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.

<table>
<tr><th rowspan="2"></th><th colspan="2">Corporate</th><th>SME Retail</th><th>Mortgage</th></tr>
<tr><th>FIRB</th><th>AIRB LGD</th><th>IRB LGD</th><th>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 di 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>

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 (definicit) (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.