased - through Banca IMI, in charge of the programme execution - 8,920,413 Intesa Sanpaolo ordinary shares (representing approximately 0.06% of the ordinary share capital) at an average purchase price of 1.72775 euro per share, for a total value of 15,412,287 euro.

The above Shareholders' Meetings also authorised the sale on the regulated market of any shares exceeding requirements, or their retention for any future incentive plans.

The above shares shall be assigned to the beneficiaries in compliance with the implementing regulations set forth in the above incentive system. Generally, according to these regulations, the beneficiaries must remain in service up to the time the shares are actually delivered to them, and the deferred portion (either in cash or in financial instruments) of the incentive is subject to an ex-post correction mechanism – the "malus condition" – according to which the relative amount paid and the number of shares assigned, if any, may be reduced by the level of achievement, in the year to which the deferred portion refers, of specific income statement-balance sheet targets which measure the sustainability of the results achieved over time.

Following the results of 2013, the Incentive Plan based on financial instruments was not activated and, as a consequence, the Group did not purchase shares for this purpose during 2014. A decision was also taken to assign a residual portion of shares from the previous purchases for the purposes of a one-off retention (and subject to the deferral mechanisms and holding periods set by the Incentive System) to 8 Risk Takers of the Group not in top positions.

1.2 Long-term employee shareholding instruments: PAD and LECOIP

The long-term employee shareholding instruments aim to support the motivation and loyalty of all the Group's resources, at the time of launching the 2014-2017 Business Plan. In particular, these instruments have the aim of encouraging the identification (ownership), the alignment to the medium/long-term objectives and the sharing of the value created over time.

There are two long-term instruments offered to employees: an Employee Share Ownership Plan (PAD) and the Leveraged Employee Co – Investment Plans (LECOIP) because there is the desire, on one side, to strengthen the sense of belonging and cohesion (PAD) and, on the other, to search for the explicit sharing of the "challenge to create value" represented by the Business Plan (LECOIP).

The share ownership proposal is subdivided into two phases:

1. launch of an Employee Share Ownership Plan that allows each employee to share equally the value of Intesa Sanpaolo through ownership and, therefore, to increase their sense of belonging;
2. the possibility for each employee to dispose of the shares received and:
   – maintain them in their securities account, in order to sell them subsequently or transfer them immediately;
   – invest them in Co-Investment Plans through long-term financial instruments, the "LECOIP Certificates", with the duration aligned to the Business Plan.

These financial instruments originate from purchases in the market and from capital increases.

As a matter of fact, the free assignment of Intesa Sanpaolo ordinary shares (PAD) implied the purchase of these shares on the market – Free Shares – while the Lecoip Certificates - issued by a third-party financial company not belonging to the Group – use as underlying some additional newly issued Intesa Sanpaolo ordinary shares assigned to the employee against a free capital increase - Matching shares - and the subscription, by the same employee, of newly issued Intesa Sanpaolo ordinary shares deriving from a paid capital increase reserved to employees, at a discounted price compared to the market value – Discounted shares.

The Lecoip Certificates are subdivided into three categories and have different characteristics, depending on whether these are addressed to so-called Risk Takers, Executives or all employees. Lecoip Certificates in general incorporate:

– the right to receive an amount in cash (or in Intesa Sanpaolo ordinary shares) upon maturity, equal to the original reference value (calculated as the average of the market values recorded during November 2014) of the Free Shares and Matching Shares ("protected capital") and
– the right to receive, always upon maturity, a portion of any appreciation in the value of the shares (Free Shares, Matching Shares and Discounted Shares) compared to the original reference value described above.

Adhesion to the plans did not imply any outlay for the employees. At the time of signing the Certificates, the employees entered into a forward agreement with the counterparty issuing the Certificates for the sale of the Free Shares, the Matching Shares and the discounted Shares. The sale consideration was used by the employees to subscribe the discounted shares and, for the remaining part, for the purchase of the Certificates.

The Co-Investment Plans were subject to the approval of the ordinary Shareholders' Meeting of 8 May 2014. The ordinary meeting of the Bank also resolved on the purchase of treasury shares (pursuant to Art. 2357, paragraph 2 of the Italian Civil Code) to confer the free shares (Free Shares). On 8 May 2014, ISP's extraordinary meeting resolved on the Board of Directors' mandate to:

– increase the capital (free share capital increase) to grant the employees the free shares (Matching Shares) and
– increase the paid capital in favour of the employees, without option rights, through the issue of shares at a discounted price compared to the market price of ISP ordinary shares.

The Co-Investment Plans were authorised by the Bank of Italy on 30 September 2014; after this measure, the Management Board took the necessary resolutions on 2 October 2014 to implement the plan.

The offer period for the employees to adhere to the Co-Investment Plans ended on 31 October 2014. The date for the assignment of the shares to the employees is 1 December 2014, which corresponds to the start of the vesting period, which will end in April 2018.

In compliance with IFRS 2 Share-based payment, the PAD and the LECOIP are represented in the consolidated financial statements of the Group as "equity settled" plans since the Group has assigned its own equity instruments as additional remuneration for the services received (the work performed). Instead the Group did not assume any liability to be settled with cash equivalents or other assets towards the employees.

Due to the impossibility of reliably estimating the fair value of the services received from employees, the cost of the benefit to employees is given by the fair value of the assigned shares, calculated on the assignment date, recognised in the income statement under caption 150a "Administrative expenses: personnel expenses", as a balancing entry for an increase in the shareholders' equity by valorising a specific reserve. The fair value of the Free Shares and Matching Shares was calculated on the basis of the market price of the shares on the date of assignment. As regards the Discounted shares, the fair value of the subscription discount was determined in consideration of the market price of the shares on the assignment date. For the shares assigned to Risk Takers only, the market price was adjusted to account for the constraint to the subsequent transfer upon the accrual period (holding period).

For the employees who only adhered to the Employee Share Ownership Plan, without adhering to the LECOIP investment plans (and who, thus, received the Free Shares only), the cost was entirely charged at the time of the assignment, as the shares are not subject to accrual conditions (vesting period).

For the employees who adhered to the LECOIPs, on the other hand, the condition applies of continuation of employment for the duration of the Plan, plus the additional performance conditions for Risk Takers and Executives (i.e. the achievement of certain objectives associated to the company capitalisation and the achievement of income results). If the accrual conditions fail to be respected, Intesa Sanpaolo shall take over the rights that would have been recognised to the employees by virtue of the Certificates.

The economic and financial effects of the Plan, estimated by suitably weighing the vesting conditions defined (including the probability of the employees continuing employment within the Group for the duration of the Plan), will be recognised during the period of accrual of the benefit and throughout the duration of the Plan.

B. QUANTITATIVE INFORMATION

2.1 Incentive plans based on financial instruments in 2014

	Number of shares	Average strike price (euro)	Residual life
Financial instruments outstanding as at 31 December 2013	21,449,350	-	March 2014 / June 2017
Financial instruments granted during the year	398,962	-	March 2016 / June 2018
Financial instruments no longer assignable [(a)]	2,470,951	-	March 2014 / June 2017
Financial instruments vested during the year and assigned	4,423,755	-	-
Financial instruments outstanding as at 31 December 2014	14,953,606	-	March 2015 / June 2018
of which: vested and assigned as at 31 December 2014	-	-	-

[(a)] Shares no longer deliverable to the beneficiaries following the related employment agreement ceasing and/or due to the application of the so-called malus conditions

Residual life	Number of shares
March-June 2015	8,304,316
March-June 2016	4,845,925
March-June 2017	1,745,484
March-June 2018	57,881

2.2 Long-term employee shareholding instruments: PAD and LECOIP

Following the choice previously made by each employee, Intesa Sanpaolo ordinary shares were assigned and delivered on 1 December 2014 to the beneficiary employees as part of the PAD or LECOIP; the shares assigned as part of the PAD provide for no vesting (although a two-year holding period is required for Risk Takers), while the benefit deriving from the adhesion to the LECOIPs accrues at the end of a 40-month vesting period (until April 2018), with the additional constraint of a holding period of one year set for Risk Takers.

Instruments assigned during 2014

	PAD	
	Number of shares	Average unit fair value
Total employees	5,287,341	2.4007

	LECOIP									Number of LECOIP Certificates (c)
	Free Shares		Matching Shares		Discounted Shares		Sell to cover shares (a)		Total number of shares assigned	
	Number of shares	Average unit fair value	Number of shares	Average unit fair value	Number of shares	Average unit fair value (b)	Number of shares	Average unit fair value (b)		
Total employees	22,646,388	2.3442	42,332,754	2.3310	259,916,568	0.3736	46,201,721	2.4007	371,097,431	64,979,142

(a) Assigned shares allocated to cover the payment relating to the employee's tax burden.

(b) Fair value of the subscription discount.

(c) Number of Certificates subscribed at 1 December by the Group employees who participate in the LECOIP Co – Investment Plan.

The economic effects for 2014 connected to the two Plans are equal to about 25 million euro, about 12.7 million euro of which refer to the PAD (for the employees who did not adhere to the Investment Plan but only to the share ownership plan) and the remaining 12.3 million euro relating to the LECOIPs (including the repayment of the tax charges - sell to cover – to be borne by the assignees), the latter equal to 1/40 of the overall value of the Plan (about 490 million euro overall).
This being an equity settled plan, payables for cash settled payments are not recorded.

Part L – Segment reporting

Introduction

At the end of October 2014, as part of the activities pertaining to the achievement of the objectives established by the 2014-2017 Business Plan, the organisational structure of the Intesa Sanpaolo Group was reviewed and three new Divisions were created:

- Private Banking Division, which coordinates the operations of Banca Fideuram, Fideuram Investimenti, Intesa Sanpaolo Private Banking, Sirefid, Fideuram Fiduciaria, Intesa Sanpaolo Private Bank (Suisse) and Fideuram Asset Management Ireland (a company managing the assets of the top customers segment Private and High Net Worth Individuals);
- Asset Management Division, with the mission of developing the best asset management solutions for customers through the subsidiary Eurizon Capital;
- Insurance Division, with the subsidiaries Intesa Sanpaolo Vita, Fideuram Vita, Intesa Sanpaolo Previdenza (which was conferred to Intesa Sanpaolo Vita in December 2014) and Intesa Sanpaolo Assicura, with the mission of developing the range of insurance products for the customers of the Group.

Because of the operating structure redefinition, the Group is now arranged into six business areas: Banca dei Territori, Corporate and Investment Banking, International Subsidiary Banks, Private Banking, Asset Management and Insurance. In addition, a business unit named Capital Light Bank (CLB) was set up with the aim of extracting value from non-core assets and freeing up resources to serve growth. The unit, which is part of the Corporate Centre, aims at managing the reduction of a significant stock of the Bank's non-core assets, and specifically: non-performing loans, repossessed properties, discontinued business units, investments managed with a view to disposal and types of asset portfolios that do not respond to the lines of development specified in the Business Plan. The specialist skills concentrated in the new business unit will also allow Capital Light Bank to service the other Group structures, particularly specific business areas such as loan workout and collateral management.

Furthermore, in compliance with IFRS 8, the segment reporting in these financial statements is presented according to the Group's adopted operating structure for 2014. With regard to 2014 only, at the end of the chapter on segment reporting, the income statement figures and the main balance sheet aggregates were restated with reference to the new organisational structure.

Breakdown by business area: 2014 income statement figures [a]

(millions of euro)

	Banca dei Territori	Corporate and Investment Banking	International Subsidiary Banks	Eurizon Capital	Banca Fideuram	Corporate Centre (b)	Total
Net interest income	5,880	1,835	1,509	1	136	-987	8,374
Dividends and profits (losses) on investments carried at equity	-	24	43	38	-	-39	66
Net fee and commission income	4,415	816	535	501	770	-262	6,775
Profits (Losses) on trading	54	568	128	6	29	-8	777
Income from insurance business	820	-	-	-	99	-	919
Other operating income (expenses)	40	-	-86	1	-1	33	-13
Operating income	**11,209**	**3,243**	**2,129**	**547**	**1,033**	**-1,263**	**16,898**
Personnel expenses	-3,158	-351	-561	-59	-144	-819	-5,092
Other administrative expenses	-2,257	-544	-416	-70	-178	696	-2,769
Adjustments to property, equipment and intangible assets	-6	-3	-106	-1	-15	-552	-683
Operating costs	**-5,421**	**-898**	**-1,083**	**-130**	**-337**	**-675**	**-8,544**
Operating margin	**5,788**	**2,345**	**1,046**	**417**	**696**	**-1,938**	**8,354**
Net provisions for risks and charges	-67	-4	-240	1	-83	-149	-542
Net adjustments to loans	-3,571	-495	-512	-	-	40	-4,538
Net impairment losses on other assets	-4	-56	-40	-	1	-128	-227
Profits (Losses) on investments held to maturity and on other investments	-	90	-	-	-	298	388
Income (Loss) before tax from continuing operations	**2,146**	**1,880**	**254**	**418**	**614**	**-1,877**	**3,435**
Taxes on income from continuing operations	-805	-575	-163	-101	-166	29	-1,781
Charges (net of tax) for integration and exit incentives	-84	-4	-2	-1	-6	-6	-103
Effect of purchase price allocation (net of tax)	-70	-	-	-38	-86	1	-193
Impairment (net of tax) of goodwill and other intangible assets	-	-	-	-	-	-	-
Income (Loss) after tax from discontinued operations	-	-	-	-	-	-48	-48
Minority interests	-	-	-	-8	-	-51	-59
Net income (loss)	**1,187**	**1,301**	**89**	**270**	**356**	**-1,952**	**1,251**

Breakdown by business area: balance sheet figures as at 31 December 2014[a]

(millions of euro)

	Banca dei Territori	Corporate and Investment Banking	International Subsidiary Banks	Eurizon Capital	Banca Fideuram	Corporate Centre (b)	Total
Loans to customers	200,566	91,017	26,398	473	5,291	15,360	339,105
Direct deposits from banking business	176,078	97,400	31,078	9	8,660	46,404	359,629

[a] Figures from the reclassified forms as described in the Report on operations, to which reference should be made for comparison with the previous year.

[b] Netting between segments is reported by the Corporate Centre.

Breakdown by geographical area: 2014 income statement figures[(a)]

(millions of euro)

	Italy	Europe	Rest of the world	Total
Net interest income	6,388	1,550	436	8,374
Dividends and profits (losses) on investments carried at equity	-11	30	47	66
Net fee and commission income	5,577	1,064	134	6,775
Profits (Losses) on trading	556	222	-1	777
Income from insurance business	834	85	-	919
Other operating income (expenses)	22	-36	1	-13
Operating income	**13,366**	**2,915**	**617**	**16,898**
Personnel expenses	-4,400	-551	-141	-5,092
Other administrative expenses	-2,228	-473	-68	-2,769
Adjustments to property, equipment and intangible assets	-571	-103	-9	-683
Operating costs	**-7,199**	**-1,127**	**-218**	**-8,544**
Operating margin	**6,167**	**1,788**	**399**	**8,354**
Net provisions for risks and charges	-298	-238	-6	-542
Net adjustments to loans	-4,030	-430	-78	-4,538
Net impairment losses on other assets	-183	-43	-1	-227
Profits (Losses) on investments held to maturity and on other investments	391	-3	-	388
Income (Loss) before tax from continuing operations	**2,047**	**1,074**	**314**	**3,435**
Taxes on income from continuing operations	-1,382	-374	-25	-1,781
Charges (net of tax) for integration and exit incentives	-101	-	-2	-103
Effect of purchase price allocation (net of tax)	-172	-21	-	-193
Impairment (net of tax) of goodwill and other intangible assets	-	-	-	-
Income (Loss) after tax from discontinued operations	-	-48	-	-48
Minority interests	-7	-37	-15	-59
Net income (loss)	**385**	**594**	**272**	**1,251**

Breakdown by geographical area: balance sheet figures as at 31 December 2014[(a)]

(millions of euro)

	Italy	Europe	Rest of the world	Total
Loans to customers	293,509	35,239	10,357	339,105
Direct deposits from banking business	306,507	43,732	9,390	359,629

Breakdown by geographical area is carried out with reference to the country of residence of Group entities.

[(a)] Figures from the reclassified forms as described in the Report on operations, to which reference should be made for comparison with the previous year.

Breakdown by business area: 2014 income statement figures restated to account for the new business units[a]

(millions of euro)

	Banca dei Territori	Corporate and Investment Banking	International Subsidiary Banks	Private Banking	Asset Management	Insurance	Corporate Centre (b)	Total
Net interest income	5,520	1,792	1,440	219	1	-	-598	8,374
Dividends and profits (losses) on investments carried at equity	-	24	43	10	38	-	-49	66
Net fee and commission income	3,976	815	521	1,199	501	-	-237	6,775
Profits (Losses) on trading	53	565	122	31	6	-	-	777
Income from insurance business	-	-	-	-	-	930	-11	919
Other operating income (expenses)	41	-	-97	-3	1	1	44	-13
Operating income	**9,590**	**3,196**	**2,029**	**1,456**	**547**	**931**	**-851**	**16,898**
Personnel expenses	-2,950	-351	-554	-286	-59	-59	-833	-5,092
Other administrative expenses	-2,053	-524	-386	-225	-70	-89	578	-2,769
Adjustments to property, equipment and intangible assets	-5	-3	-105	-14	-1	-3	-552	-683
Operating costs	**-5,008**	**-878**	**-1,045**	**-525**	**-130**	**-151**	**-807**	**-8,544**
Operating margin	**4,582**	**2,318**	**984**	**931**	**417**	**780**	**-1,658**	**8,354**
Net provisions for risks and charges	-60	-4	-55	-89	1	-	-335	-542
Net adjustments to loans	-2,856	-478	-377	-1	-	-	-826	-4,538
Net impairment losses on other assets	-3	-57	-28	-	-	-1	-138	-227
Profits (Losses) on investments held to maturity and on other investments	-	90	-1	-	-	-	299	388
Income (Loss) before tax from continuing operations	**1,663**	**1,869**	**523**	**841**	**418**	**779**	**-2,658**	**3,435**
Taxes on income from continuing operations	-648	-572	-144	-248	-101	-240	172	-1,781
Charges (net of tax) for integration and exit incentives	-81	-3	-3	-7	-1	-1	-7	-103
Effect of purchase price allocation (net of tax)	-32	-	-	-87	-38	-36	-	-193
Impairment (net of tax) of goodwill and other intangible assets	-	-	-	-	-	-	-	-
Income (Loss) after tax from discontinued operations	-	-	-	-	-	-	-48	-48
Minority interests	-	-	-	-	-8	-	-51	-59
Net income (loss)	**902**	**1,294**	**376**	**499**	**270**	**502**	**-2,592**	**1,251**

Breakdown by business area: balance sheet figures as at 31 December 2014 restated to account for the new business units[a]

(millions of euro)

	Banca dei Territori	Corporate and Investment Banking	International Subsidiary Banks	Private Banking	Asset Management	Insurance	Corporate Centre (b)	Total
Loans to customers	188,300	83,054	25,074	7,614	473	13	34,577	339,105
Direct deposits from banking business	162,412	97,400	31,078	22,825	9	182	45,723	359,629

[a] Figures from the reclassified forms as described in the Report on operations.

[b] Netting between segments is reported by the Corporate Centre.

Certification of the consolidated financial statements pursuant to Art. 154 bis of Legislative Decree 58/1998

1. The undersigned Carlo Messina (as Managing Director and CEO) and Ernesto Riva (as Manager responsible for preparing the Company's financial reports) of Intesa Sanpaolo, taking into account the provisions of Article 154-bis, par. 3 and 4 of Legislative Decree 58 of 24 February 1998, do hereby certify to:
   - the adequacy in relation to the Company's features and
   - the actual application

   of the administrative and accounting procedures employed to draw up the consolidated financial statements during 2014.

2. Verification of the appropriateness and effective application of the administrative and accounting procedures employed to draw up the consolidated financial statements as at 31 December 2014 was based on methods defined by Intesa Sanpaolo consistently with the COSO and – as to the IT component – COBIT models, which are internationally accepted frameworks for internal control systems[11].

3. The undersigned also certify that:

   3.1 The Consolidated financial statements as at 31 December 2014:
   - have been prepared in compliance with applicable international accounting standards recognised by the European Community pursuant to European Parliament and Council Regulation 1606/2002 of 19 July 2002;
   - correspond to the results of the books and accounts;
   - give a true and fair presentation of the assets, liabilities, profit or loss and financial position of the issuer and of the companies included in the scope of consolidation.

   3.2 The report on operations includes a fair review of the development and operating margin, as well as of the position of the issuer and the companies included in the consolidation, together with a description of the main risks and uncertainties that they face.

3 March 2015

Carlo Messina
Managing Director and CEO

Ernesto Riva
Manager responsible for preparing the Company's financial reports

[11] The COSO Framework was prepared by the Committee of Sponsoring Organizations of the Treadway Commission, the U.S. organisation dedicated to improving the quality of financial reporting through ethical standards and an effective system for corporate governance and organisation. The COBIT Framework - Control OBjectives for IT and related technology is a set of rules prepared by the IT Governance Institute, the U.S. organisation whose aim is to define and improve the standards of corporate IT.

Independent Auditors' Report on the Consolidated financial statements

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(Translation from the Italian original which remains the definitive version)

Report of the auditors in accordance with articles 14 and 16 of Legislative decree no. 39 of 27 January 2010

To the shareholders of
Intesa Sanpaolo S.p.A.

1 We have audited the consolidated financial statements of the Intesa Sanpaolo Group as at and for the year ended 31 December 2014, comprising the consolidated balance sheet, consolidated income statement, statement of consolidated comprehensive income, statement of changes in consolidated shareholders' equity, consolidated statement of cash flows and notes thereto. The parent's management board is responsible for the preparation of these financial statements in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05. Our responsibility is to express an opinion on these financial statements based on our audit.

2 We conducted our audit in accordance with the auditing standards recommended by Consob, the Italian Commission for Listed Companies and the Stock Exchange. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement and are, as a whole, reliable. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management board. We believe that our audit provides a reasonable basis for our opinion.

The consolidated financial statements present the prior year corresponding figures for comparative purposes. As disclosed in the notes, the parent's management board restated some of the corresponding figures included in the prior year consolidated financial statements. We audited such consolidated financial statements and issued our report thereon on 12 March 2015. We have examined the methods used to restate the prior year corresponding figures and related disclosures for the purposes of expressing an opinion on the consolidated financial statements at 31 December 2014.

3 In our opinion, the consolidated financial statements of the Intesa Sanpaolo Group as at and for the year ended 31 December 2014 comply with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05. Therefore, they are clearly stated and give a true and fair view of the financial position of the Intesa Sanpaolo Group as at 31 December 2014, the results of its operations and its cash flows for the year then ended.

4 The management board of Intesa Sanpaolo S.p.A. is responsible for the preparation of a directors' report on the financial statements and a report on the corporate governance and shareholding structure in accordance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the directors' report and the information required by article 123-bis.1.c/d/f/l/m and article 123-bis.2.b of Legislative decree no. 58/98 disclosed in the report on the corporate governance and shareholding structure with the financial statements to which they refer, as required by the law. For this purpose, we have performed the procedures required by the Italian Standard on Auditing 001 issued by the Italian Accounting Profession and recommended by Consob. In our opinion, the directors' report and the information required by article 123-bis.1.c/d/f/l/m and article 123-bis.2.b of Legislative decree no. 58/98 disclosed in the report on the corporate governance and shareholding structure are consistent with the consolidated financial statements of the Intesa Sanpaolo Group as at and for the year ended 31 December 2014.

Milan, 12 March 2015

KPMG S.p.A.

(signed on the original)

Domenico Fumagalli
Director

Attachments to the Consolidated Financial Statements

Consolidated reconciliation statements

Reconciliation between published consolidated financial statements and adjusted consolidated financial statements

Reconciliation between published consolidated balance sheet as at 31 December 2013 and adjusted consolidated balance sheet as at 31 December 2013

Reconciliation between published consolidated income statement for 2013 and adjusted consolidated income statement for 2013

Reconciliation between adjusted consolidated financial statements and restated consolidated financial statements

Reconciliation between adjusted consolidated balance sheet as at 31 December 2013 and restated consolidated balance sheet as at 31 December 2013

Reconciliation between adjusted consolidated income statement for 2013 and restated consolidated income statement for 2013

Restated consolidated financial statements

Restated consolidated balance sheet

Restated consolidated income statement

Reconciliation between restated consolidated financial statements and reclassified consolidated financial statements

Reconciliation between restated consolidated balance sheet and reclassified consolidated balance sheet

Reconciliation between restated consolidated income statement and reclassified consolidated income statement

Other Attachments

List of the IAS/IFRS endorsed by the European Commission as at 31 December 2014

Reconciliation between published consolidated financial statements and adjusted consolidated financial statements

Reconciliation between published consolidated balance sheet as at 31 December 2013 and adjusted consolidated balance sheet as at 31 December 2013

(millions of euro)

Assets		**31.12.2013** Published (*)	**Effects of IFRS 10 application**	**31.12.2013** Adjusted
10.	Cash and cash equivalents	6,525	-	6,525
20.	Financial assets held for trading	49,013	-13	49,000
30.	Financial assets designated at fair value through profit and loss	37,655	-1,894	35,761
40.	Financial assets available for sale	115,302	-	115,302
50.	Investments held to maturity	2,051	-	2,051
60.	Due from banks	26,673	-192	26,481
70.	Loans to customers	343,991	32	344,023
80.	Hedging derivatives	7,534	-	7,534
90.	Fair value change of financial assets in hedged portfolios (+/-)	69	-	69
100.	Investments in associates and companies subject to joint control	1,991	-	1,991
110.	Technical insurance reserves reassured with third parties	14	-	14
120.	Property and equipment	5,056	-	5,056
130.	Intangible assets	7,471	-	7,471
	of which			
	- goodwill	3,899	-	*3,899*
140.	Tax assets	14,921	-	14,921
	a) current	3,942	-	*3,942*
	b) deferred	10,979	-	*10,979*
	- of which convertible into tax credit (Law no. 214/2011)	8,644	-	*8,644*
150.	Non-current assets held for sale and discontinued operations	108	-	108
160.	Other assets	7,909	-37	7,872
Total Assets		**626,283**	**-2,104**	**624,179**

(*) Figures originally published in the Annual Report 2013.

(millions of euro)

Liabilities and Shareholders' Equity		31.12.2013 Published (*)	Effects of IFRS 10 application	31.12.2013 Adjusted
10.	Due to banks	52,244	-	52,244
20.	Due to customers	228,890	167	229,057
30.	Securities issued	138,051	146	138,197
40.	Financial liabilities held for trading	39,268	-49	39,219
50.	Financial liabilities designated at fair value through profit and loss	30,733	-	30,733
60.	Hedging derivatives	7,590	-	7,590
70.	Fair value change of financial liabilities in hedged portfolios (+/-)	1,048	-	1,048
80.	Tax liabilities	2,236	-	2,236
	a) current	*897*	-	*897*
	b) deferred	*1,339*	-	*1,339*
90.	Liabilities associated with non-current assets held for sale and discontinued operations	-	-	-
100.	Other liabilities	14,690	-2,373	12,317
110.	Employee termination indemnities	1,341	-	1,341
120.	Allowances for risks and charges	2,898	-	2,898
	a) post employment benefits	*738*	-	*738*
	b) other allowances	*2,160*	-	*2,160*
130.	Technical reserves	62,236	-	62,236
140.	Valuation reserves	-1,074	-	-1,074
150.	Reimbursable shares	-	-	-
160.	Equity instruments	-	-	-
170.	Reserves	10,721	-	10,721
180.	Share premium reserve	30,934	-	30,934
190.	Share capital	8,546	-	8,546
200.	Treasury shares (-)	-62	5	-57
210.	Minority interests (+/-)	543	-	543
220.	Net income (loss)	-4,550	-	-4,550
Total Liabilities and Shareholders' Equity		**626,283**	**-2,104**	**624,179**

(*) Figures originally published in the Annual Report 2013.

Reconciliation between published consolidated income statement for 2013 and adjusted consolidated income statement for 2013

(millions of euro)

	2013 Published (*)	Effects of IFRS 10 application	Effects of IFRS 5 application (a)	2013 Adjusted
10. Interest and similar income	17,403	-294	-33	17,076
20. Interest and similar expense	-7,518	-8	30	-7,496
30. Interest margin	**9,885**	**-302**	**-3**	**9,580**
40. Fee and commission income	7,435	107	-18	7,524
50. Fee and commission expense	-1,606	1	1	-1,604
60. Net fee and commission income	**5,829**	**108**	**-17**	**5,920**
70. Dividend and similar income	250	-34	-	216
80. Profits (Losses) on trading	597	-3	-3	591
90. Fair value adjustments in hedge accounting	-28	-	-	-28
100. Profits (Losses) on disposal or repurchase of	728	-	-	728
a) loans	*1*	-	-	*1*
b) financial assets available for sale	*739*	-	-	*739*
c) investments held to maturity	*-2*	-	-	*-2*
d) financial liabilities	*-10*	-	-	*-10*
110. Profits (Losses) on financial assets and liabilities designated at fair value	492	235	-	727
120. Net interest and other banking income	**17,753**	**4**	**-23**	**17,734**
130. Net losses / recoveries on impairment	-7,005	-	1	-7,004
a) loans	*-6,597*	-	*1*	*-6,596*
b) financial assets available for sale	*-296*	-	-	*-296*
c) investments held to maturity	-	-	-	-
d) other financial activities	*-112*	-	-	*-112*
140. Net income from banking activities	**10,748**	**4**	**-22**	**10,730**
150. Net insurance premiums	11,921	-	-	11,921
160. Other net insurance income (expense)	-13,750	-9	-	-13,759
170. Net income from banking and insurance activities	**8,919**	**-5**	**-22**	**8,892**
180. Administrative expenses	-8,504	5	41	-8,458
a) personnel expenses	*-4,976*	-	*25*	*-4,951*
b) other administrative expenses	*-3,528*	*5*	*16*	*-3,507*
190. Net provisions for risks and charges	-319	-	-	-319
200. Net adjustments to / recoveries on property and equipment	-382	-	4	-378
210. Net adjustments to / recoveries on intangible assets	-2,838	-	4	-2,834
220. Other operating expenses (income)	643	-	-	643
230. Operating expenses	**-11,400**	**5**	**49**	**-11,346**
240. Profits (Losses) on investments in associates and companies subject to joint control	2,326	-	-	2,326
250. Valuation differences on property, equipment and intangible assets measured at fair value	-	-	-	-
260. Goodwill impairment	-4,676	-	-	-4,676
270. Profits (Losses) on disposal of investments	15	-	-	15
280. Income (Loss) before tax from continuing operations	**-4,816**	**-**	**27**	**-4,789**
290. Taxes on income from continuing operations	259	-	4	263
300. Income (Loss) after tax from continuing operations	**-4,557**	**-**	**31**	**-4,526**
310. Income (Loss) after tax from discontinued operations	-	-	-31	-31
320. Net income (loss)	**-4,557**	**-**	**-**	**-4,557**
330. Minority interests	7	-	-	7
340. Parent Company's net income (loss)	**-4,550**	**-**	**-**	**-4,550**

(*) Figures originally published in the Annual Report 2013

(a) Economic results for 2013 of the Ukraininan subsidiary Pravex Bank, the Parent Company's sale of which will be finalised in 2015.

Reconciliation between adjusted consolidated financial statements and restated consolidated financial statements

Reconciliation between adjusted consolidated balance sheet as at 31 December 2013 and restated consolidated balance sheet as at 31 December 2013

(millions of euro)

Assets		31.12.2013 Adjusted	Discontinued operations (a)	31.12.2013 Restated
10.	Cash and cash equivalents	6,525	-62	6,463
20.	Financial assets held for trading	49,000	-	49,000
30.	Financial assets designated at fair value through profit and loss	35,761	-	35,761
40.	Financial assets available for sale	115,302	-9	115,293
50.	Investments held to maturity	2,051	-	2,051
60.	Due from banks	26,481	-33	26,448
70.	Loans to customers	344,023	-234	343,789
80.	Hedging derivatives	7,534	-	7,534
90.	Fair value change of financial assets in hedged portfolios (+/-)	69	-	69
100.	Investments in associates and companies subject to joint control	1,991	-82	1,909
110.	Technical insurance reserves reassured with third parties	14	-	14
120.	Property and equipment	5,056	-29	5,027
130.	Intangible assets	7,471	-20	7,451
	of which			
	- goodwill	*3,899*	-	*3,899*
140.	Tax assets	14,921	-	14,921
	a) current	*3,942*	-	*3,942*
	b) deferred	*10,979*	-	*10,979*
	- of which convertible into tax credit (Law no. 214/2011)	*8,644*	-	*8,644*
150.	Non-current assets held for sale and discontinued operations	108	475	583
160.	Other assets	7,872	-6	7,866
Total Assets		**624,179**	**-**	**624,179**

[a] Restatement of discontinued operations, in accordance with reclassifications made in the Income Statement under IFRS 5 instructions. The item refers mainly to the Parent Company's sale of the Ukrainian subsidiary Pravex Bank, to be finalised in 2015, and of the associate Laurosessantuno.

(millions of euro)

Liabilities and Shareholders' Equity		31.12.2013 Adjusted	Discontinued operations (a)	31.12.2013 Restated
10.	Due to banks	52,244	-	52,244
20.	Due to customers	229,057	-280	228,777
30.	Securities issued	138,197	-	138,197
40.	Financial liabilities held for trading	39,219	-	39,219
50.	Financial liabilities designated at fair value through profit and loss	30,733	-	30,733
60.	Hedging derivatives	7,590	-	7,590
70.	Fair value change of financial liabilities in hedged portfolios (+/-)	1,048	-	1,048
80.	Tax liabilities	2,236	-	2,236
	a) current	*897*	-	*897*
	b) deferred	*1,339*	-	*1,339*
90.	Liabilities associated with non-current assets held for sale and discontinued operations	-	292	292
100.	Other liabilities	12,317	-12	12,305
110.	Employee termination indemnities	1,341	-	1,341
120.	Allowances for risks and charges	2,898	-	2,898
	a) post employment benefits	*738*	-	*738*
	b) other allowances	*2,160*	-	*2,160*
130.	Technical reserves	62,236	-	62,236
140.	Valuation reserves	-1,074	-	-1,074
150.	Redeemable shares	-	-	-
160.	Equity instruments	-	-	-
170.	Reserves	10,721	-	10,721
180.	Share premium reserve	30,934	-	30,934
190.	Share capital	8,546	-	8,546
200.	Treasury shares (-)	-57	-	-57
210.	Minority interests (+/-)	543	-	543
220.	Net income (loss)	-4,550	-	-4,550
Total Liabilities and Shareholders' Equity		**624,179**	**-**	**624,179**

[(a)] Restatement of discontinued operations, in accordance with reclassifications made in the Income Statement under IFRS 5 instructions. The item refers mainly to the Parent Company's sale of the Ukrainian subsidiary Pravex Bank, to be finalised in 2015.

Reconciliation between adjusted consolidated income statement for 2013 and restated consolidated income statement for 2013

The adjusted consolidated income statement for 2013 did not require restatement.

Restated consolidated financial statements

Restated consolidated balance sheet

(millions of euro)

Assets		31.12.2014	31.12.2013 restated	Changes amount	%
10.	Cash and cash equivalents	6,631	6,463	168	2.6
20.	Financial assets held for trading	53,741	49,000	4,741	9.7
30.	Financial assets designated at fair value through profit and loss	43,863	35,761	8,102	22.7
40.	Financial assets available for sale	124,150	115,293	8,857	7.7
50.	Investments held to maturity	1,471	2,051	-580	-28.3
60.	Due from banks	31,372	26,448	4,924	18.6
70.	Loans to customers	339,105	343,789	-4,684	-1.4
80.	Hedging derivatives	9,210	7,534	1,676	22.2
90.	Fair value change of financial assets in hedged portfolios (+/-)	59	69	-10	-14.5
100.	Investments in associates and companies subject to joint control	1,944	1,909	35	1.8
110.	Technical insurance reserves reassured with third parties	27	14	13	92.9
120.	Property and equipment	4,884	5,027	-143	-2.8
130.	Intangible assets	7,243	7,451	-208	-2.8
	of which				
	- goodwill	*3,899*	*3,899*	*-*	*-*
140.	Tax assets	14,431	14,921	-490	-3.3
	a) current	*3,021*	*3,942*	*-921*	*-23.4*
	b) deferred	*11,410*	*10,979*	*431*	*3.9*
	- of which convertible into tax credit (Law no. 214/2011)	*8,824*	*8,644*	*180*	*2.1*
150.	Non-current assets held for sale and discontinued operations	229	583	-354	-60.7
160.	Other assets	8,067	7,866	201	2.6
Total Assets		**646,427**	**624,179**	**22,248**	**3.6**

(millions of euro)

Liabilities and Shareholders' Equity		31.12.2014	31.12.2013	Changes	
			restated	amount	%
10.	Due to banks	51,495	52,244	-749	-1.4
20.	Due to customers	230,738	228,777	1,961	0.9
30.	Securities issued	123,768	138,197	-14,429	-10.4
40.	Financial liabilities held for trading	46,376	39,219	7,157	18.2
50.	Financial liabilities designated at fair value through profit and loss	37,622	30,733	6,889	22.4
60.	Hedging derivatives	10,300	7,590	2,710	35.7
70.	Fair value change of financial liabilities in hedged portfolios (+/-)	1,449	1,048	401	38.3
80.	Tax liabilities	2,323	2,236	87	3.9
	a) current	*662*	*897*	*-235*	*-26.2*
	b) deferred	*1,661*	*1,339*	*322*	*24.0*
90.	Liabilities associated with non-current assets held for sale and discontinued operations	201	292	-91	-31.2
100.	Other liabilities	12,119	12,305	-186	-1.5
110.	Employee termination indemnities	1,480	1,341	139	10.4
120.	Allowances for risks and charges	3,793	2,898	895	30.9
	a) post employment benefits	*1,167*	*738*	*429*	*58.1*
	b) other allowances	*2,626*	*2,160*	*466*	*21.6*
130.	Technical reserves	79,701	62,236	17,465	28.1
140.	Valuation reserves	-1,622	-1,074	548	51.0
150.	Redeemable shares	-	-	-	
160.	Equity instruments	-	-	-	
170.	Reserves	9,054	10,721	-1,667	-15.5
180.	Share premium reserve	27,349	30,934	-3,585	-11.6
190.	Share capital	8,725	8,546	179	2.1
200.	Treasury shares (-)	-74	-57	17	29.8
210.	Minority interests (+/-)	379	543	-164	-30.2
220.	Net income (loss)	1,251	-4,550	5,801	
Total Liabilities and Shareholders' Equity		**646,427**	**624,179**	**22,248**	**3.6**

Restated consolidated income statement

The consolidated income statement did not require restatement.

Reconciliation between restated consolidated financial statements and reclassified consolidated financial statements

Reconciliation between restated consolidated balance sheet and reclassified consolidated balance sheet

(millions of euro)

Captions of the reclassified consolidated balance sheet - Assets	Captions of the consolidated balance sheet - Assets	31.12.2014	31.12.2013 restated
Financial assets held for trading		53,741	49,000
	Caption 20 - Financial assets held for trading	*53,741*	*49,000*
Financial assets designated at fair value through profit and loss		43,863	35,761
	Caption 30 - Financial assets designated at fair value through profit and loss	*43,863*	*35,761*
Financial assets available for sale		124,150	115,293
	Caption 40 - Financial assets available for sale	*124,150*	*115,293*
Investments held to maturity		1,471	2,051
	Caption 50 - Investments held to maturity	*1,471*	*2,051*
Due from banks		31,372	26,448
	Caption 60 - Due from banks	*31,372*	*26,448*
Loans to customers		339,105	343,789
	Caption 70 - Loans to customers	*339,105*	*343,789*
Investments in associates and companies subject to joint control		1,944	1,909
	Caption 100 - Investments in associates and companies subject to joint control	*1,944*	*1,909*
Property, equipment and intangible assets		12,127	12,478
	Caption 120 - Property and equipment	*4,884*	*5,027*
	+ Caption 130 - Intangible assets	*7,243*	*7,451*
Tax assets		14,431	14,921
	Caption 140 - Tax assets	*14,431*	*14,921*
Non-current assets held for sale and discontinued operations		229	583
	Caption 150 - Non-current assets held for sale and discontinued operations	*229*	*583*
Other assets		23,994	21,946
	Caption 10 - Cash and cash equivalents	*6,631*	*6,463*
	+ Caption 160 - Other assets	*8,067*	*7,866*
	+ Caption 110 - Technical insurance reserves reassured with third parties	*27*	*14*
	+ Caption 80 - Hedging derivatives	*9,210*	*7,534*
	+ Caption 90 - Fair value change of financial assets in hedged portfolios	*59*	*69*
Total Assets	**Total Assets**	**646,427**	**624,179**

Captions of the reclassified consolidated balance sheet Liabilities and Shareholders' Equity	Captions of the consolidated balance sheet - Liabilities and Shareholders' Equity	31.12.2014	31.12.2013 restated
Due to banks		51,495	52,244
	Caption 10 - Due to banks	*51,495*	*52,244*
Due to customers and securities issued		354,506	366,974
	Caption 20 - Due to customers	*230,738*	*228,777*
	+ Caption 30 - Securities issued	*123,768*	*138,197*
Financial liabilities held for trading		46,376	39,219
	Caption 40 - Financial liabilities held for trading	*46,376*	*39,219*
Financial liabilities designated at fair value through profit and loss		37,622	30,733
	Caption 50 - Financial liabilities designated at fair value through profit and loss	*37,622*	*30,733*
Tax liabilities		2,323	2,236
	Caption 80 - Tax liabilities	*2,323*	*2,236*
Liabilities associated with non-current assets held for sale and discontinued operations		201	292
	Caption 90 - Liabilities associated with non-current assets held for sale and discontinued operations	*201*	*292*
Other liabilities		23,868	20,943
	Caption 100 - Other liabilities	*12,119*	*12,305*
	+ Caption 60 - Hedging derivatives	*10,300*	*7,590*
	+ Caption 70 - Fair value change of financial liabilities in hedged portfolios	*1,449*	*1,048*
Technical reserves		79,701	62,236
	Caption 130 - Technical reserves	*79,701*	*62,236*
Allowances for specific purpose		5,273	4,239
	Caption 110 - Employee termination indemnities	*1,480*	*1,341*
	Caption 120 - Allowances for risks and charges	*3,793*	*2,898*
Share capital		8,725	8,546
	Caption 190 - Share capital	*8,725*	*8,546*
Reserves (net of treasury shares)		36,329	41,598
	Caption 170 - Reserves	*9,054*	*10,721*
	Caption 180 - Share premium reserve	*27,349*	*30,934*
	– Caption 200 - Treasury shares	*-74*	*-57*
Valuation reserves		-1,622	-1,074
	Caption 140 - Valuation reserves	*-1,622*	*-1,074*
Minority interests		379	543
	Caption 210 - Minority interests	*379*	*543*
Net income (loss)		1,251	-4,550
	Caption 220 - Net income (loss)	*1,251*	*-4,550*
Total Liabilities and Shareholders' Equity	**Total Liabilities and Shareholders' Equity**	**646,427**	**624,179**

Reconciliation between restated consolidated income statement and reclassified consolidated income statement

(millions of euro)

Captions of the reclassified consolidated income statement	Captions of the consolidated income statement	2014	2013 Restated
Net interest income		8,374	8,110
	Caption 30 - Interest margin	*9,817*	*9,580*
	- Caption 30 (partial) - Contribution of insurance business	*-2,062*	*-1,952*
	- Caption 30 (partial) - Interest margin (Effect of purchase price allocation)	*15*	*27*
	- Caption 30 (partial) - Interest margin (Fiscal settlement)	*-*	*-*
	+ Caption 80 (partial) - Components of the profits (losses) on trading relating to net interest	*182*	*126*
	+ Caption 100 a) (partial) - Components of the profits (losses) on disposal of loans relating to net interest income	*3*	*-*
	+ Caption 130 a) (partial) - Net losses/recoveries on impairment of loans (Time value loans)	*494*	*405*
	+ Caption 180 a) (partial) - Personnel expenses (Time value employee termination indemnities and other)	*-71*	*-71*
	+ Caption 190 (partial) - Net provisions for risks and charges (Time value allowances for risks and charges)	*-4*	*-5*
Dividends and profits (losses) on investments in associates and companies subject to joint control (carried at equity)		66	-49
	Caption 70 - Dividend and similar income	*315*	*216*
	- Caption 70 (partial) - Contribution of insurance business	*-89*	*-65*
	- Caption 70 (partial) - Dividend and similar income on shares available for sale and held for trading	*-226*	*-121*
	+ Caption 240 (partial) - Profits (Losses) on investments in associates and companies subject to joint control (carried at equity)	*66*	*-79*
Net fee and commission income		6,775	6,132
	Caption 60 - Net fee and commission income	*6,467*	*5,920*
	- Caption 60 (partial) - Contribution of insurance business	*324*	*312*
	+ Caption 180 b) (partial) - Other administrative expenses (Recovery of other expenses)	*-16*	*-17*
	+ Caption 80 (partial) - Components of the profits (losses) on trading relating to net fee and commission interest	*-*	*-83*
Profits (Losses) on trading		777	1,159
	Caption 80 - Profits (Losses) on trading	*210*	*591*
	+ Caption 90 - Fair value adjustments in hedge accounting	*-139*	*-28*
	+ Caption 100 b) - Profits (Losses) on disposal or repurchase of financial assets available for sale	*1,271*	*739*
	+ Caption 100 d) - Profits (Losses) on disposal or repurchase of financial liabilities	*-283*	*-10*
	+ Caption 110 - Profits (Losses) on financial assets and liabilities designated at fair value	*971*	*727*
	+ Caption 70 (partial) - Dividend and similar income on shares available for sale and held for trading	*226*	*121*
	- Caption 80 (partial) - Components of the profits (losses) on trading relating to net interest	*-182*	*-126*
	- Caption 80 (partial) - Components of the profits (losses) on trading relating to net fee and commission interest	*-*	*83*
	- Caption 80 (partial) - Contribution of insurance business	*-1,297*	*-938*
Income from insurance business		919	790
	Caption 150 - Net insurance premiums	*16,600*	*11,921*
	+ Caption 160 - Other net insurance income (expense)	*-18,805*	*-13,759*
	+ Caption 30 (partial) - Contribution of insurance business	*2,062*	*1,952*
	+ Caption 60 (partial) - Contribution of insurance business	*-324*	*-312*
	+ Caption 70 (partial) - Contribution of insurance business	*89*	*65*
	+ Caption 80 (partial) - Contribution of insurance business	*1,297*	*938*
	- Caption 160 (partial) - Other net insurance income (expense) - changes in technical reserves due to impairment of securities AFS	*-*	*-15*
Other operating income (expenses)		-13	106
	Caption 220 - Other operating income (expenses)	*720*	*643*
	- Caption 220 (partial) - Other operating income (expenses) (Recovery of expenses)	*-14*	*-10*
	- Caption 220 (partial) - Other operating income (expenses) (Recovery of indirect taxes)	*-737*	*-640*
	- Caption 220 (partial) - Other operating income (expenses) (Fiscal settlement)	*-*	*-*
	- Caption 220 (partial) - Other operating income (expenses) (Impairment losses on repurchased property and equipment)	*18*	*102*
	- Caption 220 (partial) - Other operating income (expenses) (Profits (losses) on disposal of repurchased property and equipment)	*-*	*11*
Operating income		**16,898**	**16,248**
Personnel expenses		-5,092	-4,802
	Caption 180 a) - Personnel expenses	*-5,268*	*-4,951*
	- Caption 180 a) (partial) - Personnel expenses (Charges for integration and exit incentives)	*105*	*78*
	- Caption 180 a) (partial) - Personnel expenses (Time value employee termination indemnities and other)	*71*	*71*
Other administrative expenses		-2,769	-2,807
	Caption 180 b) - Other administrative expenses	*-3,574*	*-3,507*
	- Caption 180 b) (partial) - Other administrative expenses (Charges for integration)	*38*	*33*
	- Caption 180 b) (partial) - Other administrative expenses (Recovery of expenses on mortgage documentation)	*16*	*17*
	+ Caption 220 (partial) - Other operating income (expenses) (Recovery of indirect taxes)	*737*	*640*
	+ Caption 220 (partial) - Other operating income (expenses) (Recovery of expenses)	*14*	*10*
Adjustments to property, equipment and intangible assets		-683	-689
	Caption 200 - Net adjustments to/recoveries on property and equipment	*-342*	*-378*
	+ Caption 210 - Net adjustments to/recoveries on intangible assets	*-631*	*-2,834*
	- Caption 200 (partial) - Net adjustments to/recoveries on property and equipment (Charges for integration)	*3*	*4*
	- Caption 210 (partial) - Net adjustments to/recoveries on intangible assets (Charges for integration)	*-*	*-*
	- Caption 200 (partial) - Net adjustments to/recoveries on property and equipment (Impairment)	*15*	*31*
	- Caption 210 (partial) - Net adjustments to/recoveries on intangible assets (Impairment)	*8*	*2*
	- Caption 210 (partial) - Net adjustments to/recoveries on intangible assets (Impairment - Intangible assets)	*-*	*2,083*
	- Caption 200 (partial) - Net adjustments to/recoveries on property and equipment (Effect of purchase price allocation)	*-18*	*-20*
	- Caption 210 (partial) - Net adjustments to/recoveries on intangible assets (Effect of purchase price allocation)	*282*	*423*
Operating costs		**-8,544**	**-8,298**
Operating margin		**8,354**	**7,950**

(millions of euro)

Captions of the reclassified consolidated income statement	Captions of the consolidated income statement	2014	2013 Restated
Operating margin		**8,354**	**7,950**
Net provisions for risks and charges		-542	-314
	Caption 190 - Net provisions for risks and charges	-546	-319
	- Caption 190 (partial) - Net provisions for risks and charges (Charges for integration)	-	-
	charges)	4	5
	+ Caption 220 (partial) - Other operating income (expenses) (Recovery of expenses)	-	-
Net adjustments to loans		-4,538	-7,111
	Caption 100 a) - Profits (Losses) on disposal or repurchase of loans	86	1
	+ Caption 130 a) - Net losses/recoveries on impairment of loans	-4,102	-6,596
	- Caption 130 a) (partial) - Net losses/recoveries on impairment of loans (Time value loans)	-494	-405
	- Caption 130 a) (partial) - Reclassification of Greek government bonds impairment	-	-
	+ Caption 130 d) - Net losses/recoveries on impairment of other financial activities	-26	-112
	- Caption 100 a) (partial) - Components of the profits (losses) on disposal of loans relating to net interest income	-3	-
	- Caption 100 a) (partial) - Profits (Losses) on disposal or repurchase of loans (Effect of purchase price allocation)	1	1
Net impairment losses on other assets		-227	-417
	+ Caption 130 a) (partial) - Reclassification of Greek government bonds impairment	-	-
	+ Caption 130 b) - Net losses/recoveries on impairment of financial assets available for sale	-187	-296
	+ Caption 130 c) - Net losses/recoveries on impairment of investments held to maturity	1	-
	+ Caption 160 (partial) - Other net insurance income (expense) - changes in technical reserves due to impairment of securities AFS	-	15
	+ Caption 200 (partial) - Net adjustments to/recoveries on property and equipment (Impairment)	-15	-31
	- Caption 200 (partial) - Net adjustments to/recoveries on property and equipment (Impairment - Effect of purchase price allocation)	-	-1
	+ Caption 210 (partial) - Net adjustments to/recoveries on intangible assets (Impairment)	-8	-2
	- Caption 210 (partial) - Net adjustments to/recoveries on intangible assets (Impairment - Charges for integration)	-	-
	+ Caption 220 (partial) Other operating expenses (income) (Impairment losses on repurchased property and equipment)	-18	-102
	+ Caption 250 - Valuation differences on property, equipment and intangible assets measured at fair value	-	-
Profits (Losses) on investments held to maturity and on other investments		388	2,408
	Caption 100 c) - Profits (Losses) on disposal or repurchase of investments held to maturity	-	-2
	+ Caption 220 (partial) Other operating income (expenses) (Profits (losses) on disposal of repurchased property and equipment)	-	-11
	+ Caption 240 - Profits (Losses) on investments in associates and companies subject to joint control	340	2,326
	- Caption 240 (partial) - Profits (Losses) on investments in associates and companies subject to joint control (carried at	-66	79
	+ Caption 270 - Profits (Losses) on disposal of investments	114	15
	- Caption 270 (partial) - Profits (Losses) on disposal of investments (Effect of purchase price allocation)	-	1
Income (Loss) before tax from continuing operations		**3,435**	**2,516**
Taxes on income from continuing operations		-1,781	-871
	Caption 290 - Taxes on income from continuing operations	-1,651	263
	+ Caption 30 (partial) - Interest margin (Fiscal settlement)	-	-
	+ Caption 220 (partial) - Other operating income/expenses (Fiscal settlement)	-	-
	- Caption 290 (partial) - Taxes on income from continuing operations (Goodwill impairment)	-	-962
	- Caption 290 (partial) - Taxes on income from continuing operations (Charges for integration)	-43	-35
	- Caption 290 (partial) - Taxes on income from continuing operations (Effect of purchase price allocation)	-87	-137
Charges (net of tax) for integration and exit incentives		-103	-80
	+ Caption 180 a) (partial) - Personnel expenses (Charges for integration and exit incentives)	-105	-78
	+ Caption 180 b) (partial) - Other administrative expenses (Charges for integration)	-38	-33
	+ Caption 190 (partial) - Net provisions for risks and charges (Charges for integration)	-	-
	+ Caption 200 (partial) - Net adjustments to/recoveries on property and equipment (Impairment - Charges for integration)	-3	-4
	+ Caption 210 (partial) - Net adjustments to/recoveries on intangible assets (Charges for integration)	-	-
	+ Caption 210 (partial) - Net adjustments to/recoveries on intangible assets (Impairment - Charges for integration)	-	-
	+ Caption 290 (partial) - Taxes on income from continuing operations (Charges for integration)	43	35
Effect of purchase price allocation (net of tax)		-193	-294
	+ Caption 30 (partial) - Interest margin (Effect of purchase price allocation)	-15	-27
	+ Caption 200 (partial) - Net adjustments to/recoveries on property and equipment (Effect of purchase price allocation)	18	20
	+ Caption 200 (partial) - Net adjustments to/recoveries on property and equipment (Impairment - Effect of purchase price allocation)	-	1
	+ Caption 210 (partial) - Net adjustments to/recoveries on intangible assets (Effect of purchase price allocation)	-282	-423
	+ Caption 100 a) (partial) - Profits (Losses) on disposal or repurchase of loans (Effect of purchase price allocation)	-1	-1
	+ Caption 270 (partial) - Profits (Losses) on disposal of investments (Effect of purchase price allocation)	-	-1
	+ Caption 290 (partial) - Taxes on income from continuing operations (Effect of purchase price allocation)	87	137
Impairment (net of tax) of goodwill and other intangible assets		-	-5,797
	Caption 260 - Goodwill impairment	-	-4,676
	+ Caption 210 (partial) - Net adjustments to/recoveries on intangible assets (Impairment - Intangible assets)	-	-2,083
	+ Caption 290 (partial) - Taxes on income from continuing operations (Goodwill impairment)	-	962
Income (Loss) after tax from discontinued operations		-48	-31
	Caption 310 - Income (Loss) after tax from discontinued operations	-48	-31
Minority interests		-59	7
	Caption 330 - Minority interests	-59	7
Net income (loss)	**Caption 340 - Parent Company's net income (loss)**	**1,251**	**-4,550**

Other consolidated attachments

List of the IAS/IFRS endorsed by the European Commission as at 31 December 2014

ACCOUNTING STANDARDS		Regulation endorsement
IFRS 1	First-time Adoption of International Financial Reporting Standards	1126/2008 mod. 1260/2008 - 1274/2008 - 69/2009 - 70/2009 -254/2009 - 494/2009 - 495/2009 - 1136/2009 - 1164/2009 - 550/2010 - 574/2010 - 662/2010 - 149/2011 - 1205/2011 - 475/2012 - 1254/2012 - 1255/2012 - 183/2013 - 301/2013 -1174/2013
IFRS 2	Share-based Payment	1126/2008 mod. 1261/2008 - 495/2009 - 243/2010 - 244/2010 - 1254/2012 - 1255/2012
IFRS 3	Business Combinations	1126/2008 mod. 495/2009 - 149/2011 - 1254/2012 - 1255/2012 - 1174/2013 - 1361/2014 (*)
IFRS 4	Insurance Contracts	1126/2008 mod. 1274/2008 - 494/2009 - 1165/2009 - 1255/2012
IFRS 5	Non-current Assets Held for Sale and Discontinued Operations	1126/2008 mod. 1274/2008 - 70/2009 - 494/2009 - 1142/2009 - 243/2010 - 475/2012 - 1254/2012 - 1255/2012
IFRS 6	Exploration for and Evaluation of Mineral Resources	1126/2008
IFRS 7	Financial Instruments: Disclosures	1126/2008 mod. 1274/2008 - 53/2009 - 70/2009 - 495/2009 - 824/2009 - 1165/2009 - 574/2010 - 149/2011 - 1205/2011 - 475/2012 - 1254/2012 - 1255/2012 - 1256/2012 - 1174/2013
IFRS 8	Operating Segments	1126/2008 mod. 1274/2008 - 243/2010 - 632/2010 - 475/2012
IFRS 10	Consolidated Financial Statements	1254/2012 mod. 313/2013 - 1174/2013
IFRS 11	Joint Arrangements	1254/2012 mod. 313/2013
IFRS 12	Disclosure of Interests in Other Entities	1254/2012 mod. 313/2013 - 1174/2013
IFRS 13	Fair Value Measurement	1255/2012 mod. 1361/2014 (*)
IAS 1	Presentation of Financial Statements	1126/2008 mod. 1274/2008 - 53/2009 - 70/2009 - 494/2009 - 243/2010 - 149/2011 - 475/2012 - 1254/2012 - 1255/2012 - 301/2013
IAS 2	Inventories	1126/2008 mod. 70/2009 - 1255/2012
IAS 7	Statement of Cash Flows	1126/2008 mod. 1260/2008 - 1274/2008 - 70/2009 - 494/2009 - 243/2010 - 1254/2012 - 1174/2013
IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	1126/2008 mod. 1274/2008 - 70/2009 - 1255/2012
IAS 10	Events after the Reporting Period	1126/2008 mod. 1274/2008 - 70/2009 - 1142/2009 - 1255/2012
IAS 11	Construction Contracts	1126/2008 mod. 1260/2008 - 1274/2008
IAS 12	Income Taxes	1126/2008 mod. 1274/2008 - 495/2009 - 475/2012 - 1254/2012 - 1255/2012 - 1174/2013
IAS 16	Property, Plant and Equipment	1126/2008 mod. 1260/2008 - 1274/2008 - 70/2009 - 495/2009 - 1255/2012 - 301/2013
IAS 17	Leases	1126/2008 mod. 243/2010 - 1255/2012
IAS 18	Revenue	1126/2008 mod. 69/2009 - 1254/2012 - 1255/2012
IAS 19	Employee Benefits	1126/2008 mod. 1274/2008 - 70/2009 - 475/2012 - 1255/2012
IAS 20	Accounting for Government Grants and Disclosure of Government Assistance	1126/2008 mod. 1274/2008 - 70/2009 - 475/2012 - 1255/2012
IAS 21	The Effects of Changes in Foreign Exchange Rates	1126/2008 mod. 1274/2008 - 69/2009 - 494/2009 - 149/2011 - 475/2012 - 1254/2012 - 1255/2012
IAS 23	Borrowing costs	1126/2008 mod. 1260/2008 - 70/2009
IAS 24	Related Party Disclosures	1126/2008 mod. 1274/2008 - 632/2010 - 475/2012 - 1254/2012 - 1174/2013
IAS 26	Accounting and Reporting by Retirement Benefit Plans	1126/2008
IAS 27	Consolidated and Separate Financial Statements	1126/2008 mod. 1274/2008 - 69/2009 - 70/2009 - 494/2009 - 1254/2012 - 1174/2013
IAS 28	Investments in Associates	1126/2008 mod. 1274/2008 - 70/2009 - 494/2009 - 495/2009 - 1254/2012 - 1255/2012
IAS 29	Financial Reporting in Hyperinflationary Economies	1126/2008 mod. 1274/2008 - 70/2009
IAS 32	Financial Instruments: Presentation	1126/2008 mod. 1274/2008 - 53/2009 - 70/2009 - 494/2009 - 495/2009 - 1293/2009 - 475/2012 - 1254/2012 - 1255/2012 - 1256/2012 - 301/2013 - 1174/2013
IAS 33	Earnings per Share	1126/2008 mod. 1274/2008 - 494/2009 - 495/2009 - 475/2012 - 1254/2012 - 1255/2012
IAS 34	Interim Financial Reporting	1126/2008 mod. 1274/2008 - 70/2009 - 495/2009 - 149/2011 - 475/2012 - 1255/2012 - 301/2013 - 1174/2013
IAS 36	Impairment of Assets	1126/2008 mod. 1274/2008 - 69/2009 - 70/2009 - 495/2009 - 243/2010 - 1254/2012 - 1255/2012 - 1374/2013
IAS 37	Provisions, Contingent Liabilities and Contingent Assets	1126/2008 mod. 1274/2008 - 495/2009
IAS 38	Intangible Assets	1126/2008 mod. 1260/2008 - 1274/2008 - 70/2009 - 495/2009 - 243/2010 - 1254/2012 - 1255/2012
IAS 39	Financial Instruments: Recognition and Measurement (except for certain rules on hedge accounting)	1126/2008 mod. 1274/2008 - 53/2009 - 70/2009 - 494/2009 - 495/2009 - 824/2009 - 839/2009 - 1171/2009 - 243/2010 - 149/2011 - 1254/2012 - 1255/2012 - 1174/2013 - 1375/2013
IAS 40	Investment Property	1126/2008 mod. 1274/2008 - 70/2009 - 1255/2012 - 1361/2014 (*)
IAS 41	Agriculture	1126/2008 mod. 1274/2008 - 70/2009 - 1255/2012

(*) Companies apply this Regulation at the latest as of the first financial year starting after 1 January 2015.

INTERPRETATIONS		Regulation endorsement
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities	1126/2008 mod. 1260/2008 - 1274/2008
IFRIC 2	Members' Shares in Cooperative Entities and Similar Instruments	1126/2008 mod. 53/2009 - 1255/2012 - 301/2013
IFRIC 4	Determining whether an Arrangement contains a Lease	1126/2008 mod. 254/2009 - 1255/2012
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	1126/2008 mod. 1254/2012
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment	1126/2008
IFRIC 7	Applying the Restatement Approach under IAS 29 - Financial Reporting in Hyperinflationary Economies	1126/2008 mod. 1274/2008
IFRIC 9	Reassessment of Embedded Derivatives	1126/2008 mod. 495/2009 - 1171/2009 - 243/2010 - 1254/2012
IFRIC 10	Interim Financial Reporting and Impairment	1126/2008 mod. 1274/2008
IFRIC 12	Service Concession Arrangements	254/2009
IFRIC 13	Customer Loyalty Programmes	1262/2008 mod. 149/2011 - 1255/2012
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	1263/2008 mod. 1274/2008 - 633/2010 - 475/2012
IFRIC 15	Agreements for the Construction of Real Estate	636/2009
IFRIC 16	Hedges of a Net Investment in a Foreign Operation	460/2009 mod. 243/2010 - 1254/2012
IFRIC 17	Distributions of Non-cash Assets to Owners	1142/2009 mod. 1254/2012 - 1255/2012
IFRIC 18	Transfers of Assets from Customers	1164/2009
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	662/2010 mod. 1255/2012
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine	1255/2012
IFRIC 21	Levies	634/2014 (**)
SIC 7	Introduction of the Euro	1126/2008 mod. 1274/2008 - 494/2009
SIC 10	Government Assistance - No Specific Relation to Operating Activities	1126/2008 mod. 1274/2008
SIC 15	Operating Leases - Incentives	1126/2008 mod. 1274/2008
SIC 25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders	1126/2008 mod. 1274/2008
SIC 27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	1126/2008
SIC 29	Service Concession Arrangements: Disclosures	1126/2008 mod. 1274/2008 - 254/2009
SIC 31	Revenue - Barter Transactions Involving Advertising Services	1126/2008
SIC 32	Intangible Assets - Web Site Costs	1126/2008 mod. 1274/2008

(*) Companies apply this Regulation at the latest as of the first financial year starting after 17 June 2014.