Part F – Information on consolidated capital

SECTION 1 – CONSOLIDATED SHAREHOLDERS' EQUITY

A. Qualitative information

The control of Group and Group company capital adequacy is ensured by 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, the capital and financial resources are allocated to the 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 (Basel 2 and, in perspective, Basel 3) and operational Pillar 2 constraints. Projections are also produced under stress conditions in order to ensure that the resources available 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 in 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 from the Intesa Sanpaolo Group as at 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.
The Common Equity Tier 1 ratio requirements set by the ECB as part of the Comprehensive Assessment equals 8%.

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	**8,915**	**-**	**192**	**-192**	**8,915**	***369***
Ordinary shares	8,427	-	192	-192	8,427	*366*
Savings shares	488	-	-	-	488	*3*
Share premium reserve	**30,989**	**-**	**4**	**-4**	**30,989**	***55***
Reserves	**10,867**	**188**	**-202**	**14**	**10,867**	***146***
Legal reserve	1,709	-	-	-	1,709	-
Extraordinary reserve	1,519	-	-	-	1,519	-
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	6,823	188	-202	14	6,823	*133*
Other reserves	282	-	-	-	282	*13*
Equity instruments	**-**	**-**	**-**	**-**	**-**	**-**
(Treasury shares)	**-59**	**-6**	**-**	**-**	**-65**	***-3***
Valuation reserves:	**-1,090**	**317**	**-7**	**-311**	**-1,091**	***-17***
Financial assets available for sale	51	319	-	-	370	*7*
Property and equipment	-	-	-	-	-	-
Intangible assets	-	-	-	-	-	-
Hedges of foreign investments	-	-	-	-	-	-
Cash flow hedges	-873	-	-4	3	-874	*-1*
Foreign exchange differences	-585	-	-3	3	-585	*-19*
Non current assets held for sale	-	-	-	-	-	-
Actuarial gains (losses) on defined benefit plans	-376	-	-	-	-376	*-5*
Share of valuation reserves connected with investments carried at equity	332	-2	-	-317	13	-
Legally-required revaluations	361	-	-	-	361	*1*
Parent Company's net income (loss) and minority interest	**-4,557**	**-300**	**-153**	**453**	**-4,557**	***-7***
Shareholders' equity	**45,065**	**199**	**-166**	**-40**	**45,058**	***543***

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 for the Banking group indicates the amount resulting from the consolidation of the companies belonging to the Banking 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 as at 31.12.2013	
	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Debt securities	541	-474	286	-14	-	-	-286	14	541	-474
2. Equities	299	-19	41	-	-	-	-41	-	299	-19
3. Quotas of UCI	58	-32	14	-8	-	-	-14	8	58	-32
4. Loans	15	-17	-	-	-	-	-	-	15	-17
Total as at 31.12.2013	**913**	**-542**	**341**	**-22**	**-**	**-**	**-341**	**22**	**913**	**-542**
Total as at 31.12.2012	**1,182**	**-1,236**	**374**	**-152**	**-**	**-**	**-374**	**152**	**1,182**	**-1,236**

Approximately 4% of the positive reserve on equities is attributable to quoted securities classified as level 1, while the remaining 96% 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	**-371**	**290**	**33**	**-6**
2. Positive fair value differences	**1,152**	**306**	**53**	**4**
2.1 Fair value increases	944	237	42	1
2.2 Reversal to the income statement of negative reserves	98	65	8	-
- impairment	*-*	*62*	*5*	*-*
- disposal	*98*	*3*	*3*	*-*
2.3 Other changes	110	4	3	3
3. Negative fair value differences	**-714**	**-316**	**-60**	**-**
3.1 Fair value decreases	-384	-100	-38	-
3.2 Impairment losses	-	-	-	-
3.3 Reversal to the income statement of positive reserves: disposal	*-212*	*-201*	*-7*	-
3.4 Other changes	-118	-15	-15	-
4. Closing amount	**67**	**280**	**26**	**-2**

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.	13,837,644
Purchased	no.	32,998,754
Sold	no.	-19,858,030
End-of-year number	no.	26,978,368

Non-convertible savings shares:

Initial number	no.	193,261
Purchased	no.	2,054,274
Sold	no.	2,068,535
End-of-year number	no.	179,000

B.4. Valuation reserves relating to the defined benefit plans: annual changes

During the year the reserves in question recorded a negative change of 84 million (66 million of which referring to pension funds and 18 million to employee termination indemnities). As at 31 December 2013 there is an overall negative reserve equal to 377 million for defined benefit plans.

SECTION 2 – REGULATORY CAPITAL AND CAPITAL RATIOS

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.

Regulatory capital and capital ratios have been calculated on the basis of the provisions in effect (13th update to Circular 263 of December 2006 and 15th update to Circular 155 of December 1991) issued by the Bank of Italy following the implementation of the amendments of Community Directives that govern the capital requirements for banks and banking groups introduced by the New Basel Capital Accord (Basel 2).

2.2. Bank regulatory capital

A. Qualitative information

Regulatory capital is calculated as the sum of positive components, with certain limits, and negative components, on the basis of their capital quality; positive components, in order to be eligible for the calculation of capital absorptions, must be fully available for the Bank.

Regulatory capital is made up of Tier 1 capital and Tier 2 capital, adjusted by specific “prudential filters” and net of certain deductions. In particular:
– Tier 1 capital includes ordinary paid-in share capital, reserves, innovative and non-innovative capital instruments, grandfathered capital instruments, and retained net income for the period; plus positive “prudential filters” of Tier 1 capital; the total of these elements, net of treasury shares or quotas, intangible assets, losses recorded in previous years and in the current year, “other negative components”, as well as negative Tier 1 “prudential filters”, makes up “Tier 1 capital before items to be deducted”.
  Tier 1 capital is made up of the difference between “Tier 1 capital before items to be deducted” and 50% of “items to be deducted”;
– Tier 2 capital includes valuation reserves, innovative and non-innovative capital instruments not included in Tier 1 capital, hybrid capital instruments, Tier 2 subordinated liabilities, unrealised capital gains on equity investments, excess value adjustments with respect to expected losses up to the limit of 0.6% of assets weighted for credit and/or counterparty risk, and the other positive elements that constitute capital items of a secondary nature. The positive “prudential filters” of Tier 2 capital are also included. The total of these elements, less net unrealised capital losses on equity investments, negative items related to loans, other negative elements, and negative Tier 2 "prudential filters", makes up “Tier 2 capital before items to be deducted”.
  Tier 2 capital is made up of the difference between “Tier 2 capital before items to be deducted” and 50% of “items to be deducted”.

Each caption of Tier 1 and Tier 2 capital includes minority interests pertaining to the Banking group and to third parties.

The most significant prudential filters for the Intesa Sanpaolo Group are calculated applying the following provisions:
– for financial assets available for sale, relatively to equities, quotas of UCI and debt securities, unrealised profits and losses are offset: the balance, if negative, reduces Tier 1 capital; if positive it contributes for 50% to Tier 2 capital. Furthermore, any unrealised profits and losses on loans classified among assets available for sale are excluded. It should be noted that the Group has decided to apply the Regulation issued by the Bank of Italy on 18 May 2010 which allows for the effect of valuation reserves for available-for-sale (AFS) securities issued by the central governments of EU countries on regulatory capital to be neutralised;
– for hedges, unrealised profits and losses on cash flow hedges, recorded in a specific reserve, are sterilised;
– for the actuarial profits and losses entered in a specific reserve in shareholders’ equity pursuant to IAS 19, a prudential filter was introduced in order to sterilise the effects linked to the amendments to the accounting standard in question applicable from 1 January 2013;
– for the deferred tax assets deriving from multiple cases of tax realignment of the same goodwill, the positive effect previously recorded in the income statement is sterilised gradually through the introduction of a prudential filter over a 5-year period;
– for the capital gain deriving from the entry of the new quotas held in the Bank of Italy, a specific prudential filter was introduced to sterilise their effects for the purpose of the regulatory capital.

Deductions are made, in the manner described above, 50% from “Tier 1 capital before items to be deducted” and 50% from “Tier 2 capital before items to be deducted” on equity investments and – if eligible for inclusion in the issuers’ regulatory capital – on innovative and non-innovative capital instruments, hybrid capital instruments and subordinated instruments in banks, financial companies and insurance companies.

With respect to the amount by which expected losses exceed total impairment provisions made on portfolios subject to internal models and expected losses on capital instruments, the amounts of those expected losses are compared with the total impairment provisions for each class of assets in the regulatory portfolio.

50% of the sum of the amounts by which the expected losses exceed total impairment provisions for each class of assets is deducted from Tier 1 capital and the other 50% from Tier 2 capital.

Conversely, the sum of the amounts by which total impairment provisions exceed the expected losses for each class of assets is added to Tier 2 capital up to the limit of 0.6% of assets weighted for credit and/or counterparty risk.

The main contractual characteristics of innovative and non-innovative instruments which, together with share capital and reserves, are included in the calculation of Tier 1 and Tier 2 capital, are summarised below.

Before illustrating the various financial instruments which contribute to the Group’s regulatory capital, it is noted that during the third quarter of 2013 the Group implemented a specific exchange of existing subordinated notes (Exchange Offer) with newly

issued Tier 2 subordinated notes in euro, having a maturity of 13 September 2023, to be issued by Intesa Sanpaolo. This transaction was announced on 28 August 2013 and was finalised on 13 September 2013.
At the end of the Exchange Offer, the aggregate nominal value of the notes offered by the holders and accepted for the exchange by Intesa Sanpaolo was 1,427,721,853 euro. Consequently, as at the settlement date, Intesa Sanpaolo issued an aggregate nominal value of new notes amounting to 1,444,789,000 euro in exchange for existing notes. Intesa Sanpaolo also issued an aggregate nominal value of new notes amounting to 867,000 euro.
The aggregate nominal value of existing notes in each series offered in exchange by holders – accepted by Intesa Sanpaolo – and the exchange ratio applicable to each series of existing notes are indicated in the following table:

Description of Existing Notes	Type	Maturity date	Nominal value outstanding at the start of the Exchange	Exchange price (%)	Aggregate nominal value of Existing Notes accepted for exchange	Exchange ratio
6,625%. Upper Tier II Subordinated Notes 2018	Upper Tier 2	08-May-18	€ 1,127,100,000	107.75%	€ 286,500,000	108.7077%
Lower Tier II Subordinated Fixed to Floating Rate Notes November 2017	Upper Tier 2	12-Nov-17	£5.350.000	94.00%	£550.000	94.8355%
Floating Rate Subordinated Notes 2018	Upper Tier 2	20-Feb-18	€ 220,200,000	92.50%	€ 72,140,000	93.3222%
Lower Tier II Subordinated Fixed to Floating Rate Notes 2018	Upper Tier 2	28-May-18	€ 362,050,000	95.50%	€ 110,900,000	96.3488%
Fixed/Floating Rate Callable Lower Tier II Subordinated Notes 2018	Upper Tier 2	26-Jun-18	€ 167,750,000	91.25%	€ 58,850,000	92.0611%
Fixed/Floating Rate Callable Subordinated Notes 2020	Upper Tier 2	02-Mar-20	€ 478,000,000	91.25%	€ 206,000,000	92.0611%
Lower Tier II Fix Floater Callable Subordinated Notes 2024	Upper Tier 2	18-Mar-24	£24.901.000	88.75%	£12.879.000	89.5388%
5,00% Lower Tier II Subordinated Notes 2019	Upper Tier 2	23-Sep-19	€ 1,447,100,000	102.50%	€ 395,950,000	103.4111%
5,15% Lower Tier II Subordinated Notes 16 July 2020	Upper Tier 2	16-Jul-20	€ 1,203,150,000	103.00%	€ 281,400,000	103.9155%

Summary details of the new notes issued are as follows:

Type	Currency	Aggregate nominal value of new notes	Aggregate nominal value	Price of the new issue	Spread applicable to new notes	Yield rate of new notes
Tier 2	Euro	€ 1,445,656,000	13-Sep-23	99.12%	10-year Euro Mid-Swap rate + 4.50%	6.749%

As a consequence of the exchange finalisation, the Intesa Sanpaolo Group recorded a positive contribution, including the positive impact of the unwinding of interest rate derivatives, of 87 million euro for profit before tax, approximately 60 million euro for net income and 2 basis points for the Core Tier 1 ratio.

The main contractual characteristics of innovative and non-innovative instruments which, together with share capital and reserves, are included in the calculation of Tier 1 and Tier 2 capital, are summarised below.

1. Tier 1 capital

Issuer	Interest rate	Step-up	Issue date	Expiry date	Early redemption as of	Currency	Original amount in currency	Contribution to regulatory capital (millions of euro)
Intesa Sanpaolo	9.5% fixed rate	NO	01-Oct-2010	perpetual	01-Jun-2016	Eur	1,000,000,000	478
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	580
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	250
Intesa Sanpaolo (*)	8.375% fixed rate up to 14/10/2019; thereafter 3-month Euribor + 6.87%	YES	14-Oct-2009	perpetual	14-Oct-2019	Eur	1,500,000,000	742
Total preference shares and innovative and non-innovative equity instruments (Tier I)								**2,050**

(*) Securities subject to grandfathering, calculated in Tier I capital in application of the transitional arrangements envisaged by Title I, Chapter 2, Section II, paragraph 1.4.1 of Circular No. 263 of 27 December 2006 – 11th update of 31 January 2012, "New regulations for the prudential supervision of banks".

2. Tier 2 capital

Issuer	Interest rate	Step-up	Issue date	Expiry date	Early redemption as of	Currency	Original amount in currency	Contribution to regulatory capital (millions of euro)
Intesa Sanpaolo	6.625% fixed rate	NO	08-May-2008	08-May-2018	NO	Eur	1,250,000,000	809
Intesa Sanpaolo	6.16% fixed rate	NO	27-Jun-2008	27-Jun-2018	NO	Eur	120,000,000	120
Centro Leasing Banca	3-month Euribor + 0.85%	NO	17-Jul-2007	17-Jul-2017	NO	Eur	30,000,000	25
Total hybrid instruments (Upper Tier II)								**954**
Intesa Sanpaolo	8% for 1st coupon, 5% for 2nd coupon, 4% for 3rd coupon, thereafter 70% of 10-year swap rate	NO	09-Mar-1999	09-Mar-2014	NO	Lit	480,000,000,000	42
Intesa Sanpaolo	8% 1st coupon, 5.5% 2nd coupon, 4% 3rd coupon, thereafter 65% of 10-year swap rate with minimum 4%	NO	15-Jul-1999	15-Jul-2014	NO	Eur	250,000,000	44
Intesa Sanpaolo	6.11% fixed rate; as of 23/02/2005 97% of 30-year euro swap mid rate	NO	23-Feb-2000	23-Feb-2015	NO	Eur	65,000,000	26
Intesa Sanpaolo	6,625% fixed rate	NO	13-Sep-2013	13-Sep-2023	NO	Eur	1,445,656,000	1,408
Intesa Sanpaolo	5% fixed rate	NO	17-Oct-2013	17-Oct-2023	NO	Eur	1,576,000,000	1,576
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	50,000,000	20
Intesa Sanpaolo	6.375% fixed rate; as of 12/11/2012 3-month GBP Libor	YES	12-Oct-2007	12-Nov-2017	NO	Gpb	250,000,000	5
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	750,000,000	130
Intesa Sanpaolo	up to 18/03/2019 (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	165,000,000	14
Intesa Sanpaolo	up to 02/03/2015 (excluded): 3.75% p.a.; thereafter: 3-month Euribor +0.89% p.a.	YES	02-Mar-2005	02-Mar-2020	02-Mar-2015	Eur	500,000,000	258
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	500,000,000	105
Intesa Sanpaolo	5.87% fixed rate	NO	26-Nov-2008	26-Nov-2015	NO	Eur	415,156,000	161
Intesa Sanpaolo	6.25% fixed rate	NO	12-Nov-2008	12-Nov-2015	NO	Eur	544,546,000	213
Intesa Sanpaolo	6.16% fixed rate	NO	29-Oct-2008	29-Oct-2015	NO	Eur	382,401,000	148
Intesa Sanpaolo	4.80% fixed rate	NO	28-Mar-2008	28-Mar-2015	NO	Eur	800,000,000	313
Intesa Sanpaolo	4.00% fixed rate	NO	30-Sep-2008	30-Sep-2015	NO	Eur	1,096,979	431
Intesa Sanpaolo	5.75% fixed rate; as of 28/5/2013 3-month Euribor + 1.98%	YES	28-May-2008	28-May-2018	NO	Eur	1,000,000,000	249

Issuer	Interest rate	Step-up	Issue date	Expiry date	Early redemption as of	Currency	Original amount in currency	Contribution to regulatory capital (millions of euro)
Intesa Sanpaolo	(3-month Euribor +4%)/4	NO	24-Feb-2009	24-Feb-2016	NO	Eur	635,350,000	374
Intesa Sanpaolo	(3-month Euribor +4%)/4	NO	12-Mar-2009	12-Mar-2016	NO	Eur	165,050,000	92
Intesa Sanpaolo	5% fixed rate	NO	23-Sep-2009	23-Sep-2019	NO	Eur	1,500,000,000	1,025
Intesa Sanpaolo	(3-month Euribor + 1,6%)/4	NO	30-Sep-2010	30-Sep-2017	NO	Eur	805,400,000	624
Intesa Sanpaolo	5.15% fixed rate	NO	16-Jul-2010	16-Jul-2020	NO	Eur	1,250,000,000	912
Intesa Sanpaolo	(3-month Euribor + 1,60%)/4	NO	10-Nov-2010	10-Nov-2017	NO	Eur	479,050,000	373
Intesa Sanpaolo	(3-month Euribor + 2%)/4	NO	31-Mar-2011	31-Mar-2018	NO	Eur	373,400,000	368
Pravex Bank	5,5831% (Libor + 5%)	NO	other issues placed as of 12/09/2000	other issues with final expiry at 31/07/2016	NO	Usd	14,100,000	5
Banca Monte Parma	3.25% fixed rate	NO	04-Feb-2009	04-Feb-2014	NO	Eur	11,500,000	2
Banca Monte Parma	4.50% fixed rate	NO	05-Feb-2009	05-Feb-2014	NO	Eur	5,000,000	1
Banca Monte Parma	2.80% fixed rate	NO	22-Apr-2009	22-Apr-2014	NO	Eur	10,000,000	2
Banca Monte Parma	3.10% fixed rate	NO	09-Jul-2009	09-Jul-2014	NO	Eur	9,000,000	2
Banca Monte Parma	3.50% fixed rate	NO	11-Aug-2009	11-Aug-2016	NO	Eur	5,000,000	3
Banca Monte Parma	3.20% fixed rate	NO	25-Sep-2009	25-Sep-2016	NO	Eur	5,000,000	3
Banca Monte Parma	3.00% fixed rate	NO	30-Jul-2010	30-Oct-2015	NO	Eur	20,000,000	8
Total eligible subordinated liabilities (Lower Tier II)								**8,937**
TOTAL								**9,891**

3. Tier 3 capital

No subordinated debts have been issued which are eligible to be considered in Tier 3 Capital, net of intragroup operations, to "hedge" market risks.

B. Quantitative information

(millions of euro)

	31.12.2013	31.12.2012
A. Tier 1 capital before the application of prudential filters	**39,352**	**38,342**
B. Tier 1 capital prudential filters	**-2,193**	**-387**
B.1 Positive IAS/IFRS prudential filters (+)	*373*	*-*
B.2 Negative IAS/IFRS prudential filters (-)	*-2,566*	*-387*
C. Tier 1 before items to be deducted (A+B)	**37,159**	**37,955**
D. Items to be deducted from Tier 1	**3,319**	**1,942**
E. Total Tier 1 capital (C-D)	**33,840**	**36,013**
F. Tier 2 capital before the application of prudential filters	**10,504**	**10,175**
G. Tier 2 capital prudential filters	**-85**	**-92**
G.1 Positive IAS/IFRS prudential filters (+)	*-*	*-*
G.2 Negative IAS/IFRS prudential filters (-)	*-85*	*-92*
H. Tier 2 before items to be deducted (F+G)	**10,419**	**10,083**
I. Items to be deducted from Tier 2	**3,319**	**1,942**
L. Total Tier 2 capital (H-I)	**7,100**	**8,141**
M. Items to be deducted from total Tier 1 and Tier 2 capital	**-**	**3,410**
N. Regulatory capital (E+L-M)	**40,940**	**40,744**
O. Tier 3 capital	**-**	**-**
P. Regulatory capital including Tier 3 (N+O)	**40,940**	**40,744**

The tables below show the changes in the Tier 1 capital and the Tier 2 capital

(millions of euro)

Information	31.12.2013	31.12.2012
TIER 1 Regulatory Capital - Beginning of the period	**36,013**	**37,295**
TOTAL POSITIVE ITEMS (Beginning of the period)	**52,665**	**62,278**
Share capital - ordinary shares	-9	-53
Share capital - preference savings shares	-	-
Share premium reserve	-4	-5,223
Reserves and net income	-835	-2,383
Non-innovative equity instruments	-	-522
Innovative equity instruments with final expiry	-	-
Innovative equity instruments subject to transition requirements (grandfathering)	1	-1,432
Positive IAS / IFRS prudential filters (+)	373	-
- Fair value option: changes in bank's own creditworthiness	-	-
- Redeemable shares	-	-
- Capital resources forming the object of forward purchase commitments included in tier 1 capital	-	-
- Other positive prudential filters	*373*	-
TOTAL POSITIVE ITEMS (End of the period)	**52,191**	**52,665**
TOTAL NEGATIVE ITEMS (Beginning of the period)	**-14,710**	**-23,505**
Treasury shares or quotas	-47	-10
Goodwill	4,729	52
Other intangible assets	2,115	281
Loss for the period	-4,557	8,190
Adjustments to loans	-	-
Adjustments calculated on the regulatory trading and banking books	-	-
Other (d)	-383	-
Negative IAS / IFRS prudential filters (-)	-2,179	282
- Fair value option: changes in bank's own creditworthiness	-	*14*
- Negative reserves on equities and quotas of UCI available for sale	-	-
- Negative reserves on debt securities available for sale	*99*	*268*
- Net accumulated capital gain on property and equipment	-	-
- Capital resources forming the object of forward purchase commitments not included in tier 1 capital	-	-
- Other negative prudential filters	*-2,278*	-
TOTAL NEGATIVE ITEMS (End of the period)	**-15,032**	**-14,710**
TOTAL TIER 1 CAPITAL BEFORE ITEMS TO BE DEDUCTED	**37,159**	**37,955**
ITEMS TO BE DEDUCTED (Beginning of the period)	**-1,942**	**-1,478**
Investment in the Bank of Italy	-	-
Insurance subsidiaries	-1,492	-52
Other banking and financial investments higher than 20% of the investee's capital	-25	-18
Excess expected losses with respect to adjustments (IRB approaches)	161	-370
Other deductions	-21	-24
ITEMS TO BE DEDUCTED (End of the period)	**-3,319**	**-1,942**
TIER 1 CAPITAL - (End of the period)	**33,840**	**36,013**

(millions of euro)

Information	31.12.2013	31.12.2012
TIER 2 CAPITAL - Beginning of the period	**8,141**	**12,201**
TOTAL POSITIVE ITEMS (Beginning of the period)	**10,493**	**14,089**
Valuation reserves - Property and equipment	8	-
- Legally-required revaluations	*8*	-
- Property and equipment used in operations	-	-
Valuation reserve - Securities available for sale	-13	67
- Equities and quotas of UCI	*-14*	*67*
- Debt securities	*1*	-
Non-innovative equity instruments not included in tier 1 capital	-	-
Innovative equity instruments not included in tier 1 capital	-	-
Hybrid capital instruments	-435	-318
Tier 2 subordinated liabilities	609	-3,221
Excess total adjustments with respect to expected losses	291	-126
Net capital gains on equity investments	38	3
Other positive items	-	-1
Positive IAS / IFRS prudential filters (+)	-	-
- Net accumulated capital gain on property and equipment	-	-
- Capital resources forming the object of forward purchase commitments included in tier 2 capital	-	-
- Other positive items	-	-
TOTAL POSITIVE ITEMS (End of the period)	**10,991**	**10,493**
TOTAL NEGATIVE ITEMS (Beginning of the period)	**-410**	**-410**
Net capital losses on equity investments	-	54
Loans	-	-
Other negative items	-169	-20
Negative IAS / IFRS prudential filters (-)	7	-34
- Portion not included of the valuation reserve on property and equipment used in operations	-	-
- Portion not included of positive reserves on securities available for sale - Equities	*7*	*-34*
- Portion not included of positive reserves on securities available for sale - Debt securities	-	-
- Tier 2 subordinated liabilities and hybrid capital instruments forming the object of forward purchase commitments not included in tier 2 capital	-	-
- Other negative filters	-	-
TOTAL NEGATIVE ITEMS (End of the period)	**-572**	**-410**
TOTAL TIER 2 CAPITAL BEFORE ITEMS TO BE DEDUCTED	**10,419**	**10,083**
ITEMS TO BE DEDUCTED (Beginning of the period)	**-1,942**	**-1,478**
Investment in the Bank of Italy	-	-
Insurance subsidiaries	-1,492	-52
Other banking and financial investments higher than 20% of the investee's capital	-25	-18
Excess expected losses with respect to adjustments (IRB approaches)	161	-370
Other deductions	-21	-24
ITEMS TO BE DEDUCTED (End of the period)	**-3,319**	**-1,942**
TIER 2 CAPITAL - (End of the period)	**7,100**	**8,141**

2.3. Capital adequacy

A. Qualitative information

According to the "New regulations for the prudential supervision of banks" (Bank of Italy Circular 263 of 27 December 2006 and subsequent amendments), which adopt the provisions on the International convergence of capital measurement and capital standards (Basel 2), the banking Group's capital must amount to at least 8% 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.
In general terms, the group-level capital requirement is calculated as the sum of the individual requirements of the individual companies that make up the Banking group, net of exposures arising from intragroup relations included in the calculation of credit, counterparty and settlement risk.
Moreover, the Intesa Sanpaolo Group was subject to a capital requirement restriction, consisting in a floor of 90% of the sum of the requirements for credit, market and counterparty risk, calculated based on the Basel 1 rules. This penalty was prudently introduced by the Bank of Italy on authorising the use of Internal Methods for the calculation of requirements for credit risk in

relation to several aspects deemed worthy of implementing. Taking account of the measures implemented by the Intesa Sanpaolo Group in relation to the problems detected, the Bank of Italy authorised the reduction of said floor from 90% to 85% starting from 30 June 2011.
In addition to the Total capital ratio referred to above, other more rigorous ratios are also used to assess capital soundness: the Tier 1 capital ratio, represented by the ratio between Tier 1 capital and risk-weighted assets, and the Core Tier 1 capital ratio, represented by the ratio between Tier 1 capital (net of preferred shares and, effective 31 December 2010, preferred savings and ordinary shares) and risk-weighted assets.
In addition, it is noted that the Intesa Sanpaolo Group, following the recommendation of the EBA of 22 July 2013 on the minimum capital requirement level for EU banks, is obliged to maintain a nominal value of Core Tier 1 capital not lower than the one required as at 30 June 2012 to comply with the prudential requirements set by the recommendation of the EBA of December 2011.
For the calculation of credit and counterparty risk capital requirements, the Intesa Sanpaolo Group, having received authorisation from the Supervisory Authority, uses the Advanced IRB approach (AIRB) and the Foundation IRB approach for the Corporate segment and the IRB approach[6] for the Retail Mortgage segment (Residential mortgages for private individuals) and SME retail segment (retail exposures). In particular:

- for the Corporate segment, authorisation has been obtained from the Supervisory Authority to use the AIRB approach on a scope that extends to the Parent Company, the network banks, Mediocredito Italiano and the foreign company Intesa Sanpaolo Bank Ireland Plc; VUB Banka has been authorised to use the Foundation IRB approach starting from December 2010. With effect from June 2012, permission was obtained to extend the AIRB approach to the subsidiary Banca IMI and for the adoption of rating models for the hedging of Specialised Lending exposures at Group Level, together with the use of internal LGD estimates for the Corporate segment in relation to the product companies Leasint and Mediofactoring (the FIRB approach had been in use since December 2008); since 31 December 2013, the AIRB approach has also been extended to Banca Monte Parma and Banca Prossima;
- for the Retail Mortgage segment, permission was granted for the use of the IRB approach effective from June 2010, extended to the former Casse del Centro network banks effective as of the report as at 31 December 2011, to VUB Banka with effect from the report as at 30 June 2012 and to Banca Monte Parma from 31 December 2013;
- authorisation for transition to the IRB approach was granted for the SME Retail segment effective from the December 2012 report for the Parent Company, the network banks and Mediocredito Italiano; since 31 December 2013, the IRB approach has also been extended to Banca Prossima.

The table below shows the scope of companies for which the Group, as at 31 December 2013, uses the IRB approaches in calculating the capital requirements for credit and counterparty risk for the "Corporate" (Foundation and Advanced IRB), "Residential mortgages to private individuals" (IRB) and "SME retail" (IRB) regulatory segments.

[6] Given that the rating systems for retail exposures must reflect both the borrower risk and the specific risk of the transaction, in this case there is no distinction between the Foundation and the Advanced IRB approach.

Scope of companies for application of the IRB approaches

Company	Regulatory segment			
	Corporate		SME retail	Residential mortgages to private individuals
	Foundation	Advanced		
Intesa Sanpaolo S.p.A.		x	x	x
Banca CR Firenze S.p.A.		x	x	x
Banca dell'Adriatico S.p.A.		x	x	x
Banca di Credito Sardo S.p.A.		x	x	x
Banca di Trento e Bolzano S.p.A.		x	x	x
Banca IMI S.p.A.		x		
Banco di Napoli S.p.A.		x	x	x
Banca Prossima S.p.A.		x	x	
Banca Monte Parma S.p.A.		x		x
Cassa di Risparmio del Friuli Venezia Giulia S.p.A.		x	x	x
Cassa di Risparmio del Veneto S.p.A.		x	x	x
Cassa di Risparmio della Provincia di Viterbo S.p.A.		x	x	x
Cassa di Risparmio dell'Umbria S.p.A.		x	x	x
Cassa di Risparmio di Civitavecchia S.p.A.		x	x	x
Cassa dei Risparmio di Forlì e della Romagna S.p.A.		x	x	x
Cassa di Risparmio di Pistoia e della Lucchesia S.p.A.		x	x	x
Cassa di Risparmio di Rieti S.p.A.		x	x	x
Cassa di Risparmio di Venezia S.p.A.		x	x	x
Cassa di Risparmio in Bologna S.p.A.		x	x	x
Intesa Sanpaolo Bank Ireland P.l.c.		x		
Leasint S.p.A.		x		
Mediocredito Italiano S.p.A.		x	x	
Mediofactoring S.p.A.		x		
Vseobecna Uverova Banka A.S.	x			x

The Group is also proceeding with the development of the rating models for the other segments, to which the standard methods are applied, and the extension of the scope of companies for their application in accordance with the 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. Applicable from the report as at 30 September 2012, 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. Standardised approaches are used for the other types of risk.
Counterparty risk is calculated independently of the portfolio of allocation. During the third quarter of 2013 an application for validation with the aim of obtaining authorisation to use the internal counterparty risk model for regulatory purposes was submitted to the Bank of Italy in reference to the Parent Company Intesa Sanpaolo S.p.A. and Banca IMI.

With respect to Operational Risks, the Group has adopted the Advanced Measurement Approaches (AMA – internal model) to determine the associated capital requirements for regulatory purposes:
- effective from 31 December 2009, for an initial set including the Organisational Units, Banks and Companies of the Banca dei Territori Division (excluding network banks belonging to Cassa di Risparmio di Firenze Group, but including Casse del Centro), Leasint, Eurizon Capital and VUB Banka;
- effective from 31 December 2010, for a second set of companies within the Corporate and Investment Banking Division, in addition to Setefi, the remaining banks of the Cassa di Risparmio di Firenze Group and PBZ Banka;
- effective from 31 December 2011, for a third set including Banca Infrastrutture Innovazione e Sviluppo. The full demerger of the Bank in favour of the Parent Company Intesa Sanpaolo and Leasint was completed in December 2012;

– effective from 30 June 2013, for a fourth scope including several companies of the Banca Fideuram group (Banca Fideuram, Fideuram Investimenti, Fideuram Gestions, Fideuram Asset Management Ireland and Sanpaolo Invest) and two subsidiaries of VUB Banka (VUB Leasing and Consumer Finance Holding).

The remaining companies, currently using the Standardised approach (TSA), will migrate progressively to the Advanced Measurement approaches starting from the end of 2014, based on the roll-out plan presented to the Management and Supervisory Authorities.
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. 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 implemented a traditional insurance coverage optimisation programme (first layer policies) and stipulated new insurance coverage (a second layer policy) known as the Operational Risk Insurance Programme. 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 as of the end of June.

B. Quantitative information

(millions of euro)

	Unweighted amounts (*)		Weighted amounts/ requirements	
	31.12.2013	31.12.2012	31.12.2013	31.12.2012
A. RISK ASSETS				
A.1 Credit and counterparty risk	**537,558**	**569,162**	**227,031**	**253,309**
1. Standardised approach	242,763	256,202	93,281	105,908
2. Internal rating based approach	291,137	309,425	128,432	141,156
2.1 Basic	*4,389*	*4,254*	*5,229*	*4,308*
2.2 Advanced	*286,748*	*305,171*	*123,203*	*136,848*
3. Securitisations	3,658	3,535	5,318	6,245
B. CAPITAL REQUIREMENTS				
B.1 Credit and counterparty risks			**18,162**	**20,265**
B.2 Market risk			**1,437**	**1,474**
1. Standardised approach			508	504
2. Internal models			908	954
3. Concentration risk			21	16
B.3 Operational risk			**1,819**	**2,059**
1. Basic indicator approach			59	83
2. Standardised approach			265	347
3. Advanced measurement approach			1,495	1,629
B.4 Other capital requirements			**-**	**-**
B.5 Other calculation elements			**685**	**91**
B.6 Total capital requirements			**22,103**	**23,889**
C. RISK-WEIGHTED ASSETS AND CAPITAL RATIOS				
C.1 Risk-weighted assets			**276,291**	**298,619**
C.2 Tier 1 capital / Risk-weighted assets (Tier 1 capital ratio)			**12.2%**	**12.1%**
C.3 Regulatory capital including Tier 3 / Risk-weighted assets (Total capital ratio)			**14.8%**	**13.6%**

(*) 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.

In compliance with the recommendation of the Financial Stability Board, the Basel Committee on Banking Supervision developed a methodology to identify the banks of 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 already included for 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 year, or were added based on the supervisory judgement of the national Supervisory Authority.

Based on the provisions of the Financial Stability Board, for the Italian banks with a leverage ratio exposure measure exceeding 200 billion euro – like the Intesa Sanpaolo Group - the 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 30 April 2014, as foreseen by the Bank of Italy, at the link www.group.intesasanpaolo.com

SECTION 3 – INSURANCE REGULATORY CAPITAL AND CAPITAL RATIOS

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 a "consolidated aggregate". Intesa Sanpaolo Assicura and Intesa Sanpaolo Life fall within the scope of this aggregate, inasmuch as they are 100% subsidiaries, as does 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 to eliminate 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 2013, Intesa Sanpaolo Vita showed a solvency ratio in terms of adjusted solvency, defined as the ratio of available margin to required margin, of approximately 182.5%. Please note that on 26 September 2013 the Intesa Sanpaolo Vita Shareholders' Meeting resolved to return to the shareholder Intesa Sanpaolo the remaining amount of the payments for a future capital increase made by it, equal to 75 million euro, and the distribution in favour of the shareholders of part of the extraordinary reserve, for about 388 million euro; due to these transactions Intesa Sanpaolo Vita's equity decreased by about 463 million euro. This transaction was made possible following the improvement of about 516 million euro of the available solvency margin of the company, due to the issue, finalised during September 2013, of a subordinated loan for 462 million euro (fully underwritten by third party subjects) and the distribution of reserves by the subsidiary Intesa Sanpaolo Life for about 54 million euro, net of the tax effect.
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	47,127
B. Capital requirements for banking elements	22,103
C. Solvency margins for insurance elements	2,739
D. Total capital requirements of the financial conglomerate (B+C)	**24,842**
E. Financial conglomerate surplus (definicit) (A-D)	**22,285**

The Intesa Sanpaolo Group operates as a financial conglomerate that engages in universal banking activity and insurance services. The capital adequacy of the Intesa Sanpaolo financial conglomerate was calculated in accordance with the supplementary supervisory provisions issued by the Bank of Italy. As at 31 December 2013 the capital of the Intesa Sanpaolo financial conglomerate exceeded its capital requirements, defined as the conglomerate's capital needs, by 22,285 million euro.