INTESA SANPAOLO

Annual Report 2013

Supervisory Board
of 7 April 2014

Report and consolidated financial statements of the Intesa Sanpaolo Group 2013

Report and Parent Company's financial statements 2013

Intesa Sanpaolo S.p.A.
Registered office: Piazza San Carlo, 156 10121 Torino Secondary registered office: Via Monte di Pietà, 8 20121 Milano Share capital 8.549.266.378,64 Euro Registration number on the Torino Company Register and Fiscal Code 00799960158 VAT number 10810700152 Member of the National Interbank Deposit Guarantee Fund and of the National Guarantee Fund, included in the National Register of Banks No. 5361 and Parent Company of "Intesa Sanpaolo", included in the National Register of Banking Groups.

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Banks

INTESA SANPAOLO

BANCA CR FIRENZE — BANCA DELL'ADRIATICO — BANCA DI CREDITO SARDO — BANCA DI TRENTO E BOLZANO | BANK FÜR TRIENT UND BOZEN

Banca FIDEURAM — BANCA IMI — BANCA MONTE PARMA — BANCA PROSSIMA PER LE IMPRESE SOCIALI E LE COMUNITÀ

BANCO DI NAPOLI — CASSA DEI RISPARMI DI FORLÌ E DELLA ROMAGNA — CASSA DI RISPARMIO DEL FRIULI VENEZIA GIULIA — CASSA DI RISPARMIO DEL VENETO

CASSA DI RISPARMIO DI VENEZIA — CARISBO — INTESA SANPAOLO PRIVATE BANKING — MEDIOCREDITO ITALIANO

NORTH WEST

INTESA SANPAOLO	Subsidiaries	
Branches	Company	Branches
1,435	Intesa Sanpaolo Private Banking	56
	Banca Fideuram	37
	Banca Prossima	20
	Mediocredito Italiano	2
	Banca IMI	1
	CR del Veneto	1

NORTH EAST

INTESA SANPAOLO	Subsidiaries	
Branches	Company	Branches
26	CR del Veneto	382
	CR in Bologna	179
	CR del Friuli Venezia Giulia	122
	CR Venezia	99
	CR di Forlì e della Romagna	93
	Banca di Trento e Bolzano	75
	Banca Monte Parma	67
	Intesa Sanpaolo Private Banking	38
	Banca Fideuram	22
	Banca Prossima	14
	Mediocredito Italiano	2

CENTRE

INTESA SANPAOLO	Subsidiaries	
Branches	Company	Branches
242	Banca CR Firenze	582
	Banca dell'Adriatico	121
	Intesa Sanpaolo Private Banking	23
	Banca Fideuram	22
	Banca Prossima	7
	Banco di Napoli	3
	Mediocredito Italiano	2

SOUTH

INTESA SANPAOLO	Subsidiaries	
Branches	Company	Branches
11	Banco di Napoli	663
	Banca dell'Adriatico	101
	Intesa Sanpaolo Private Banking	18
	Banca Prossima	15
	Banca Fideuram	11
	Mediocredito Italiano	2

ISLANDS

INTESA SANPAOLO	Subsidiaries	
Branches	Company	Branches
162	Banca di Credito Sardo	90
	Banca Prossima	9
	Banca Fideuram	5
	Intesa Sanpaolo Private Banking	5
	Mediocredito Italiano	1

Figures as at 31 December 2013

Product Companies

INTESA SANPAOLO VITA

Bancassurance

EurizonCapital

Asset Management

INTESA SANPAOLO PERSONAL FINANCE

Consumer Credit

LEASINT *(Merged by incorporation into Mediocredito Italiano as of 1 January 2014)*

Leasing

INTESA SANPAOLO PREVIDENZA

Pension Funds

SIREFID

Fiduciary Services

SETEFI

Electronic Payments

MEDIOFACTORING

Factoring

The Intesa Sanpaolo Group: international presence

Banks, Branches and Representative Offices

AMERICA

Direct Branches	Representative Offices
George Town	Santiago
New York	São Paulo

ASIA

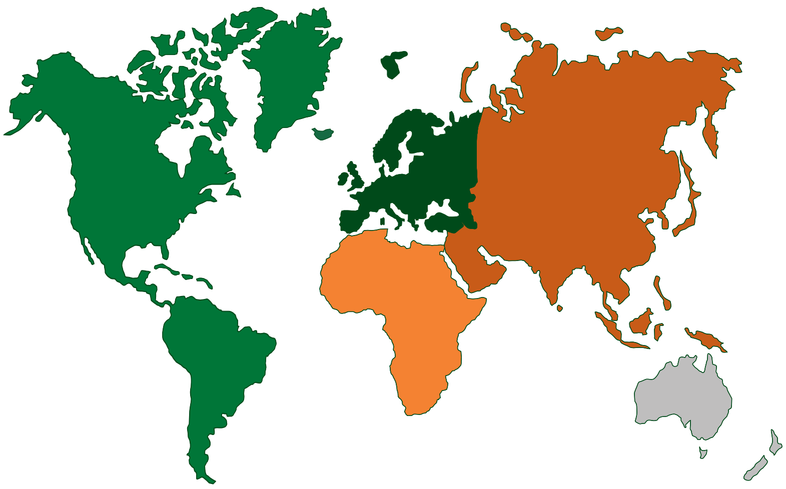
Direct Branches	Representative Offices
Dubai	Abu Dhabi
Hong Kong	Beijing
Shanghai	Beirut
Singapore	Ho Chi Minh City
Tokyo	Mumbai
	Seoul

EUROPE

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

OCEANIA

Representative Offices
Sydney



Country	Subsidiaries	Branches
Albania	Intesa Sanpaolo Bank Albania	31
Bosnia and Herzegovina	Intesa Sanpaolo Banka Bosna i Hercegovina	51
Croatia	Privredna Banka Zagreb	203
Czech Republic	VUB Banka	1
Hungary	CIB Bank	95
Ireland	Intesa Sanpaolo Bank Ireland	1
Luxembourg	Banca Fideuram	1
	Société Européenne de Banque (SEB)	1
Romania	Intesa Sanpaolo Bank Romania	76
Russian Federation	Banca Intesa	69
Serbia	Banca Intesa Beograd	192
Slovakia	VUB Banka	238
Slovenia	Banka Koper	52
Switzerland	Intesa Sanpaolo Private Bank (Suisse)	1
Ukraine	Pravex-Bank	260
United Kingdom	Banca IMI	1

AFRICA

Representative Offices	Country	Subsidiaries	Branches
Cairo	Egypt	Bank of Alexandria	174
Casablanca			
Tunis			

Figures as at 31 December 2013
(1) Branch of Italian subsidiary Banca di Trento e Bolzano
(2) International Regulatory and Antitrust Affairs and Intesa Sanpaolo Eurodesk

Product Companies

Consumer Credit, E-money and Payment Systems

Asset Management

Leasing

Insurance

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

Supervisory Board

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

Management Board

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

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

(*) General Managers

Letter from the Chairmen

Distinguished Shareholders,

in 2013 global economic growth continued at a moderate rate. The driving force of the emerging economies weakened: the countries with the largest macroeconomic imbalances and those highly dependent on foreign debt were affected by marked swings in currencies and volatile financial markets. The USA and Japan contributed the most to the global growth as they maintained highly expansive monetary policy conditions; only towards the end of the year did the Federal Reserve announce a tapering of the monetary stimulus for 2014.

The economic situation of the Eurozone remained weak, though with some initial encouraging signs of recovery from the recession. Southern Europe continued to experience less favourable financial conditions; nevertheless, the considerable drop in the yield spreads of Italian and Spanish securities compared to German securities suggests that the worst phase of the sovereign debt crisis has been overcome.

2013 was another year of negative growth for Italy. The fiscal policy maintained a mainly restrictive course, weighing on the ability of the domestic demand to expand. The rise in unemployment and the impossibility to increase wages and salaries, in the absence of increases in productivity, contributed to depressing the demand for consumer goods.

Nevertheless the slowdown in imports and the good performance of exports further improved the trade balance. In addition, today Italy is attracting foreign investments for government and private sector bonds again, benefiting from the progress made in public finances and an overall international reallocation of the investment portfolios. This positive market situation needs to be capitalised on to bring about reforms that simplify business, stimulate private initiatives and bolster competitiveness. Market expectations must be encouraged; further progress is possible.

At the end of the year, after nine consecutive quarters of falling economic activity, some initial signs that the cycle is stabilising were finally seen in Italy as well, announcing a weak recovery in the year underway. Nevertheless a more substantial recovery will be required to reinstate positive conditions in the labour market, where a million jobs have been lost since the beginning of the crisis.

Consequently to the progress made in terms of capitalisation, Intesa Sanpaolo can confidently take the stress tests that precede the start of the European Single Supervisory Mechanism. Our bank’s solid capital base is at top levels in Europe, as a consequence of maintaining a rigorous provisioning policy over time: we are among the few European banks to have fully returned the medium-term loan granted by the European Central Bank and to have already exceeded the capital and liquidity ratios requested by Basel 3.

However the economic results in 2013 were affected by a credit market still featuring difficulties linked to the feeble growth of European economies, and especially Italy, and the consequent worsening of the deterioration of the credit quality.

The decision to prudently recognise an impairment of the goodwill and the intangible assets for about 5,800 million euro at consolidated level meant that the Group recorded a net loss of 4,550 million euro.

This figure merely affects the accounting entries, leaving the bank's liquidity position and solidity unaltered. When not considering this impairment, the Group recorded a net income exceeding 1,200 million euro, with a large contribution from net fee and commission income.

In light of the Group's operating income and capital solidity, a proposal was made to the Ordinary Meeting to distribute about 822 million euro from the Extraordinary reserve, with 5 euro cents per ordinary and savings share before statutory deductions. We trust that our shareholders will appreciate this decision, taken in a persisting difficult situation for the banking system.

In May, the renewal of the Boards was accompanied by an innovation in governance, which allowed the introduction of top business figures in the Management Board, to make its actions more effective. With this in mind, a change took place in the bank's top management from Enrico Cucchiani to Carlo Messina.

We would like to thank Mr. Cucchiani for the role he played as Managing Director and CEO. In an extremely critical market scenario, marked by volatility, uncertainty and prejudice towards Italy, the Bank was able to rely on his vast experience in risk management and knowledge of the international context. Overcoming the worst of the crisis was the best time to pass on the reigns to Carlo Messina, a young manager growing within the Intesa Sanpaolo Group, who instantly gained the market's trust and was able to deploy the excellent motivational and professional resources of the Group.

The appointment of the new CEO also marked the start of the strategic planning for the four-year period 2014-2017. Developed with the involvement of more than 6,000 colleagues, the Business Plan sets the Bank's path for the coming years, to meet the challenges from the evolving operational and regulatory context and seize the market opportunities both at home and abroad. Although interest rates are expected to stay low, the devised Business Plan will allow Intesa Sanpaolo to create and distribute value sustainably over time once again while achieving ROE levels above 10% by 2017.

On this point, it is worth highlighting how immensely important for the Plan's success it is to involve and motivate all the personnel. The bank's innovative initiative to offer all its employees a share ownership scheme to allow them to participate in the "challenges" and share the results of the strategic Plan is a step in this direction. This initiative will "energise" all the personnel of Intesa Sanpaolo, in a context of efficient use of the economic resources. A tangible sign of Intesa Sanpaolo's unique model: soundness, risk control and great care of its human resources as cornerstones to generate value.

Giovanni Bazoli — Gian Maria Gros-Pietro

Intesa Sanpaolo Group
Report on operations and consolidated financial statements

Introduction

As set forth by Legislative Decree 38 of 28 February 2005, the Intesa Sanpaolo Group's Consolidated financial statements have been prepared in compliance with the accounting principles issued by the International Accounting Standards Board (IASB) and the related interpretations of the International Financial Reporting Interpretations Committee (IFRIC), endorsed by the European Commission as provided for by Community Regulation 1606 of 19 July 2002.

The Consolidated financial statements as at 31 December 2013 have been prepared based on the "Instructions for the preparation of the separate and consolidated financial statements of banks and financial companies, which are parent companies of banking groups" issued by the Bank of Italy, in the exercise of powers set forth by Art. 9 of Legislative Decree 38/2005, with Regulation of 22 December 2005, which issued Circular 262/05, and subsequent updates. These Instructions set out compulsory financial statement forms, as well as the contents of the Notes to the financial statements.

The Consolidated financial statements are made up of the Balance sheet, the Income statement, the Statement of comprehensive income, the Changes in shareholders' equity, the Statement of cash flows and the Notes to the financial statements and the related comparative information; the Report on operations, on the economic results achieved and on the Group's balance sheet and financial position has also been included.

In support of the comments on the results for the year, the Report on operations also presents and illustrates reclassified income statement and balance sheet schedules. The reconciliation with the financial statements, as required by Consob in its communication 6064293 of 28 July 2006, is included in the Attachments. The Report on operations contains financial information taken from or attributable to the Consolidated financial statements, as well as other information – for example, figures on quarterly trends, and other alternative performance measures – not taken from or directly attributable to the Consolidated financial statements.

Information on corporate governance and ownership structures required by Art. 123 bis of the Consolidated Law on Finance is set forth, as permitted, in a separate report, approved by the Management Board and published together with these financial statements. This report also contains the information on remuneration as provided for by Art. 123 ter of the Consolidated Law on Finance. The "Report on Corporate Governance and Ownership Structures - Report on Remuneration" can be viewed in the Governance section of the Intesa Sanpaolo internet site, at www.group.intesasanpaolo.com. This same section of the site provides the disclosure required by Basel 2 Pillar 3, as well as press releases published during the year and other financial documentation.

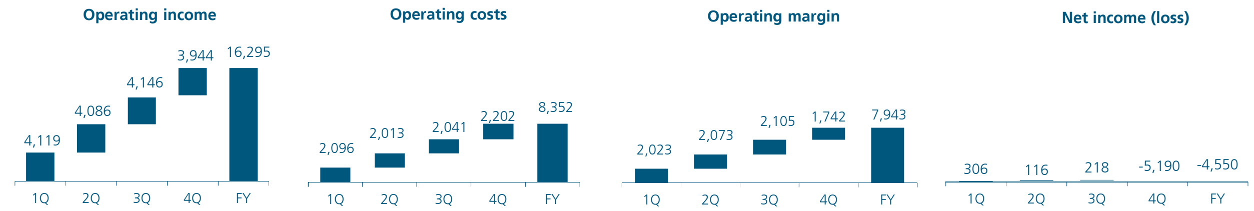
Report on operations

Overview of 2013

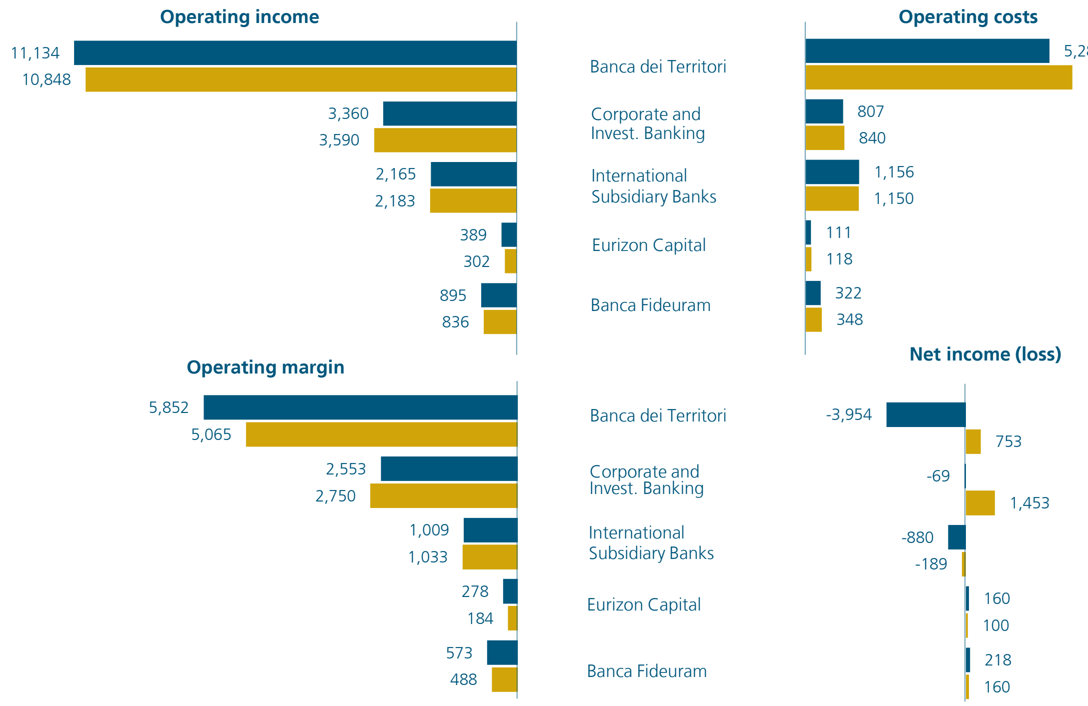
Income statement figures and alternative performance measures

Consolidated income statement figures (millions of euro)	2013	2012	Changes amount	Changes %
Net interest income	8,132	9,430	-1,298	-13.8
Net fee and commission income	6,149	5,451	698	12.8
Profits (losses) on trading	1,161	2,182	-1,021	-46.8
Income from insurance business	796	828	-32	-3.9
Operating income	16,295	17,881	-1,586	-8.9
Operating costs	-8,352	-8,913	-561	-6.3
Operating margin	7,943	8,968	-1,025	-11.4
Net adjustments to loans	-7,131	-4,714	2,417	51.3
Net income (loss)	-4,550	1,605	-6,155	

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



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



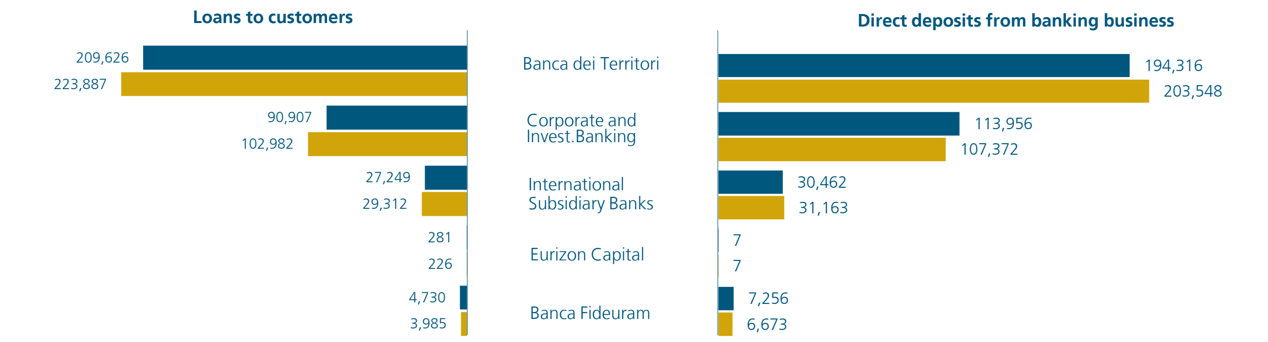
Figures restated, where necessary, considering the changes in the scope of consolidation and in business unit constituents.

2013
2012

Balance sheet figures and alternative performance measures

Consolidated balance sheet figures (millions of euro)	31.12.2013	31.12.2012	Changes amount	Changes %
Financial assets	204,021	199,790	4,231	2.1
of which: Insurance Companies	*91,812*	*80,400*	*11,412*	*14.2*
Loans to customers	343,991	376,625	-32,634	-8.7
Total assets	626,283	673,582	-47,299	-7.0
Direct deposits from banking business	372,033	380,353	-8,320	-2.2
Direct deposits from insurance business and technical reserves	93,493	81,766	11,727	14.3
Indirect deposits:	430,287	413,796	16,491	4.0
of which: Assets under management	*258,570*	*231,491*	*27,079*	*11.7*
Shareholders' equity	44,515	49,320	-4,805	-9.7

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



Operating structure	31.12.2013	31.12.2012	Changes amount
Number of employees	**93,845**	**96,170**	**-2,325**
Italy	65,247	66,485	-1,238
Abroad	28,598	29,685	-1,087
Number of financial advisors	**5,104**	**5,082**	**22**
Number of branches [(a)]	**6,227**	**6,841**	**-614**
Italy	4,766	5,302	-536
Abroad	1,461	1,539	-78

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

[(a)] Including Retail Branches, Private Banking Branches, SME Branches and Corporate Branches.

31.12.2013

31.12.2012

Other alternative performance measures

Consolidated profitability ratios (%)		
	2013	2012
Cost / Income	51.3	49.8
Net income / Average shareholders' equity (ROE) [(a)]	- n.m.	3.3

Earnings per share (euro)		
	2013	2012
Basic earnings per share (basic EPS) [(b)]	-0.28	0.10
Diluted earnings per share (diluted EPS)	-0.28	0.10

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

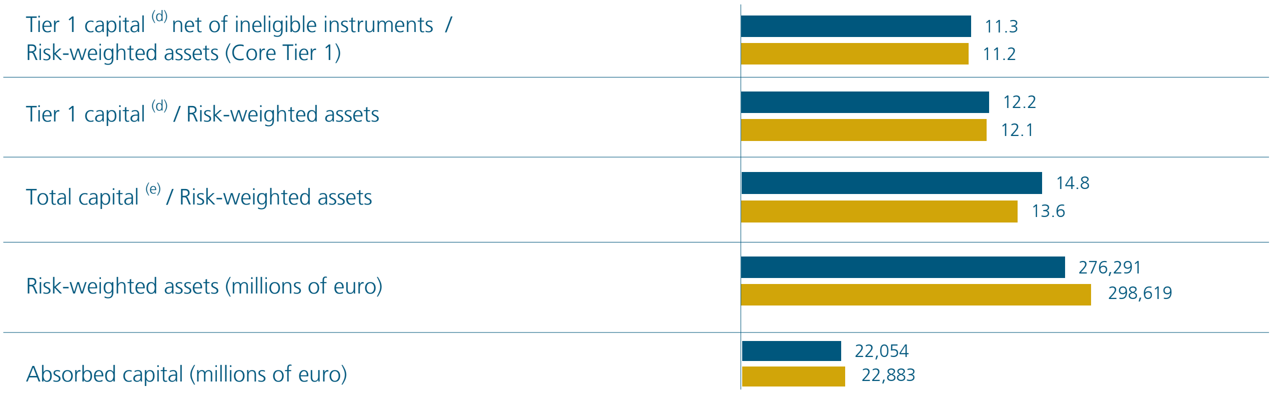
(a) Ratio between net income (loss) and average of share capital, share premium reserve, reserves and valuation reserves.

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

2013
2012

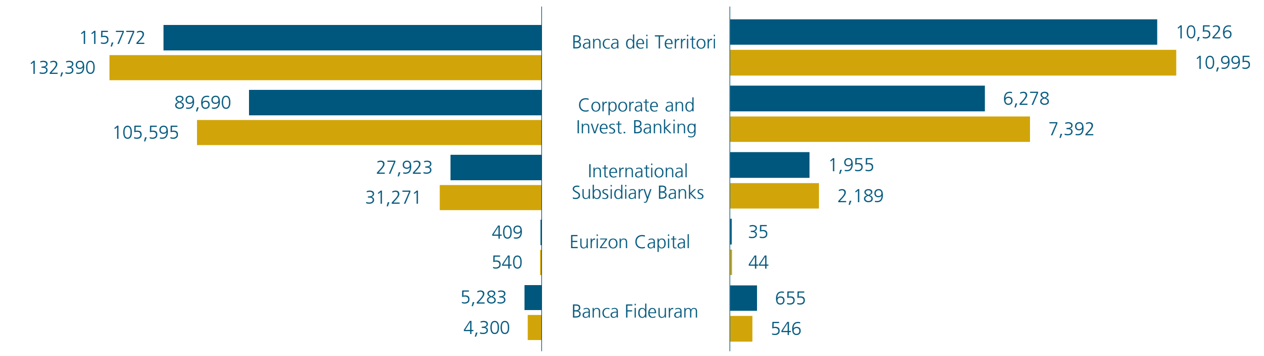
Consolidated risk ratios (%)

Consolidated capital ratios (%) [c]



Risk-weighted assets by sector (millions of euro)

Absorbed capital by sector (millions of euro)



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

[c] Ratios are determined using the methodology set out in the Basel 2 Capital Accord. The figure for comparison are not restated.

[d] Paid-in share capital, share premium reserve and reserves and retained earnings minus treasury shares, goodwill, intangible assets and after the application of prudential filters set out by supervisory regulations.

[e] Tier 1 capital plus eligible subordinated liabilities, valuation reserves, with the application of "prudential filters", net of equity investments as set out by supervisory regulations.

Stakeholder map

SHAREHOLDERS		2013	2012
Small investors Foundations Institutional investors Socially reponsible investors Shareholders' Associations	Number of ordinary shares (thousands)	15,501,622	15,501,512
	Share price at period-end - ordinary share (euro)	1.794	1.300
	Average share price for the period - ordinary share (euro)	1.476	1.233
	Average market capitalisation (million)	24,026	20,066
	Shareholders' equity (million)	45,058	50,199
	Book value per share (euro)	2.746	3.057
	Long-term rating		
	Moody's	Baa2	Baa2
	Standard & Poor's	BBB	BBB+
	Fitch	BBB+	A-
	DBRS	A(low)	-

Figures for 2012 not restated. Book value per share does not consider treasury shares.

CUSTOMERS		2013	2012
Individual customers and households Individuals and households in financial difficulty SMEs Large businesses Start up businesses Consumer Associations Public Authorities and Public Administration Third sector Industrial associations	Number of customers (million)	19.6	19.2
	Retail customers by average account seniority (years)	11.8	11.5

2012 figures not restated.

EMPLOYEES		2013	2012
Network personnel Staff personnel Young employees Senior employees Personnel with positions of responsibility Top management Trade unions	Employees by gender: men (%)	45.8%	46.0%
	Employees by gender: women (%)	54.2%	54.0%
	Employees with university degree (%)	42.5%	41.8%
	Turnover rate (%)	-2.3%	-4.0%
	Training hours per employee	43.8	46.5

Figures for 2012 not restated.

COMMUNITY		2013
Associations representing community stakeholders Regulatory authorities National and international public institutions Media	Total contributions to the community (*) (millions of euro)	52.7
	Breakdown of contributions to the community by areas of action:	
	1. Art and culture	24.4
	2. Education and research	4.3
	3. Social solidarity	4.3
	4. Healthcare	3.4
	5. Humanitarian emergencies	0.1
	6. Economic development	8.1
	7. Environment	2.6
	8. Other	5.6

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

Figures for 2012 not available.

ENVIRONMENT		2013	2012
Environmental Associations Future Generations Scientific community	CO_2 emissions per employee - excluding fleet (Kg)	1,039	1,037
	Electricity consumption per employee (KWh)	5,300	5,638
	Paper consumption per employee (Kg)	89	92

Figures for 2012 not restated.

SUPPLIERS (%)		2013	2012
Large-scale suppliers Small suppliers Trading partners Sub-suppliers	IT services	25.9%	25.2%
	Real estate management	26.0%	27.4%
	Purchase of goods and services	22.9%	23.0%
	Professional and legal expenses	13.7%	13.1%
	Advertising and promotional expenses	5.8%	5.3%
	Other expenses	5.7%	6.0%

Figures for 2012 not restated.

Executive summary

Intesa Sanpaolo in 2013

Economic trends in 2013

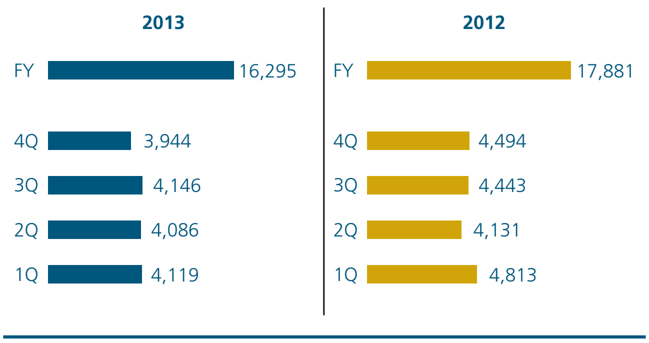
In 2013 the world's economy grew moderately. The economic situation in the Eurozone remained weak, but the first signs of an exit from the recession were seen starting from the second quarter. High levels of unused resources and the absence of international inflationary drives resulted in a decrease in inflation rates to under 1%. Fiscal policies remained restrictive, though to a lesser degree than in 2012. Financial conditions continued to be more unfavourable in the Mediterranean countries than in countries in Northern Europe, though the substantial drop in risk premiums is a sign that the acute phase of the crisis has passed.
In Italy, the fourth quarter marked a return to growth in economic activity. However, the annual average still reported a highly negative figure, decreasing 1.9% on 2012. The decline in internal demand was only partially offset by a new improvement in the trade balance. Fiscal policy remained on a mainly restrictive course. Nonetheless, during the year the Public Administration began payment of over 20 billion euro in past due invoices, and the fiscal policy approach for 2014 became gradually neutral.
In 2013, the growth of emerging economies slowed down slightly overall. The slowdown was sharper in the areas with the greatest exposure to the commodities cycle, in Latin America, in the Confederation of Independent States (CIS) and the Middle East and North Africa (MENA) countries. The continuing political tensions also impacted the MENA area. Asia was impacted by the slowdown of China and India over the last two years. The GDP recovered in CEE and SEE countries, which benefited from the recovery in the cycle in the Eurozone.
In May, the European Central Bank (ECB) cut rates on main refinancing operations from 0.75% to 0.50% and lowered the marginal refinancing rate from 1.50% to 1.00%. A second decrease was implemented in November, reducing the refinancing rate to 0.25% and the marginal refinancing rate to 0.75%. The deposit rate remained at zero. Money market rates remained stable. On the government securities market, in the second half of the year yield spreads between Italian and German securities benefited from a long, sharp decline which continued to the beginning of 2014.

Thanks also to the drop in risk premiums and the good liquidity situation, the Italian banking system recorded a gradual decrease in the cost of funding. By contrast, rates on loans remained largely unyielding due to the ongoing high credit risk. In response to the decline in the cost of funding and to the stickiness of rates on loans, the overall margin on lending and deposit collection activities picked up during the year: the spread between average interest rates on loans and deposits entered an upward trend starting from July 2013, leaving behind the trough reached in the last part of 2012.
Lending activity was weak. Loans to non-financial companies decreased further, due to the sharp drop in short-term loans, accompanied by an unprecedented contraction in medium-long term loans. On the other hand, the drop in mortgage loans to households was very slight. The weakness of lending performance reflected the fall in credit demand and the uncertainty of the economic outlook. On the supply side, the prevailing factors were the deterioration of borrowers' creditworthiness and the worsening of credit quality. In fact, during the year, there was significant inflow of new doubtful loans, especially from businesses. Therefore, the lending market has maintained a highly prudent attitude, albeit recording an improvement in the impressions of businesses with respect to credit access conditions.
Bank funding held firm overall, albeit slowing down from the recovery observed in the early months of the year and ending with a slightly negative year-end change. Funding was driven by deposits by residents, albeit with some fluctuations which led to an overall slowdown at the end of 2013. The overall positive performance was driven by the solidity of household deposits and the excellent trend in deposits by non-financial companies. This was countered by the continuing decline in bank bonds, which were affected by the replacement of bonds placed with retail customers with time deposits, whereas in the last few months of 2013, Italian banks re-started issues on the international wholesale market.

The results for 2013

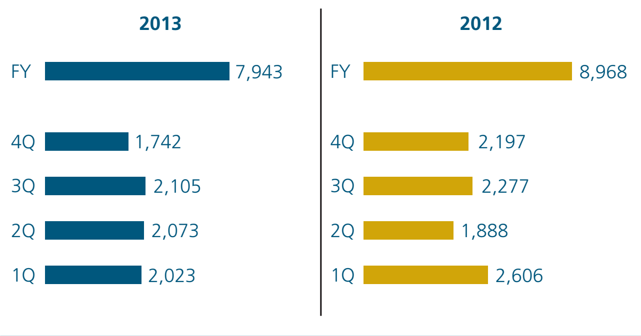
The still difficult economic environment of 2013 negatively affected banking activity both in Italy and in all the foreign countries where the Intesa Sanpaolo Group operates. The impacts of this crisis heavily affected the Group's income from continuing operations, resulting in a decrease in operating income, especially due to the negative performance of the interest margin and a significant increase in net adjustments to loans. These two phenomena were the main factors behind the decrease in ordinary operations which recorded, on the one hand an 8.9% drop in operating income and a 6.3% contraction in operating costs, hence a decrease in operating margin of 11.4%, and, on the other, a 51.3% increase in net adjustments to loans.
Net loss was also affected by two further events which, by their nature, do not relate to ordinary operations: the recognition of the new stake in the Bank of Italy and the impairment of intangible assets. This makes the net result for 2013 – which was negative to the tune of 4,550 million euro – not comparable with that of the previous year.

Operating income
(millions of euro)



A detailed breakdown of operating income items for 2013 shows net interest income of 8,132 million euro, down by almost 14% compared to 2012, mainly due to the lower contribution of customer dealing, which was especially hard hit by the slump in the Italian economy, and to the prudent choice of maintaining high liquidity levels.
The services segment generated net fee and commission income of 6,149 million euro, up by approximately 13%, mainly driven by the positive contribution from management and dealing activities (approximately +23%), but also from commercial banking activities (+8.4%).

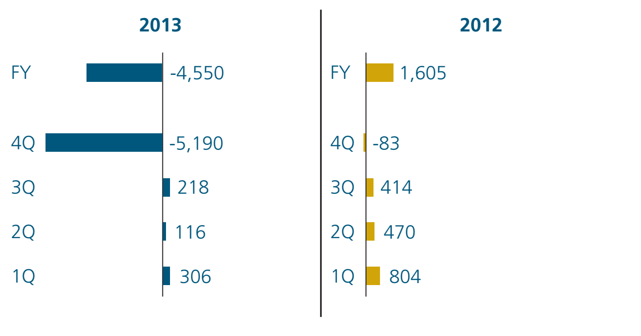
Operating margin
(millions of euro)



Profits on trading were 1,161 million euro, almost half in comparison with 2,182 million of 2012. However, it should be noted that the 2012 result had benefited, among other things, from the non-recurring positive effect of the Parent Company's buy-back of own subordinated Tier 1 notes (711 million euro, 476 million euro net of the tax effect).
Income from insurance business, which aggregates revenue and cost items specific to the insurance business pursued by the Group companies operating in the life and non-life segments, amounted to 796 million euro, slightly down compared to the figure in 2012 (828 million euro), due to a decline in financial margin, compounded by a slight drop in the technical margin.

As a result of the above trends, operating income amounted to 16,295 million euro, down approximately 9% compared to 2012.
Operating costs, which are constantly monitored and subject to structural containment measures, were reduced by more than 6% (to 8,352 million euro), particularly as regards the personnel expenses component (-9.6%). Other administrative expenses also decreased (approximately -3%), while adjustments rose moderately (approximately +7%), mainly reflecting investments in technology and infrastructure.
Operating margin was 7,943 million euro, down 11.4% compared to 2012.

Net income (loss)
(millions of euro)



Adjustments and provisions for risks, as a whole, increased by approximately 50% on 2012.
This trend was largely attributable to the greater adjustments to loans (7,131 million euro, approximately +51%), reflecting the increase in economic difficulties in 2013 especially for businesses but also for households, after years of economic crisis marked by a fall in turnover and available resources.
Net impairment losses on other assets were also up (417 million euro compared to 282 million euro in 2012); the increase essentially concerned investments available for sale.
The substantial amount of profits on investments held to maturity and on other investments (2,408 million euro against a loss of 117 million euro in 2012) is attributable to the fair value recognition of the new stake in the Bank of Italy (2,558 million euro gross of the 12% substitute tax and of the release of previously recognised deferred tax liabilities), as a consequence of Law Decree 133/2013, converted into Law 5/2014, described later on in this summary, which more than offset the losses on certain investments in associates.

Income before tax from continuing operations thus came to 2,489 million euro, down 31% approximately compared to 2012.

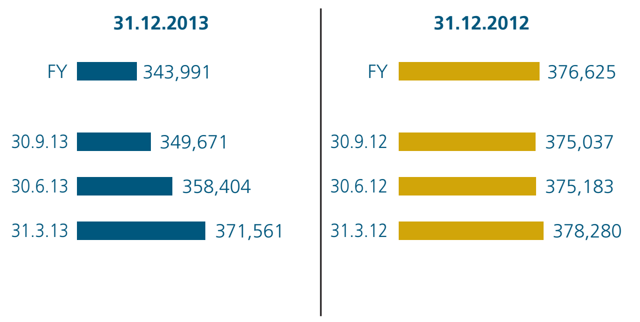
Taxes on income from continuing operations for 2013 came to 875 million euro, down from 1,523 million euro in 2012, reflecting the contraction in the taxable base, driven by the fall in operating margin and the greater adjustments to loans recognised in 2013; the tax rate came to 35.2%, down compared to the previous year (42.2%), also following application of a 12% substitute tax on the greater value of the new stake in the Bank of Italy recorded in the income statement.

Charges for integration and exit incentives amounted to 80 million euro; they mainly concerned the costs of exit incentive agreements; the amount is lower than the 134 million euro reported in 2012.
Effect of purchase price allocation, amounting to 294 million euro, represents the annual adjustments to intangible assets with a finite useful life recorded subsequent to business combination transactions.

Impairment of goodwill and other intangible assets reflects the effects of the impairment of both the intangible assets with a finite useful life (core deposits) and of part of goodwill and brand name as they were recorded following business combinations.
This impairment became necessary due to the protracted economic crisis which impacted significantly the profitability of the banking system and the growth dynamics of the Intesa Sanpaolo Group. These issues are discussed in the New Business Plan, approved at the same time as the 2013 Financial Statements. The impairment of goodwill, brand name and core deposits, discussed in detail in the Notes to the consolidated financial statements, impacted the income statement in the amount of 5,797 million euro, net of the related tax effect.

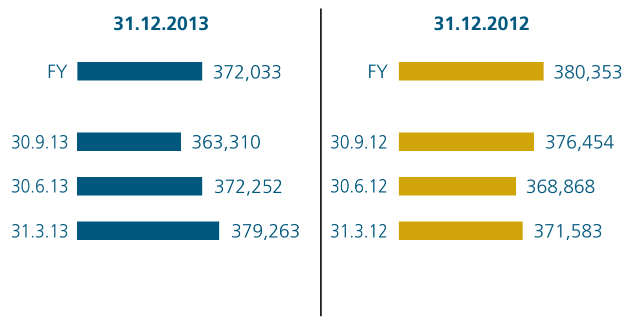
Comparison of the results of the fourth quarter of 2013 with those of the third quarter shows a fall in operating income (-4.9% to 3,944 million euro), attributable to the reduced profits on trading (from 401 to 70 million euro) and to the decrease in income from insurance business (from 204 million euro to 143 million euro), partly counterbalanced by signs of recovery in net interest income (+0.3%) and by the positive contribution of net fee and commission income (+9.6%). These trends, accompanied by the seasonal increase in operating costs recorded in the last quarter of the year, especially relating to administrative expenses (+22% approximately), led to a contraction in operating margin (-17% approximately, at 1,742 million euro). Net provisions and adjustments more than doubled from the previous quarter, due to the significant amount of net adjustments to loans.

Loans to customers
(millions of euro)



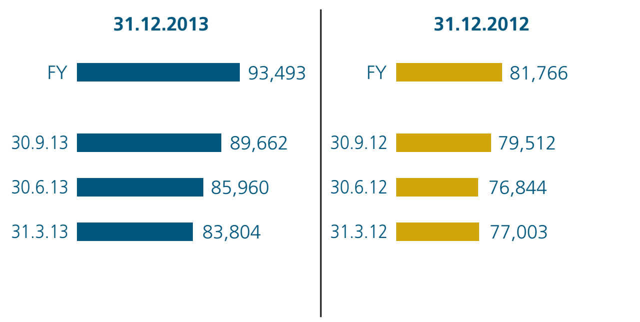
As to the balance sheet figures as at 31 December 2013, the Intesa Sanpaolo Group's loans to customers amounted to approximately 344 billion euro, down 8.7% compared to the previous year-end figure.
This change was largely driven by a reduction in commercial banking loans (current accounts, mortgages, advances and loans, down 10.6% overall), and in loans represented by securities (-11.1%), while on the other hand repurchase agreements remained largely stable (+1%). The performance of the various types of loans was also affected by the rise in non-performing loans, reflecting the continuing economic downturn.

Direct deposits from banking business
(millions of euro)



With regard to funding, direct deposits from banking business recorded a slight drop on the end of 2012 (-2.2% to 372 billion euro); analysis of this result shows different performance of the main contract types. Current accounts and deposits rose (+4.5%), while bond funding showed a decrease (approximately -13%), as a result both of a shift towards more flexible forms of funding and of lower funding requirement for the purposes of medium-/long-term loans. Certificates of deposit showed a marked decrease (-32.1%), essentially attributable to lower issues by the international branches; subordinated liabilities also fell by 2.7%. By contrast, the other types of funding recorded a growth (+15.9%), attributable to the capital protected certificates issued by Banca IMI.

Direct deposits from insurance business and technical reserves
(millions of euro)



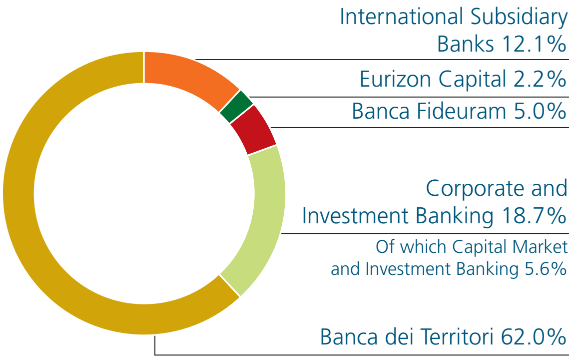
Conversely, direct deposits from insurance business, which include technical reserves, increased significantly (+14.3% to about 93 billion euro). The overall increase was attributable both to financial liabilities of the insurance business designated at fair value (+13.6%), ascribable to the contribution of unit-linked products, and to the increase in technical reserves (+13.9%), which represent the amount owed to customers who have taken out traditional insurance policies.
New business over the year generated by Intesa Sanpaolo Vita, Intesa Sanpaolo Life and Fideuram Vita amounted to over 19 billion euro.

As at 31 December, indirect customer deposits exceeded 430 billion euro, up 4% compared to the end of the previous year. During 2013, customers repositioned into forms of professional asset management with a transfer from assets under administration to assets under management. Assets under management, which account for more than half of indirect customer deposits, thus increased significantly (+11.7%), on account both of substantial net inflows and of the revaluation of assets under management. Positive performance was recorded by all the technical forms making up assets under management, confirming the upward trend which had started in the first quarter of the year.

Results of the Business Units

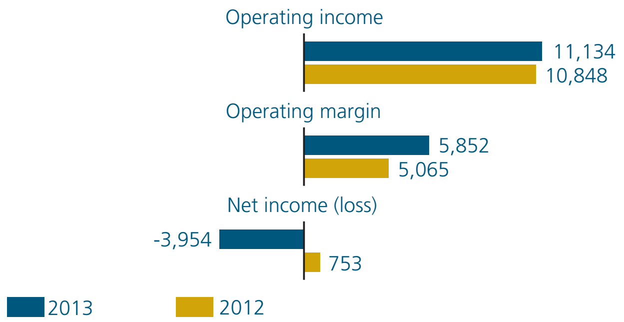
The contribution to operating income in 2013 for the Group's five business units shows that the greatest contribution continues to come from commercial banking activities in Italy (approximately 11 billion euro, or approximately 62% of the aggregate business areas' operating income); a significant contribution also came from corporate and investment banking activities (approximately 3.4 billion euro, about 19% of total operating income) and international commercial banking activities (approximately 2.2 billion euro, accounting for 12% of the total).

Operating income: Breakdown by business area [1]



[1] Excluding Corporate Centre

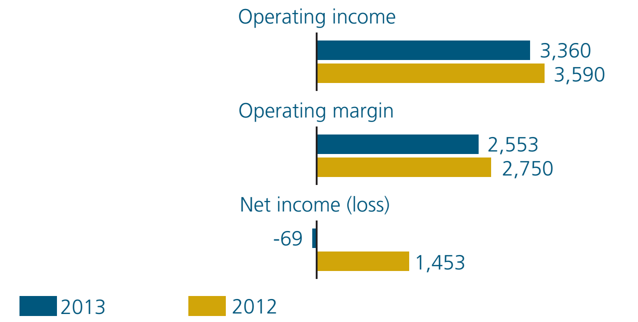
Banca dei Territori



In 2013, Banca dei Territori – which oversees the traditional lending and deposit collecting activities in Italy and the related financial services – reported operating income of 11,134 million euro (+2.6% compared to 2012). In detail, the decrease in net interest income (-3.2%), the decline in profits on trading (approximately -31%) and the slight drop in income from insurance business (-0.8%) were more than offset by the higher contribution of net fee and commission income (approximately +15%). These results, together with the effects of the structural operating cost containment measures (-8.7%) generated significant gains in operating margin (+15.5% to 5,852 million euro). By contrast, income before tax from continuing operations recorded a sharp fall (-85% to 244 million euro), as it was penalised by the spike in net adjustments to loans (approximately +67%). Last, net loss was affected by considerable impairment of goodwill and other intangible assets caused by the difficult macroeconomic environment. Thus, after allocation to the Division of 67 million euro of charges for integration and 167 million euro of the effect of purchase price allocation, the net result was -3,954 million euro (-42 million euro excluding the effect of impairment of intangible assets).

Balance sheet figures at the end of 2013 showed a decline in loans to customers (-6.4% to 209,626 million euro) compared to the end of the previous year, essentially due to the decrease in loans to business and retail customers as a result of the economic slump. Direct deposits from banking business also decreased (-4.5% to 194,316 million euro) owing to the reduction in securities funding. On the other hand, direct deposits from insurance business rose significantly (+11% to 75,062 million euro), mainly as a result of the growth in technical reserves. Indirect customer deposits reached 252,757 million euro, up by 6%, driven by the good performance of assets under management, which more than offset the outflow from assets under administration.

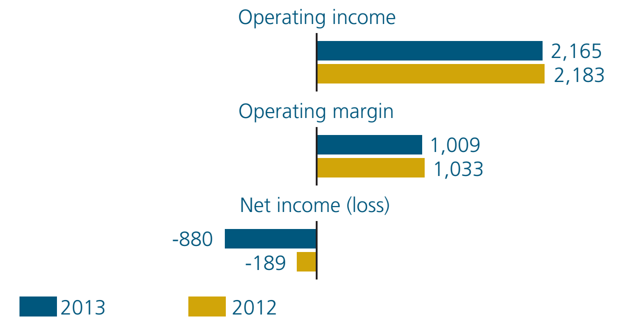
Corporate and Investment Banking



The Corporate and Investment Banking Division – which deals with corporate banking, investment banking and public finance in Italy and abroad – recorded operating income of 3,360 million euro during the year, down (-6.4%) compared to 2012. The greater inflows from net interest income (+3.7%) were indeed insufficient to offset the decrease in net fee and commission income (-1.1%) and, especially, the approximately 30% drop in profits on trading. Operating costs showed a decline (-3.9%), fully attributable to lower personnel expenses. As a consequence of the performance outlined above, the operating margin decreased (-7.2% to 2,553 million euro). Income before tax from continuing operations also fell by -18.4%, driven down by the higher requirement for provisions and adjustments, especially to loans. Lastly, net result, which was penalised by significant impairment of goodwill and other intangible assets caused by the difficult macroeconomic situation, was negative at -69 million euro. Excluding the effect of impairment of intangible assets, the Division closed the year with a net income of 1,065 million euro.

As for balance sheet figures, direct deposits from banking business were up (+6.1% to 113,956 million euro), mainly due to specific commercial actions designed to boost deposits of corporate customers and to increase repurchase agreement transactions. Conversely, loans were down (-11.7% to 90,907 million euro), reflecting the lesser use of cash, only partly offset by the growth of reverse repurchase agreements with institutional operators and financial intermediaries.

International Subsidiary Banks

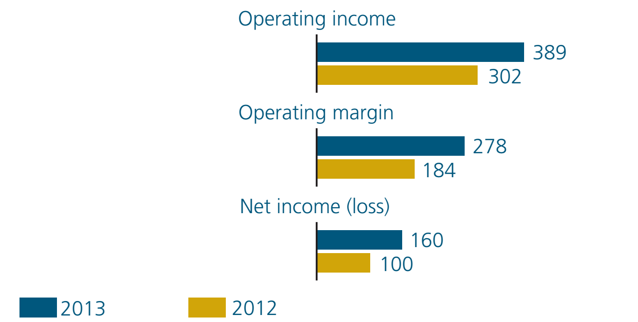


The International Subsidiary Banks Division – which oversees the Group's commercial operations on international markets through subsidiary and associated banks – recorded a slight drop in operating income (-0.8% to 2,165 million euro). Indeed, the decline in net interest income (-5.3%) was almost entirely offset by higher net fee and commission income (approximately +2%) and, especially, by higher profits on trading, which almost doubled.

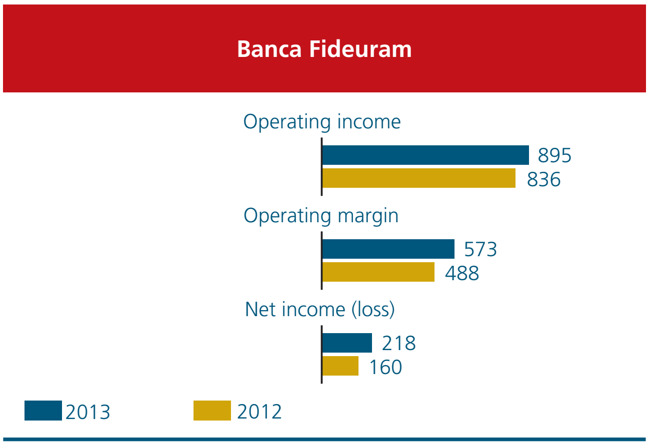
Operating costs remained largely stable (+0.5%). As a result of the above revenue and cost trends, the operating margin decreased slightly (-2.3% to 1,009 million euro), while the income before tax from continuing operations increased (from 5 to 19 million euro), reflecting a decreased requirement for net adjustments to loans. The Division closed 2013 with a net loss of 880 million euro, affected by the considerable impairment of goodwill and other intangible assets caused by the difficult macroeconomic scenario (-158 million euro excluding the effect of impairment of intangible assets).

The Division's intermediated volumes decreased compared to the end of December 2012 (-4.6%) owing to the decrease in loans to customers (-7%) and, to a lesser extent, to the reduction in direct deposits from the banking business (-2.2%), where the sharpest decline was in amounts due to customers.

Eurizon Capital



The operating income of Eurizon Capital – which operates in the asset management segment – increased during the year (+28.8% to 389 million euro) compared to 2012, benefiting from good performance of net fee and commission income (approximately +30%). Operating costs fell (-5.9%) as a result of cost containment measures. Operating margin came to 278 million euro, up approximately 51%. Eurizon Capital closed its income statement with a net income of 160 million euro (+60%). Overall, total assets managed by Eurizon Capital at the end of 2013 came to approximately 164 billion euro (+12.7%), as a result of net inflows (12.5 billion euro) and positive financial market performance. As at 31 December 2013, Eurizon Capital's market share of assets under management was 14.5% (14.4% at the end of 2012).



Banca Fideuram – specialising in the creation, management and distribution of financial products and services to customers with medium to high savings potential – reported an operating margin for the year of 573 million euro, up compared to the previous year (+17.4%), reflecting the increase in operating income (+7.1%), and lower operating costs (-7.5%). Revenue results were driven by greater inflows from net fee and commission income (+15.3%), plus the positive contribution of net interest income (+5%) and profits on trading (+21% approximately), which were only partly offset by the decrease in income from insurance business (approximately -30%). Income before tax from continuing operations amounted to 487 million euro, up approximately 32%, benefiting from the reduction in provisions for risks and charges (approximately -18%) and in impairment losses on other assets (-67% approximately). Lastly, after recognition of the effect of purchase price allocation (89 million euro) and impairment of goodwill and other intangible assets of 29 million euro, Banca Fideuram closed 2013 with a net income of 218 million euro, up 36.3% compared to 2012 (247 million euro excluding the effect of impairment of intangible assets).

Assets under management and assets under administration of the Banca Fideuram Group at the end of 2013 amounted to 83.7 billion euro (of which 66.1 billion euro in assets under management and 17.6 billion euro in assets under administration), up 5.5% on the beginning of the year, thanks to the positive performance in terms of net inflows and to the strong performance of the assets. In detail, assets under management grew (+11.7%) thanks to the positive performance of the life insurance and mutual funds segment. In contrast, assets under administration decreased (-12.7%), confirming their gradual conversion into assets under management which started in 2013. On the other hand, both direct deposits from banking business and direct deposits from insurance business grew (+8.7% to 7,256 million euro and +30.1% to 18,431 million euro).

Highlights

The New Business Plan

Together with the financial statements for the year 2013, the Management Board and the Supervisory Board have drawn up the new 2014-2017 Business Plan, setting out the following mission and priorities for Intesa Sanpaolo and its Group:

– a real-economy Bank, which supports families and businesses and, leveraging a strong balance sheet and leadership, matches healthy credit demand and manages the financial wealth of customers, with care;
– a Bank with sustainable profitability in which operational performance, productivity, risk profile, liquidity and solidity/leverage are carefully balanced;
– a leader in retail and corporate banking in Italy and a few other key countries;
– European leader Bank in a number of high growth/high value businesses (Private banking, Asset management, Insurance);
– a Bank structured according to a divisional model and engaged in strengthening and further simplifying the current business model of Banca dei Territori, taking into account the evolution in customers' demands;
– an international Bank that acts as the "Local Bank abroad" for Italian companies;
– a simple yet innovative Bank, acting with a truly multi-channel model.

The new 2014-2017 Business Plan introduces a new growth phase based on an innovative strategy which, focusing on people and adopting a clear and effective business model, aims at increasing profitability in a sustainable manner, optimising capital and liquidity, through specific actions in the following areas:

a) "New Growth Bank", to develop revenues with innovative growth engines capable of identifying new market opportunities;
b) "Core Growth Bank", to capture untapped revenue potential of existing business in terms of revenue development, reduction in operating costs, and credit and risk governance;
c) "Capital Light Bank", to optimise the use of capital and liquidity, deleveraging Bank's "non-core" assets;
d) People and investments as key enablers to maximise the contribution of each of the three "Banks" to the Group's result.

The new Plan will allow the Bank to be competitive on the global scene and achieve important economic results, while maintaining a sound capital position.

a) New Growth Bank

The several initiatives under the "New Growth Bank" aim at boosting revenues by identifying new business opportunities. In particular:

– *Launch of the Banca 5® project in Banca dei Territori*, relying on an *ad hoc* offer (five key products per customer) and on a dedicated commercial value chain to revamp approximately five million Retail customers currently marked by low profitability;
– *Development of a fully-integrated multi-channel platform* enabling complete integration between branch, workplace, home, web, mobile devices, ATM, telephone and social network, in order to raise the level of customer service and complement an already streamlined network of bank branches;
– *Creation of one of the leading Private Banking players in Europe with the set-up of the "Private Banking Hub"* through combination of Intesa Sanpaolo Private Banking, Fideuram Investimenti and Banca Fideuram, thereby improving the offer and quality of services to Private customers, and further developing the network through the programme attracting financial advisor groups and/or networks;

- *Creation of one of the leading asset managers in Europe with the set-up of the "Asset Management Hub"* through integration of all the Group's Asset Management companies. The new hub will become the centre of excellence for the offer of products to both retail and institutional customers and will enable the Group to develop partnerships with leading-edge international asset managers;
- *Creation of one of the leading insurers in Italy through the integration of Fideuram Vita into the "Insurance Hub"*. The new hub's main objective will be strong growth of P&C insurance, in both the retail and corporate customer sectors, with priority on car, health and house products. The hub will be an enabler for the Group's potential partnerships with top international insurers;
- *Creation of a "Bank-360" model for corporate customers* through:
  - Full leveraging of the Expo 2015 exhibition, of which the Bank is an Official Global Partner;
  - Set-up of a "SME Finance Hub" by pooling all the Group's specialised credit companies (Mediocredito, Leasing, Factoring), so as to support relationship managers with distinctive expertise, in coordination with Banca IMI;
  - Set-up of a dedicated business unit within C&IB Division operating at Group level to further increase the commercial appeal of transaction banking products;
  - Expanding Banca IMI's offer to meet the demand from more sophisticated customers.

b) Core Growth Bank
Initiatives under the "Core Growth Bank" are grouped according to three distinct drivers: (i) increase in revenues; (ii) continuous cost management and (iii) dynamic credit and risk management:
- *increase in revenues* through specific actions for each Business Area:
  - In Banca dei Territori, initiatives are under way to optimise the customer service model, innovate the products and services on offer, strengthen knowledge and advisory services and achieve full integration of all access channels;
  - In Corporate and Investment Banking, the development initiatives include, among others, upgrading of the business model with a shift to an "asset-light" model, consolidation of leadership in Italy by improving the effectiveness and efficiency of the operating model, the pursuit of scale-up options with a selective focus abroad and support to Italian businesses pursuing an internationalisation strategy ("Local Bank abroad");
  - In the International Subsidiary Banks, the main initiatives concern strengthening of presence in countries with high potential, review/re-position in countries without adequate scale or in a turnaround situation, and review of the operating model addressing the main areas (e.g., governance, commercial approach);
- *continuous cost management*, through the gradual simplification of legal entities, the continuing optimisation of the geographical footprint and improvement of the efficiency of the real estate portfolio;
- *dynamic credit and risk management,* through reduction of underwriting time, the full deployment of the process for proactive credit management, evolution of the Substandard Loans unit applying a business-unit-model to proactively manage the significant portfolio of high value substandard and restructured loans, and the strengthening of credit structure and capabilities, monitoring and audits.

c) Capital Light Bank
The Group has developed a clear strategy for optimising capital and liquidity and deleveraging Group non-core assets, with a focus on managing a portfolio including: (i) doubtful loans, (ii) assets deriving from the enforcement of guarantees, (iii) equity stakes and (iv) other non-strategic assets. The unit will have dedicated reporting and incentive systems, with the objective of optimising portfolio and creating economic value.

d) People and investments as key enablers
The emphasis on the customer focus is confirmed by the substantial investment plan drawn up to support the planned actions: it will be the key enabler for implementing the Business Plan and ensuring its success. The main investments will cover:
- *ICT system strengthening*: Bank digitisation, development of multi-channel offer, integrated data management and homogenisation of platforms;
- *Process re-design*: strong emphasis on lean orientation (e.g., automation of controls, centralisation of shared elements);
- *Promotion of innovation:* the new Intesa Sanpaolo Tower in Turin will be the centre for the improvement and development of new products and operating processes (Digital Innovation Lab), for the development of the "ideal branch" and for the Group's training.

The bank also aims at fully empowering and motivating its staff via initiatives such as the upgrade of the incentive systems, human capital development and promoting a sense of belonging and pride.

Recognition of the new stake in the Bank of Italy

Law Decree 133 of 30 November 2013, converted into Law 5 of 29 January 2014, made significant amendments to the Statute of the Bank of Italy and the economic and governance rights of its shareholders. The provisions of the law have been implemented in the Bank's new Statute, which was approved at the shareholders' meeting held on 23 December 2013 and entered into force on 31 December 2013.
In particular, as concerns the first aspect, the law provides that shares in the Bank may only be held by Italian legal entities of a "financial" nature: banks, insurance companies, banking foundations, social security institutions and pension funds; no shareholder may hold, either directly or indirectly, more than 3% of the Bank's capital. Furthermore, any excess shares held shall not carry any extra voting rights. The excess shares must be disposed of within 36 months of the entry into force of the new Statute.
As concerns economic rights, the law authorises the Bank of Italy to increase the capital to 7.5 billion euro by changing the nominal value of the shares, which was brought to 25,000 euro per share. It also provides that the ownership rights over the new shares shall be limited to the capital and the dividend, which must be drawn from net profit and cannot exceed 6% of capital.

After the 36-month grace period for disposing of any shares in excess of 3% of capital, any excess shares still held shall also lose, apart from voting rights, the right to dividend payments.
The major changes to shareholders' rights brought about by the amendments to the Statute have also deeply changed the nature of the stake in the Bank of Italy compared to their characteristics before the reform. As a consequence of these changes, the stake held by the Group banks (127,266 shares) were cancelled and replaced by the same number of new shares, in accordance with the requirements of IAS 39.
The initial carrying value of the new shares corresponds to their nominal value, which was made to coincide with the fair value, in compliance with the indications contained in the document "Updating the valuation of Bank of Italy's equity capital", published by the Bank of Italy and the Ministry of the Economy and Finance on 9 November 2013, as this value was deemed likely to remain stable on the basis of the information currently available to shareholders. Intesa Sanpaolo will take steps to maximise the yield of the shares and preserve their value.

The stake in the Bank of Italy held by the Intesa Sanpaolo Group is substantial: Intesa Sanpaolo and other 13 Group banks held overall 127,266 shares in the Bank of Italy, making up approximately 42.42% of the "former" and the "new" capital, with a total carrying amount in the Consolidated Financial Statements for 2012 of approximately 624 million euro (the fiscal value is just 18 million euro); the value at which the shares are recognised in the Consolidated Financial Statements for 2013 is 3,182 million euro.

In compliance with the IAS/IFRS requirements, following the amendments to the Bank of Italy's Statute approved at the extraordinary shareholders' meeting of 23 December 2013, the new shares were recognised under the residual class of assets available for sale, as they did not meet the requirements for recognition under any of the other classes of financial assets set out in IAS 39.
Again, in compliance with IAS 39, the difference between the carrying value in the financial statements of the cancelled shares (624 million euro) and the carrying value of the new shares (3,182 million euro), which amounts to 2,558 million euro, was recognised under the Income statement under Profits (Losses) on investments in associates and companies subject to joint control.
From the fiscal viewpoint, Article 1(148) of Law 147 of 27 December 2013 provided for payment of a 12% substitute tax to be applied, as clarified by the Circular of the Agenzia delle Entrate (Italian Revenue Agency) no. 4/E of 24 February 2014, on the difference between (a) the nominal value of the new shares and (b) the value for fiscal purposes of the cancelled shares. The corresponding charge for the Intesa Sanpaolo Group is 379 million euro. At the same time, the previously recognised deferred tax liabilities were written off, producing a positive effect on the Income statement of 8 million euro.

This being a unique circumstance, it was deemed proper that the decision be supported by qualified professional opinions for the purpose of precisely defining the legal and accounting issues of the transaction.
The legal opinion starts from the remark that the Bank of Italy is a public institution, to which the provisions of the Italian Civil Code on corporate structures apply only if they are referred to by the law and/or the Statute. The certificates representing the stake in the Bank of Italy are a "unique" case which is not modelled on any pre-established type defined by law. The "type" of the old shares was established by the former Statute and the new Statute, which is modelled on the provision of the special law, establishes a markedly different "type" for the new shares. The fact that the special law is the "ultimate source" of the characteristics of the shares, implemented by the amended Statute, confirms their difference from existing types of shares and their uniqueness.
The old Statute placed no constraints on the direct and indirect ownership of the shares; the new Statute requires instead a 3% ceiling on ownership and provides for shareholders a time-limit of 36 months for disposing of the excess shares, failing which right to dividend payments will be forfeited.
Law Decree 133 specifies that after the capital increase, the Bank of Italy's capital shall be composed of "newly issued" registered shares. Hence, all shares are defined as being newly issued, not just those covering the capital increase.
The key point of the difference between the newly issued shares and the old shares is clearly shown with respect to ownership rights: the quality and amount of ownership rights attached to the new shares are quite different from those of the old shares. As to quantity, after the reform the maximum amount of the dividends is constant, as this depends on the fixed nature of the capital; before the reform, on the other hand, the maximum amount of dividends could rise along with reserves and their yield. Furthermore, the amended Statute expressly provides that the shareholders' ownership rights are limited to the value of the capital. From a qualitative viewpoint, whereas before the reform dividends were mainly based on the "yield" of reserves, after the reform they are "drawn" from the net income.
From the accounting viewpoint, in the light of the difference between the "old" and "new" shares the transaction in question leads to the following consequences, in accordance with IAS 39:
- the values of the replaced shares must be removed from the shareholders' financial statements;
- the new shares received in replacement for the old ones must be recognised ex novo in the Balance Sheet and posted at their fair value as at the date of the transaction, i.e. 31 December 2013;
- the difference between the fair value of the new shares and the carrying value in the financial statements of the old shares which were replaced and cancelled must be recorded in the Income Statement on the same date.

Both Consob Communication DIE/0018881 of 10 March 2014, and Consob's joint press release together with the Bank of Italy and IVASS on 11 March 2014 pointed out that, in the light of the uniqueness and non-typical nature of the transaction, further assessments were under way with international bodies as to its appropriate accounting treatment for the purposes of recognition in the financial statements prepared in accordance with IAS/IFRS and requested the directors of the companies holding shares in the Bank of Italy, when drawing up and approving their 2013 Financial statements, to adopt the transaction recognition methods felt to be most appropriate to achieve compliance with the criteria set out in the international accounting standards.
Intesa Sanpaolo acknowledged that assessments were still ongoing and, with the support of legal and accounting expert opinions, in view of the substantial difference of the legal characteristics and ownership rights attached to the new shares compared with those which could be reasonably assigned to the cancelled shares, deemed it appropriate to cancel the annulled shares and recognise the new shares received in exchange at their fair value, and to record the resulting value difference in the income statement.

Finally, it should be pointed out that in accordance with the guidance provided by the Supervisory Authority, the carrying value of the new stake in the Bank of Italy continues to be deducted as to 50% from Tier 1 capital and as to 50% from Tier 2 capital as for the amount corresponding to the carrying value of the cancelled shares, and is fully deducted from Tier 1 capital as to the amount corresponding to the greater carrying value of the new stake.

Highlights in the year

Herein are reported the main events experienced by the Intesa Sanpaolo Group during 2013 which, where necessary, have been reported in specific market disclosure documents.

On 11 April 2013, Intesa Sanpaolo and the Trade Unions signed an agreement to facilitate the exit of a further 600 employees. The agreement envisaged the possibility for employees who at that date had met the A.G.O. pension requirements, or who would do so by 31 December 2013, to retire on 1 July 2013, or subsequently to that date upon meeting the requirements, up until 31 December 2013. Furthermore, employees who meet the pension requirements by 30 September 2017 are offered the possibility of using the Solidarity Allowance for a maximum period of 36 months.
On expiry of the time limits for joining the exit agreement, 252 employees had accepted it; of these, 97 already met the minimum retirement requirements or would meet them by the end of 2013, while 155 accessed the Solidarity Allowance.
A supplemental agreement was signed on 2 July 2013, in compliance with the provisions set out in the Agreement of 11 April 2013, and in order to achieve the objectives pursued, expanding the group of employees eligible for the Solidarity Allowance. Employees wishing to take advantage of this exit option could apply for the scheme by 16 September 2013.
A subsequent agreement of 8 October 2013 extended the deadline from 16 September to 31 October 2013.
At the end of this second round, the proposal had been accepted by a further 201 persons.
The cost of the exit incentive and of supporting the early retirement of these employees was approximately 66 million euro (before discounting and before taxes), which were charged to the income statement for 2013.

At the beginning of July, Intesa Sanpaolo launched a bid to purchase its senior notes. The transaction allowed optimisation of the Bank’s liabilities profile, reducing excess amounts and modifying the related timing distribution. With an offer of 2,247 million euro, the final total of notes delivered was 1,493 million euro, corresponding to a total purchase amount of 1,510 million euro. As a consequence of the buyback finalisation, the Intesa Sanpaolo Group registered a positive contribution in the year, including the positive impact of the unwinding of interest rate derivatives, of approximately 106 million euro gross (71 million euro net of the tax effect).

In August, Intesa Sanpaolo carried out an exchange of existing subordinated notes (exchange offer) with newly issued Tier 2 subordinated notes in euro, with maturity on 13 September 2023. The transaction was finalised on 13 September. At the end of the offer, the aggregate nominal value of the notes offered by the holders and accepted for the exchange was 1,428 million euro. Consequently, as at the settlement date, Intesa Sanpaolo issued an aggregate nominal value of new notes amounting to 1,446 million euro. As a consequence of finalisation of the exchange, the Intesa Sanpaolo Group registered a positive contribution of 87 million euro to its pre-tax income and of 58 million euro to its net income in the third quarter of 2013.

On 24 September 2013, Telco’s shareholders entered into an agreement amending the shareholders' agreement relating to Telco for the purposes of recapitalising and refinancing the company. Notwithstanding the expiry of 28 February 2015, the agreement provides for two phases. With the first, already completed in September, Telefonica subscribed to an increase of Telco’s share capital for an overall amount of 324 million euro, by means of a cash payment, on the basis of valuation of Telco’s shareholding in Telecom Italy at 1.09 euro per share.
For the purposes of such share capital increase, the company issued exclusively Class C shares without voting rights, which may be converted by Telefonica starting from 1 January 2014 - subject to obtainment of all of the regulatory and anti-trust authorisations, including those in Brazil and Argentina, – into voting shares, belonging to the same class of shares already owned by Telefonica (“Class B" shares). Telco used the proceeds accruing from the share capital increase to immediately reimburse, up to its full amount, the existing bank debt falling due in November 2013.
Telco’s outstanding bank debt was entirely refinanced through a new loan at market conditions.
Subsequent to the full subscription of entire share capital increase by Telefonica, Telco's share capital is now held as follows: Telefonica, 66.0%; Assicurazioni Generali, 19.32%; Mediobanca, 7.34%; Intesa Sanpaolo, 7.34%. Pending the possible conversion of the non-voting shares subscribed by Telefonica into voting shares, the governance rights of each of the parties will remain unchanged, as currently in force (voting rights percentage: Assicurazioni Generali, 30.6%; Intesa Sanpaolo and Mediobanca, 11.6%; Telefonica, 46.2%).
Along with the share capital increase, Telefonica purchased from the Italian shareholders – at nominal value – a portion of the bonds issued by Telco, so that the quota of the bonds owned by Telefonica after the purchase is equal to 70% of the entire amount, while the remaining 30% is allocated among Assicurazioni Generali (17%), Intesa Sanpaolo (6.5%) and Mediobanca (6.5%). The consideration paid by Telefonica consisted of ordinary treasury shares listed on the Madrid stock exchange, with an evaluation of 10.86 euro each.
For the second phase of the agreement, Telefonica undertook to subscribe another share capital increase of Telco, to be paid in cash, for an overall amount of 117 million euro, again by issuing shares without voting rights (“Class C” shares) and subject to the terms and conditions of the first capital increase. Following this second capital increase, subject to Telefonica obtaining all of the regulatory and anti-trust authorisations, Telefonica's shareholding in Telco would rise to 70%, without any change in governance rights. The percentage held by Intesa Sanpaolo would instead be 6.47%.
Furthermore, from 1 January 2014, Telefonica would have the right (call option) to purchase in cash all Telco’s shares owned by the Italian shareholders, at a price determined on the basis of the evaluation of Telco’s shares in Telecom Italy at the higher of 1.10 euro and the average closing price of Telecom Italy’s shares registered at the exercise of the Call Option. If the option is exercised, Telefonica would be obliged to purchase, at a nominal value, all the outstanding bonds issued by Telco and owned by the Italian shareholders at a price to be paid 50% in cash and, at Telefonica’s discretion, 50% in cash and/or Telefonica's shares.

Finally, under the agreement each of Telco's shareholders maintains the right to receive Telecom Italy's shares directly, thus withdrawing from the shareholders agreement, through the demerger of Telco, which may be requested during a first window between 15 and 30 June 2014 and a second window between 1 and 15 February 2015.
Following these agreements, in its Quarterly Report as at 31 July 2013, Telco wrote down its investment in Telecom, valuing it at 1.09 euro per share, equal to the value assigned for the capital increase. This resulted in a loss of 228 million euro in Telco's quarterly report as at 31 July 2013 (drawn up based on the IAS/IFRS).
As regards the bond, Telefonica repaid to Intesa Sanpaolo a nominal value of 90 million euro (out of a total of 203 million), plus 1.5 million euro in interest. The repayment was made in Telefonica shares with an evaluation of 10.86 euro each. These shares were sold in November and resulted in a capital gain of 8 million euro (5.4 million euro net of the tax effect).
In the light of the regulatory difficulties which emerged in Brazil and of the intention expressed by Telecom to refrain from disposing of its shareholding in Brazil, we consider it less likely that Telefonica might exercise its rights under the agreement. Consequently, in the 2013 financial statements of the Intesa Sanpaolo Group the value of the stake in Telco was calculated by valuing the Telecom shares at their market quotation as at 30 December 2013, which was 0.721 euro. This valuation yields a negative value of Telco's equity and, consequently, led to cancellation of the value of the investment. The overall impact of the investment in Telco in the 2013 consolidated income statement of Intesa Sanpaolo was thus negative in the amount of 80 million euro.

On 15 October, the Management Board of Intesa Sanpaolo adopted the following detailed action plan in favour of Alitalia: first, to subscribe to the increase in the share capital of the Company for an amount of 26 million euro (proportionate to Intesa Sanpaolo's stake in Alitalia); second, to guarantee the underwriting of up to 50 million euro of any unsubscribed shares subject to certain conditions, which later occurred; third, to grant an advance of up to 50 million euro under the aforementioned underwriting commitment.
The increase in the share capital was completed in December, and totalled 300 million euro, with the entry of new shareholders (Poste Italiane, Unicredit, Percassi Group). Intesa Sanpaolo's commitment to the capital increase was 76 million euro.
Furthermore, in February 2013, Intesa Sanpaolo had subscribed for a portion (approximately 16 million euro) in the subordinated convertible bond loan approved by the Shareholders' Meeting of Alitalia for a maximum amount of 150 million euro and subscribed by the shareholders as to 95 million euro. As at 31 December 2013, the first expiry date for exercising the conversion option, Intesa Sanpaolo decided not to exercise this right.
Following the subscription of the share capital increase, Intesa Sanpaolo's stake in Alitalia came to 22.07% (20.59% directly and 1.48% indirectly through the Ottobre 2008 vehicle). In January 2014, Alitalia concluded the conversion of the bond loan except for the stake held by our bank. This led to a slight dilution in Alitalia's share capital. Intesa San Paolo's new stake in Alitalia is thus 20.59% (19.21% directly and 1.38% through Ottobre 2008).
In the 2013 financial statements of the Intesa Sanpaolo Group, in the light of the current complex situation of the sector, marked by a high degree of uncertainty, it was deemed appropriate to value the stake with a prudential approach, pending developments in the current negotiations. Consequently, impairment of about 61 million euro was recognised, as well as losses of 35 million euro, both certain and estimated on the basis of the available data.

On 31 October, the participants in the RCS MediaGroup shareholders' agreement, whose expiry was set for 14 March 2014, agreed not to renew the agreement, which was therefore terminated in advance on 30 October 2013.

Also on 31 October, at the conclusion of consultations conducted by the Directorship of the Pirelli & C. S.p.A. Shares' Shareholder Block Agreement, the members of the block agreement (Assicurazioni Generali S.p.A., Camfin S.p.A., Edizione S.r.l., Fondiaria-SAI S.p.A., Intesa Sanpaolo S.p.A., Mediobanca S.p.A., Massimo Moratti and Sinpar S.p.A.) agreed to dissolve the agreement, thus ahead of the planned dissolution date of 15 April 2014. From 31 October 2013, the members are therefore definitively and irrevocably freed from the commitments and obligations deriving from the block agreement.
On the same date, Camfin, Intesa Sanpaolo and Massimo Moratti (the latter also in the name and on behalf of C.M.C. and Istifid), parties to the shareholders' agreement regarding Prelios underwritten on 20 September 2013, announced that they had agreed to dissolve the Agreement with immediate effect.
Thus, in that case too, as of 31 October 2013, the parties were released from all commitments and obligations deriving from the agreement.

On 11 November, Intesa Sanpaolo completed the sale of approximately 21 million ordinary shares in Assicurazioni Generali, corresponding to approximately 1.3% of this company's share capital, at a price of 16.60 euro per share in an accelerated bookbuilt offering. The total consideration was approximately 348 million euro, yielding for Intesa Sanpaolo a positive contribution to its consolidated net income of approximately 63 million euro. By completing this transaction, Intesa Sanpaolo sold its entire stake in Assicurazioni Generali, reporting for the fourth quarter a positive contribution to consolidated net income of approximately 82 million euro. The total contribution of this stake to net income for 2013, which takes into account the impairment of 58 million euro recognised in the half-yearly report as at 30 June, was about 24 million euro.

On 2 December 2013, Intesa Sanpaolo (jointly with other shareholders) executed with Fondo Strategico Italiano, F2i SGR and Orizzonte SGR sale-and-purchase agreements concerning the sale of 59.3% of the share capital of SIA (28.9% of which is held by the Intesa Sanpaolo Group). The price was determined on the basis of a valuation of 100% of the SIA capital equal to 765 million euro; following the sale of 28.9% of the capital of SIA, the Intesa Sanpaolo Group will record a net capital gain of around 150 million euro. The transaction is expected to be completed within the first half of 2014, subject to regulatory approval.

Again in December, the third amending agreement was signed in respect of the existing agreements between the company Carlo Tassara S.p.A. and the lending banks as part of a restructuring plan to enable the company to better enhance the assets under disposal, the proceeds of which will be used to repay its financial debt. The key points of the restructuring plan are as follows:
– extension to 31 December 2016 of the final expiry date of the existing agreements;

- amendment to the corporate governance setting the number of the Board of Directors at nine, with six directors qualifying as independent;
- use of loans on the part of lending banks to subscribe to participatory debt financial instruments (PFIs) for an overall amount of 650 million euro. These PFIs, freely tradable once the restructuring plan expires, shall not have a maturity date, and shall have a priority over any classes of shares with respect to distribution of net income and reserves, as well as in the case of liquidation of Carlo Tassara;
- commitment of the lending banks to subscribe to additional PFIs by drawing proportionally on their loans to the company if, in the course of the plan, material losses occur within the meaning of article 2447 of the Italian Civil Code;
- commitment of the lending banks to convert into PFIs any loans granted to the company, which may remain outstanding once all the assets under disposal belonging to Carlo Tassara have been sold;
- business continuity of Carlo Tassara, which will be ensured by enterprises with historical links with the Valcamonica area.

In this context, the portion of PFIs assigned to Intesa Sanpaolo, subsequent to conversion of part of the pre-existing debt is approximately 457 million euro. With regard to the overall gross exposure towards Carlo Tassara, which as at 31 December 2013 was classified among substandard loans and amounted to approximately 1,134 million euro (including the portion of PFIs), Intesa Sanpaolo recognised a 497 million euro adjustment (including 67 million euro recognised in the 2013 financial statements), considered suitable to cover the Bank's total exposure. As a consequence of the above, overall exposure (debt and PFIs) towards the Carlo Tassara company – net of the provisions made – is approximately 637 million euro.

With regard to bond funding, a number of transactions were finalised during the year. In October, Intesa Sanpaolo launched a 1 billion Eurobond issue targeted at international markets. This is a 10-year, fixed-rate issue under the Euro Medium Term Notes Programme of Intesa Sanpaolo. It was the first 10-year senior unsecured benchmark issue by a Eurozone peripheral bank since March 2010 (Intesa Sanpaolo 4.125% due 14 April 2020). The 4% coupon is payable in arrears on 30 October of each year. Considering its 99.161% re-offer price, the yield to maturity is 4.104% per annum. The total spread for the investor is equal to the mid swap rate + 203 basis points. The yield is essentially in line with that of the benchmark BTP March 2024. The bond is not offered on the Italian retail market; it is distributed to international institutional investors and financial institutions. It will be listed on the Luxembourg Stock Exchange and, as usual, traded Over-the-Counter. This operation was followed, again in October, by another senior bond issue for a total of 1.25 billion US dollars on the U.S. and Canadian markets, exclusively targeting professional investors. It is a fixed-rate bond under the U.S.$ Medium Term Notes Programme of Intesa Sanpaolo and will have a 5-year and two-month maturity. The coupon, payable semi-annually in arrears on 15 January and 15 July of each year from and including 15 January 2014 up to the maturity date, is equal to 3.875% per annum. Considering its 99.981% re-offer price, the yield to maturity is 3.88% per annum and the total spread for the investor is equal to the yield of a 5-year U.S. Treasury Bill plus 260 basis points per annum.
In November another senior unsecured benchmark eurobond issue was launched in the amount of 1 billion euro targeted at international markets. This is a 5-year, fixed-rate issue under the Euro Medium Term Notes Programme of Intesa Sanpaolo. The 3% coupon is payable in arrears on 28 January of each year. Considering its 99.714% re-offer price, the yield to maturity is 3.062% per annum. The total spread for the investor is equal to the mid swap rate plus 195 bps.
This was followed in December by another senior unsecured benchmark eurobond issue in the amount of 1.5 billion euro targeted at international markets. It is a 2-year, floating-rate issue under the Euro Medium Term Notes Programme of Intesa Sanpaolo. The coupon, payable quarterly in arrears on 11 April, 11 July, 11 October and 11 January of each year from and including 11 April 2014 up to the maturity date, is equal to 3-month Euribor rate plus 130 bps per annum (first long coupon from 11 December 2013 to 11 April 2014). Considering its 99.804% re-offer price, the yield to maturity for the investor is equal to 3-month Euribor rate plus 140 bps per annum.
Neither bonds targeted at the Italian retail market. Rather, they both targeted at professional investors and international financial intermediaries and are listed on the Luxembourg Stock Exchange as well as being traded over-the-counter.

As to important events after the close of the year, we report that on 23 January 2014 Intesa Sanpaolo signed an agreement concerning the sale of 100% of the capital of its Ukrainian subsidiary Pravex-Bank to CentraGas Holding Gmbh for a consideration of 74 million euro. Finalisation of the transaction is subject to regulatory approval being obtained and is expected to take place within the next few months. As a result, the consolidated income statement will record a negative contribution of 38 million euro after tax (calculated on the basis of the subsidiary's shareholders' equity as at 31 December 2013), plus, at the time of finalising the transaction, the effect of the release of foreign exchange differences from the related valuation reserve, which will be negative in the amount of 60 million euro.
The evidence of a transaction price lower than the carrying amount, which constitutes an impairment indicator, led to recognition of the loss already in the 2013 financial statements, with the exception of the effect linked to the exchange rate reserve, for which IAS 21 requires recognition in the income statement only at the time of disposal.
Furthermore, the Intesa Sanpaolo Group has signed a binding memorandum of understanding concerning the sale of the stake held by subsidiary Intesa Sanpaolo Vita in the Chinese insurance company Union Life (representing 19.9% of the latter's capital) for a consideration of 146 million euro. This transaction will generate a positive contribution of approximately 30 million euro after tax to the consolidated income statement. It is subject to prior authorisation being obtained from local supervisory bodies.

From the end of January, work started on setting up the new SME Finance Hub of the Intesa Sanpaolo Group. The company chosen to act as hub is Mediocredito Italiano, a Group company specialising in medium- and long-term lending to SMEs. The Hub will focus on supporting the investments and growth strategies of SMEs and will become the point of reference for advisory services on business financing, specialised loans, leasing and factoring. The new Hub will cover more than 80,000 customers, with loans in excess of 37 billion euro, including 28 billion euro granted to SMEs. The aim of this project is to provide effective answers to the emerging needs of SMEs: growing in size to achieve critical mass, leveraging on the strength of value chains, investing in innovation and internationalisation, and optimising their financial structure. To help businesses achieve their objectives, the SME Finance Hub will be based on three pillars: comprehensive and integrated commercial offer covering strategic and growth investments, sector specialisation in the approach to customers and integration with the Group's local network. The activity of Mediocredito Italiano, which has the same service model as Banca dei Territori of Intesa Sanpaolo of which it is a part, will cover three main areas, offering targeted commercial solutions: consulting/advisory services, specialised loans & subsidised credit, and leasing. Mediocredito Italiano will be in charge of managing, for the whole Intesa Sanpaolo Group, subsidised finance and financing schemes for research and innovation, also through agreements with industrial associations, business associations and other partners offering consulting services to Group customers and companies.

On 6 March, Intesa Sanpaolo completed the sale of approximately 7 million ordinary shares held in Pirelli & C., corresponding to approximately 1.5% of the Company's voting share capital and representing the entire stake held. The sale was made at a price of 12.48 euro per share in an accelerated bookbuilt offering.
The total value was 89.3 million euro, representing a positive contribution to consolidated net income for Intesa Sanpaolo of approximately 55 million euro which will be recognised in the income statement of the first quarter of 2014.

In the first half of March, having obtained the necessary authorisations, Intesa Sanpaolo annulled in full its bonds guaranteed by the Republic of Italy pursuant to Article 8 of Law Decree 201 of 6 December 2011 converted with amendments by Law 214 of 22 December 2011. These bonds, whose total nominal value was 12 billion euro, had been retained by Intesa Sanpaolo since their issue date and, consequently, had never been placed on the market.

Finally, as set out in greater detail in Part A of the Notes to the financial statements, on 16 May 2013 EBA recommended supervisory authorities to conduct asset quality reviews on major EU banks, the objective being to review the banks' classifications and valuations of their assets so to help dispel concerns over the deterioration of asset quality due to macroeconomic conditions in Europe. On 23 October 2013, the ECB announced that, together with the national competent authorities responsible for conducting bank supervision, it would carry out a comprehensive assessment of the banking system, pursuant to the regulations on the Single Supervisory Mechanism (EU Council Regulation no. 1024/2013 of 15 October 2013) that became effective on 3 November 2013. This activity will take place during 2014 and will involve the major European banks, including the Intesa Sanpaolo Group.

Main risks and uncertainties

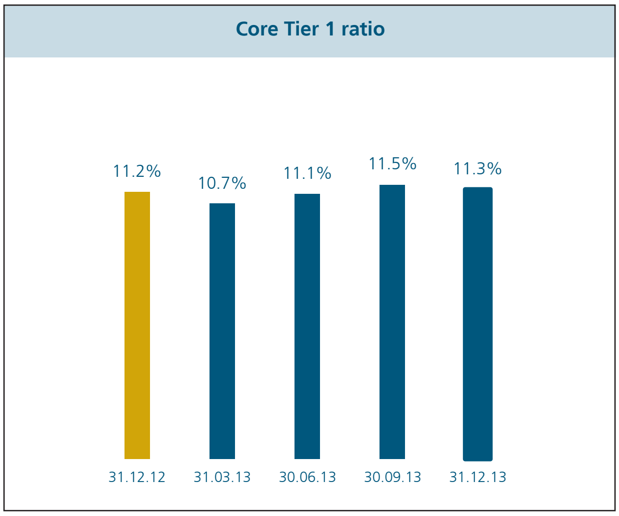
The persisting headwinds in the macroeconomic environment and the financial markets' volatility require constant control of the factors enabling the Bank to pursue sustainable profitability: high liquidity, funding capability, low leverage, adequate capital base, prudent asset valuations.

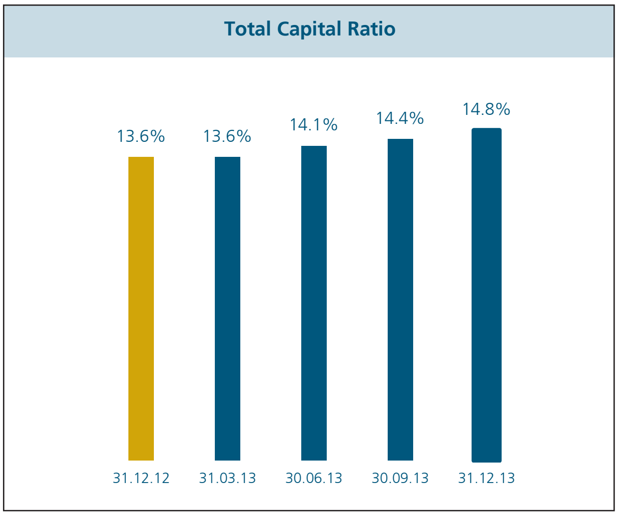
Liquidity remains high: as at 31 December 2013, the liquidity reserves eligible with the Central Banks came to 124 billion euro, of which 88 billion euro were available spot (net of the haircut) and remained unused, up compared to 67 billion euro at the end of 2012. The refinancing through the European Central Bank from participation in the two 3-year auctions (LTRO – Long Term Refinancing Operations) carried out by the monetary authorities in December 2011 and February 2012 was fully repaid and replaced by recourse to weekly and 3-monthly auctions providing greater flexibility in the management of the liquidity position.

With regard to funding, the year was characterised by a drop in direct customer deposits; however, within the aggregate datum, positive performance was recorded by the demand components (current accounts and deposits). The widespread branch network continued to be a stable and reliable source of funding: 79% of direct deposits from banking business come from retail operations (295 billion euro). Moreover, as already reported, during 2013 the funding transactions finalised on the international markets totalled more than 5 billion euro of eurobonds, 1.75 billion euro of covered bonds and 4.75 billion euro of US bonds.
The internal short-term liquidity indicator, which measures, for the various short-term time brackets, the ratio between availability of liquidity reserves and expected positive cash flows and expected and potential cash outflows, has values that are significantly greater than the limits set out in the internal policy. The medium to long-term financial equilibrium, monitored via a structural liquidity indicator, also showed a significant surplus at the end of the year.
The minimum liquidity ratios envisaged by Basel 3 were already met at the end of December: indeed, the Liquidity Coverage Ratio (LCR) and the Net Stable Funding Ratio (NSFR) exceed 100%.

The leverage of the Intesa Sanpaolo Group continues to be at lower levels than its main competitors', while the ratio of risk-weighted assets to total assets is among the highest, given the prevalence of retail banking activities within the Group.

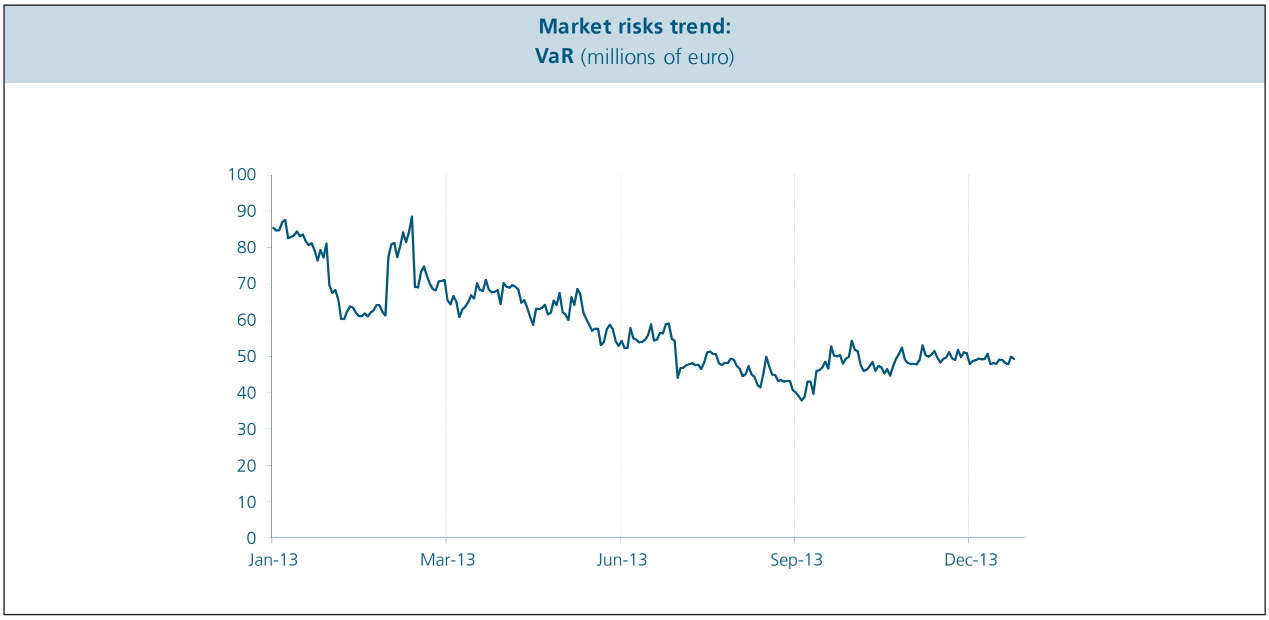
The capital base remained likewise high: the Total Capital Ratio is 14.8%, Tier 1 is 12.2% and Core Tier 1 is 11.3%.





With regard to the insurance segment, as at 31 December 2013 the available consolidated solvency margin of Intesa Sanpaolo Vita, the Group's main insurance company, was 5,000 million euro, up from 4,613 million euro as at 31 December 2012. This increase reflects the profit achieved by the company in 2013, the capital management transactions and market trends. The margin is 2,261 million euro higher than the requirement under the supervisory provisions. The solvency ratio as at 31 December 2013 was thus 182.5%, slightly down from 189.1% of 31 December 2012. The reduction in the "solvency ratio" is attributable to the strong growth in volumes all through 2013, driven by the high production, and to return to the Parent Company of equity reserves for an amount of 663 million euro, partly offset by the issue on the market of a subordinated debt with 5-year maturity, having a nominal value of 500 million euro. In 2013, Intesa Sanpaolo Life distributed to Intesa Sanpaolo Vita 55 million euro of reserves from retained earnings built in previous years.

The Group's risk profile remained at relatively low levels, consistent with the Group's intention to continue to privilege commercial banking operations. The trend of the Group's operational VaR in 2013 shown in the chart, after recording an increase linked to the Group's activity on the Italian government bond market, remained between 38 and 89 million euro. The average VaR for the year totalled 58 million euro.



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

Intesa Sanpaolo has developed a set of instruments which ensure analytical control over the quality of the loans to customers and financial institutions, and of exposures subject to country risk.
Risk measurement is performed by means of different rating models according to borrower segment (Corporate, Small Business, Mortgage, Personal Loans, Sovereigns, Italian Public sector entities, Financial institutions). These models make it possible to summarise the counterparty's credit quality in a value, the rating, which reflects the probability of default over a period of one year, adjusted on the basis of the average level of the economic cycle. These ratings are then made comparable with those awarded by rating agencies, by means of a uniform scale of reference.

Ratings and credit-risk mitigating factors (guarantees, loan types and covenants) play a key role in the loan granting and managing process.
The methods used to classify non-performing loans and to measure both non-performing and performing loans ensure that the impacts of the deteriorating economic environment on a debtor's position are promptly recognised. The alarming pace at which the crisis deepened and expanded has made it necessary to constantly review the value both of loans already showing signs of distress and of those not yet showing clear signs of impairment. All categories of non-performing loans were assessed using the usual criteria of prudence, as highlighted by the substantial average coverage percentages for doubtful loans (62.5%) and substandard loans (23.2%). With regard to performing loans to customers, the "collective" adjustments provide a portfolio coverage ratio of 0.8%, a slight increase compared to the coverage in the 2012 financial statements. The lump-sum provisions on performing loans, amounting to 2,404 million euro, fully cover the expected loss calculated by means of internal models.

Considerable attention has been paid to the valuation of financial items. The majority of financial assets (about 90%) is measured at fair value since it is classified as held for trading or available for sale, or are represented by hedging derivatives.
The fair value measurement of financial assets was carried out as follows: 75% using the effective market quotes method (level 1 inputs), 22% using the comparable approach (level 2 inputs) and only 3% using the mark-to-model approach (level 3 inputs). Among the financial liabilities designated at fair value through profit and loss, most of the financial instruments (90%) were measured using the comparable approach (level 2).

As at 31 December 2013 the Intesa Sanpaolo Group's sovereign debt exposure was represented by debt securities for 120 billion euro (of which 45 billion euro in securities held in Group insurance companies' portfolios) and by other loans for 22 billion euro. As at 31 December 2012 the securities exposure amounted to around 104 billion euro, whilst other loans totalled 26 billion euro.
The exposure to the Italian Government is about 120 billion euro: in more detail, the Group banks' exposure (approximately 80 billion euro) is concentrated in the short-term segment (46 billion euro up to 3 years), with a duration of 2.1 years. On the other hand, the duration of the insurance portfolio is longer, at 7.4 years, consistently with that of the liabilities.
Investment levels in structured credit products and hedge funds remained low. These products' fair value changes over the twelve months generating a positive impact of 52 million euro for the former (plus 25 million euro in profits from disposals) and 65 million euro for the latter.

In the current volatile market environments, measuring the recoverable amount of intangible assets is also particularly difficult. This situation affected the impairment tests required by IAS 36 to verify the recoverable amount of the intangible assets posted to the financial statements, which in the case of Intesa Sanpaolo Group are represented by the asset management portfolio, the insurance portfolio, core deposits, brand name and goodwill.
The method adopted to conduct the tests for the 2013 Financial Statements remained unvaried with respect to prior years; it is based on determination of value in use, understood as the present value of the future cash flows expected to be generated by the Group. To this end, the analytical estimates contained in the Business Plan 2014-2017 were used.
Due to the expected negative impacts on near and medium-term cash flows resulting on the one hand from the unfavourable economic environment and the trends in interest rates and, on the other, from the increase in discounting rates, the results of impairment tests showed the need to recognise impairment of intangible assets with both finite and indefinite useful lives.
Intangible assets with finite useful lives (asset management and insurance portfolios and core deposits) were analysed with respect to their volume, profitability and discount rates in order to detect any impairment indicators. These analyses revealed no critical aspects in respect of the asset management portfolio or the insurance portfolio, while the expected trend in interest rates, and hence in the mark down, was an impairment indicator for core deposits and, consequently, required a new valuation of this intangible asset. These checks led to impairment of core deposits in the amount of 1,581 million euro (1,539 for CGU Banca dei Territori and 42 million euro for CGU Banca Fideuram). As a consequence of this impairment, the intangible asset "core deposits" was fully impaired.
The still difficult environment as concerns growth of industrial production and the expected extension of the ECB's expansive monetary policy measures make it likely that interest rates will remain very low for quite a long period of time. This outlook has led to the recognition of impairment of intangible assets with indefinite useful lives (brand name and goodwill) of the Banca dei Territori, Corporate and Investment Banking and International Subsidiary Banks CGUs. In contrast, Banca Fideuram and Eurizon Capital CGUs did not appear to need impairment as their values in use as at 31 December 2013 were found to be higher than the respective carrying values. Specifically, impairment of Banca dei Territori amounted to 3,130 million euro, that of Corporate and Investment Banking amounted to 1,326 million euro, and that of the International Subsidiary Banks amounted to 722 million euro. In accordance with IAS 36, impairment was initially allocated to goodwill, up to the difference between value in use and book value, and, where allocation to goodwill was not sufficient, the remaining part was allocated to brand name. Allocation of impairment to brand name was necessary only in the case of the Corporate and Investment Banking CGU, whose total impairment of 1,326 million euro split as follows: 824 million euro to goodwill and 502 million euro to the brand name.
After these impairment losses on and adjustments to intangible assets with finite useful lives, the residual value of intangible assets was 6,602 million euro, of which 3,899 million euro referring to goodwill.
For an illustration of the tests performed, refer to Section 13 "Intangible Assets", point 13.2 of Part B of the Notes to the consolidated financial statements, which explains the methodology used, activities carried out and results.

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

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

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

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

With regard to the going concern assumption, the Directors of Intesa Sanpaolo re-affirm that they have a reasonable certainty that the company will continue in operational existence in the foreseeable future and consequently have prepared the financial statements for 2013 on a going concern basis. The Directors have not detected in the asset and financial structure or in the performance of operations any uncertainties casting doubt on the going concern assumption.

The macroeconomic context and the banking system

The macroeconomic context and the banking system

The macroeconomic context

The economy and the markets

In 2013 the world's economy continued to expand at a moderate and uneven pace. In the United States, economic growth gave a boost to employment trends. The Federal Reserve reacted to the strengthening of this recovery by announcing, at the end of the year, the downsizing of the massive securities purchase programme, which had continued unchanged for all of 2013. In Japan, business indices have responded positively to the expansionary economic policy launched by the new government, which includes an aggressive monetary stimulus.
The economic situation in the Eurozone remained weak, but the first signs of an exit from the recession were seen starting from the second quarter. The recovery gained strength in the second half of the year, also expanding to several countries affected by the debt crisis. However, the growth accumulated over the year was insufficient to prevent a slight contraction in the annual average GDP of the Eurozone also in 2013 (-0.5%). High levels of unused resources and the absence of international inflationary drives resulted in a decrease in inflation rates to under 1%. Fiscal policies remained restrictive, though to a lesser degree than in 2012. Financial conditions continued to be more unfavourable in the Mediterranean countries than in countries in Northern Europe, though the substantial drop in risk premiums is a sign that the acute phase of the crisis has passed. As concerns the debt crisis, the difficult negotiations on the bailout package for Cyprus were completed: they involved drastic restructuring of the two main banks and recourse to the deposits exceeding the European deposit guarantee level. Reviews of the other programmes in progress (Greece, Portugal, Ireland and Spain) ended positively. At the end of 2013 Ireland and Spain exited the bailout programmes, without applying for further aid.
The recession in the Italian economy continued in the third quarter of 2013, though in a scenario of gradual stabilisation. Industrial production figures and economic surveys showed that the fourth quarter marked a return to growth in economic activity. However, the annual average still reported a highly negative figure, decreasing 1.9% on 2012. The decline in internal demand was only partially offset by a new improvement in the trade balance, which, however, was more the result of the drop in imports than a growth in exports. Nevertheless, the overall situation continues to be penalised by a sharp reduction in the income levels of households, accompanied by highly unfavourable employment trends. Fiscal policy remained on a mainly restrictive course: nonetheless, during the year the Public Administration began payment of over 20 billion euro in past due invoices, and the fiscal policy approach announced for 2014 became gradually neutral.

In May, the European Central Bank (ECB) cut rates on main refinancing operations from 0.75% to 0.50% and lowered the marginal refinancing rate from 1.50% to 1.00%. A second decrease was implemented in November, reducing the refinancing rate to 0.25% and the marginal refinancing rate to 0.75%. The deposit rate remained at zero. Full allocation has been extended to at least July 2015. The ECB has not ruled out possible new measures in the future, emphasising that the official rates will remain equal to or lower than the current level for a long period of time. Money market rates remained stable, with modest signs of recovery starting from June, and substantial insensitivity to the measures on official rates.
IRS rates took a marked upward swing starting in May, due especially to correlation with the US market. The same trend was seen in bond yields of countries with high ratings. The Italian BTP market saw a sharp fall in yields in January, followed by a return to higher levels, owing to the uncertainties surrounding the late-February political elections. The political stalemate that followed had relatively limited negative repercussions on risk premiums and rates, and it did not prevent a new cautious inflow of foreign capital into the Italian market. From the end of May, yield spreads between Italian and German securities began expanding once again, in line with the greater risk aversion seen on the main financial markets. After reaching a peak at the end of the second quarter, interest rate spreads then benefited from a long, sharp decline which continued to the beginning of 2014, amounting to near 200 basis points. A sharp contraction in spreads was also seen in the Spanish market.
Up to June, though recording significant fluctuations, the Euro remained at weaker levels, on average, than at the end of 2012. In the second half, it began a gradual rise towards 1.34-1.36 dollars, levels it maintained also at the beginning of 2014.

In 2013, international stock markets reported overall positive trends, supported by the expansionary monetary policies of central banks and by gradual signs of an inversion in trend in the Eurozone's economic cycle.
After a worrisome start of the year in Europe, with the crisis in Cyprus' banking-financial system and growing political uncertainty in Italy, the April announcement by the Japanese Central Bank of an ultra-expansionary monetary policy, combined with the accommodating policies of the FED and the ECB, triggered an increase in international stock indices.
This trend was temporarily interrupted after mid-May, due to investors' growing concerns about the timing of the Federal Reserve's exit from its expansionary monetary policy: the stock indices correction significantly lowered, and in some cases completely erased, the gains of indices from the start of the year.

The stock market trend was largely positive during the third quarter, due to the first signs of stabilisation in the cycle in the Eurozone (and in some countries, such as Germany, of a real economic recovery), in a framework of investors' increasing risk appetite and with a gradual refocusing of attention back on fundamentals performance. In this phase, the "peripheral" countries of the Eurozone (Italy and Spain in particular) achieved better performance than the "core" countries (Germany and France), reducing most of the gap accumulated during the first half of the year.

Despite temporary profit taking on the markets triggered by the concerns over the weak trend in prices in the Eurozone, the last few weeks of 2013 were once again marked by a sharp rise in stock indices, reflecting the normalised economic and financial conditions in 2014.
During 2013, the S&P 500 index rose by 29.6%, sustained by the positive trend in economic growth and corporate profits in the United States. Asia's main stock markets continued to show highly diverging performance: China's SSE Composite index closed 2013 down 6.8%, penalised by the concerns over the sharp economic growth, while the Nikkei 225 index made strong gains (+56.7%), reflecting the positive impacts of expansionary monetary and fiscal policies.
The growing visibility of economic recovery and the decrease in tensions linked to the sovereign debt crisis boosted stock markets in the Eurozone. The DAX 30 index closed 2013 up by 25.5%, reflecting the strength of the domestic economy, while the CAC 40 gained 18% in the same period. The Spanish stock market is showing a strong recovery, with the IBEX 35 up by 21.4%. The Euro Stoxx index ended the year up 20.5%. Outside of the Eurozone, the British market index FTSE 100 grew 14.4%, while the Swiss market index (SMI) closed the period at +20.2%.
Performance of the Italian stock market in 2013 was slightly worse than the major European markets, penalised in the first half of the year by continued weakness of the domestic economy, as well as by tensions following the political elections in February. However, the performance gap decreased considerably in the second half of the year, in view of the gradual stabilisation of the economic cycle. The FTSE MIB index ended the year up 16.6% (after a 6.4% decline at the end of June); similarly, the FTSE Italia All Share was up 17.6% (-5.4% in the first half of the year). Mid-cap stocks, on the other hand, largely out-performed blue chips, with the FTSE Italia STAR index recording a sharp increase (+55.7%) in 2013.

European credit markets closed 2013 with positive performance, with a generalised tightening of risk premiums, particularly with the riskiest asset classes, which continued to benefit from accommodating monetary policies by central banks and encouraging signs of economic recovery in the Eurozone.
The positive performance of the markets was halted from mid-May, due to concerns over the tapering of quantitative stimulus from the Federal Reserve by the end of the year. The markets continued decreasing risk premiums as a result of the confirmation of a stable expansive approach from the ECB and the abundant liquidity in search of yields. This trend gained additional strength from the surprise effect of the Fed's decision in September to postpone the tapering of its securities purchase programme. The fourth quarter then saw the unexpected cut, in timing if nothing else, by the ECB and the notification by the Fed that the tapering of the purchase programme would not be accompanied by an immediate increase in rates and, in fact, that rates would remain low for a reasonably long period.
In 2013, the primary market saw a vigorous investment grade segment and record speculative grade issues. Specifically, the latter benefited from investors' search for yields and issuers' need to use the primary market in place of bank debt, at favourable conditions.
On the European bond market, industrial bonds outperformed financial bonds in the investment grade segment. The return of risk appetite and the continued search for attractive yields by investors have driven the performance of peripheral countries' securities as compared to core countries, as well as speculative securities as compared to investment grade securities, particularly in the classes with lower creditworthiness. The derivatives segment also saw a general reduction in the cost of hedging against insolvency risk, ending 2013 at record lows for the year and investment grade performing better than the cash segment. There was sharper tightening in the synthetic crossover and financial indices, particularly subordinated indices.

The emerging economies and markets

Based on preliminary estimates by the IMF, in 2013 the growth in the GDP of emerging economies slowed to 4.7% from 4.9% in 2012. The slowdown was sharper in the areas with the greatest exposure to the commodities cycle, specifically Latin America and CIS and MENA countries. The continuing political tensions also impacted the MENA area.
In Latin America the GDP slowed in Mexico from 2.3% to 1.2%, as well as in Chile and Venezuela, while Brazil bucked the trend as a result of the support from fiscal policy, growing from 1% to 2.3%. In the CIS countries, the GDP in Russia grew by 1.3%, less than half of the 2012 figure, while growth stopped in Ukraine, according to preliminary estimates. In the Middle East and Northern Africa area (MENA) the GDP trend slowed in several countries, including Egypt (from 3.2% to 1.7%), partly as a result of the turbulence linked to the political upheavals in the country. In Asia, the GDP trend grew slightly from 6.4% to 6.5%. The Asian region was impacted by the slowdown in its two leading countries, China and India, over the last two years and the adjustment measures implemented in several countries such as Indonesia, Thailand and Malaysia, marked by significant macroeconomic imbalances.

Conversely, the GDP recovered in CEE and SEE countries, which benefited from the recovery in the cycle in the Eurozone. Serbia (with GDP growth at +2.4% compared to -1.5% in 2012) and Hungary (+1.1% from -1.7%) have pulled out of recession, while Romania gained significant momentum (GDP +3.2% in 2013 from +0.7% in 2012). Croatia and Slovenia continued their recession, though in both cases the drop in the GDP in 2013 (estimated -0.9% for Croatia and -1.8% for Slovenia) was lower than the 2012 decrease (-2% and -2.5%, respectively). In Slovakia, growth slowed year on year (to an estimated +0.9% in 2013 from +1.8% in 2012), though showing gradual gains during the year.

In 2013 the average inflation rate for the year increased slightly, reaching 6.1% from 6% for all of 2012 based on the preliminary estimates of the IMF. The low upwards pressure was mainly due to increases in food and energy prices, which have a relatively higher weight in the baskets of emerging economies than in the baskets of advanced countries. Stronger momentum was seen in several Asian countries (Indonesia and Malaysia), in Turkey and in Egypt, where the annualised inflation rate closed 2013 at 11.7%, from 4.7% at the end of 2012. In these countries, the upwards pressures were driven by the depreciation of exchange rates. Conversely, inflation slowed in CEE and SEE countries, specifically in Serbia (from +12.2% at the end of 2012 to +2.3% at the end of 2013) and in Croatia (from +4.7% to +0.3%) due to weak internal demand.

Overall, the monetary policy measures implemented by emerging countries in 2013 were differentiated. In Central Eastern Europe, in an overall framework of fiscal stabilisation, low inflation and continuing weak growth, widespread cuts were made to official

interest rates (Ukraine, Poland, Romania, Serbia and Hungary). Turkey, however, after aggressively cutting rates in the first half of the year (-225 basis points), inverted the trend in the second half to offset exchange rate depreciation and increased inflation.
In Latin America easing measures prevailed (specifically in Chile, Colombia, Mexico and Peru), but there were restriction cases. The Central Bank of Brazil, in reaction to an expansive fiscal policy and inflation exceeding the target, repeatedly raised the benchmark Selic rate. In Asia, after cutting rates in the first half of 2013 to support internal demand, the Reserve Bank of India subsequently raised them to offset downwards pressures on the currency. In China, on the contrary, the monetary authorities introduced restrictive measures to reduce the growth in lending. In MENA countries, Egypt raised interest rates in the first half of 2013, in response to increased inflation and currency depreciation. Nonetheless, starting from the summer, the authorities focused on the worsening of the growth prospects, and the Central Bank lowered rates several times (150 basis points from August to the end of the year). The reductions were possible due to the stabilisation of the currency and the return to accumulating reserves, which benefited from capital inflows from friendly countries.

The financial markets of emerging countries were impacted by the weakening of activity in the real economy and, in cases with the greater financial vulnerability, by lower capital inflows, following the Federal Reserve's announcement of a gradual easing of the liquidity expansion programme. The subsequent revision of expected timeframes and methods for launching the tapering partly corrected the negative impact in the second half of the year.
The MSCI (Morgan Stanley Capital International) composite index of emerging countries rose by a modest 0.9% over all 2013 compared to 13.9% in 2012. In detail, after falling by over 6.3% in the first half, the index regained over 7% in the second half. The markets of oil-producing countries in the Gulf and of Egypt reported significant increases. The stock markets of Central Eastern Europe also recorded positive performance, following the increase in the Euro Stoxx.
According to the JP Morgan Total Return Index, emerging country bond markets offered positive yields of 0.9% in 2013, which were significantly lower than in 2012, when they had gained over 14%. The markets of Central Eastern Europe guaranteed relatively higher yields (around 2%), supported by internal stabilisation policies and the easing of financial tensions in the Eurozone.
In all emerging areas, there was an overall increase in the cost of insurance against default risk (CDS spread) for sovereign debt in 2013, caused - particularly in the first half - by a revision of expectations on global liquidity conditions. The factors that weighed on the performance of spreads included the ongoing political tensions in the Middle East (Bahrain, Egypt, Tunisia and Lebanon), the deterioration of the fiscal position in several countries in Central Eastern Europe (Croatia and Serbia) and of the external position (Albania, Ukraine and Turkey), the disappointment due to lack of reforms in Latin America (Brazil) and the management of economic policy that generated extreme economic imbalances (Venezuela and Argentina).

Concurrently, in 2013 the cuts in ratings and outlook for emerging countries by the three leading rating agencies significantly prevailed.
The few countries whose ratings were upgraded and outlook improved include Mexico, Colombia and Peru in Latin America, rewarded primarily by their progress in implementing reforms and by the strengthening of their fiscal and external positions, Romania, with a positive outlook by S&P as a result of its progress in fiscal policy, Thailand, upgraded by Fitch from BBB to BBB+ due to its good growth prospects, low inflation and sound external position. Following repeated cuts in Egypt’s rating during the year, in November S&P upgraded the country from the junk status (CCC+) to B- rating as a result of its recovery of currency reserves. The countries that showed a worsening of ratings and outlook included Argentina and Venezuela in Latin America, Tunisia and Bahrain in the MENA area, Croatia and Hungary (which lost investment grade status) among CEE/SEE countries, and Ukraine among CIS countries.

The Italian banking system

Rates and spreads

In 2013 there was a gradual decrease in the total cost of customer deposits. This was driven above all by the decline in the average rate on time deposits, due to the joint effect of lower costs of new deposits and removal from stock of those stipulated during the more acute phases of the sovereign debt crisis, now mature. The average rate on time deposits declined during the last part of the year to the lowest levels since September 2011. The drop in the cost of funding was also the result of the reduction in rates on current accounts, especially those paid by non-financial companies. The marginal cost of fixed-rate bond issues also decreased on the previous year (annual average -1 percentage point). Nonetheless, the rate on the stock of bonds was sticky, slightly higher than the 2012 average.

Contrary to what was observed for the cost of new funding, rates on loans remained largely unyielding due to the ongoing high credit risk. The rate on new loans to non-financial companies in the second half was in line with the first half of the year. On the whole, 2013 recorded an average slightly lower than the previous year, which was impacted by the high rates in the first few months. In the last part of 2013, there were signs of a decrease in the average rate on new mortgage loans to households, following the slight declines recorded in the previous quarters, with an annual average significantly lower than 2012.
Rates on outstanding loans also remained unyielding throughout 2013, after the decline recorded in 2012. The average rate on the stock of loans to households and businesses in the second half of 2013 showed hints of recovery compared to the spring months, encouraged by the trend in the rate granted to non-financial companies.

Thanks to the drop in the cost of funding and to the stickiness of rates on loans, the overall margin on lending and deposit collection activities continued its upward trend also in the fourth quarter, after progress made in the first nine months of the year. The spread between average interest rates on loans and deposits rose to above 2% from July 2013, leaving behind the lows recorded during the final part of 2012 (2.09% in the fourth quarter 2013, +25 basis points compared to the same period of 2012). Nonetheless, the annual average spread in 2013 was still in line with that of the previous year. The spread on deposits, measured on short-term rates, remained in negative territory, where it had been since March 2012, but the second quarter confirmed a recovery from the trough levels at the end of 2012 (mark-down[1] on the 1-month Euribor at -0.26% in the fourth quarter, from -0.43% in the last three months of 2012). Despite the improvement during 2013, the annual average of the short-term spread on deposits was worse than that for 2012 (-0.34% in 2013, average of -0.20% in 2012). The mark-up[2] on the 1-month Euribor remained high, showing a decrease near the end of 2013, especially due to the increase in interbank rates. The annual average mark-up was slightly higher than the 2012 level (average of 5.01% in 2013, from 4.90% in 2012).

Loans

Lending activity was weak. The stock of loans to non-financial companies decreased further in the fourth quarter, due to the sharp drop in short-term loans, while medium/long-term loans confirmed their previous trends, declining by around 4%-5% year on year. The drop of the latter type of loans was unprecedented, stemming from the fall in the demand for investment loans. For businesses, in the last half of the year the drop in loans was sharper for large companies as compared to small companies, while up to August there were no substantial differences due to the size of the borrower.
Loans to households continued to drop very slightly. Among the components of the aggregate, mortgage loans recorded a very slight drop.
The contraction in loans was driven by weakening of demand due to the downturn and by the uncertain economic outlook. On the supply side, the prevailing factors were the fears of deterioration of borrowers' creditworthiness and the worsening of credit quality. During the year there was significant inflow of new doubtful loans, especially from businesses, which contributed to significant growth in the stock of gross doubtful loans. Therefore, the bank lending market has maintained a highly prudent attitude, although recording an improvement in the impressions of businesses with respect to credit access conditions.

Direct deposits

Bank funding held firm overall, although down compared to the recovery in the last half of 2012 which continued through the first few months of 2013, followed by a flattening of the average change to near zero in the second half, ending with a decline in December. Funding was driven by deposits by residents. This trend benefited from the solidity of household deposits and the excellent trend in deposits by non-financial companies, which repeatedly achieved double digit growth rates in the second half of the year. The trend in deposits also benefited from the recovery of current accounts, which returned to positive growth at the start of 2013 after more than two years of negative postings. At the same time, time deposits entered a consolidation phase following sharp inflows recorded starting from the last half of 2011, reporting slightly negative changes during the summer compared to the peaks reached in May. Compared to the previous year, the volume of time deposits recorded a slowing trend, as expected, compared to the exceptional growth rates recorded throughout the strong development phase.
Conversely, the sharp decline in bank bonds continued. Bond performance, which was affected by the replacement of bonds placed with retail customers with time deposits, benefited from the fact that, in the last few months of 2013, Italian banks re-started issues on the international wholesale market.

Assets under management

With regard to assets under administration, there was a continued decline in debt securities held in custody by banks for customers, though showing signs of slowing near the end of the year. This performance was also impacted by the sharply declining trend in bank bonds and the growth in deposits, as well as the renewed interest in mutual funds. Specifically, during the year, the declining trend of debt securities held in custody for consumer households grew sharper from May to October, with a slight improvement in the last two months of the year.
With regard to assets under management, during 2013 the Italian market for open-ended mutual funds achieved a significantly positive balance between subscriptions and redemptions. Foreign funds absorbed most inflows and Italian funds also reported significant net subscriptions once again. On an annual basis, the total funding of open-ended mutual funds amounted to 46.5 billion euro: Flexible funds mostly recorded positive inflows, in addition to the contribution from bond funds, though lower than in 2012. The positive inflow balance also impacted balanced and equity funds, while redemptions prevailed at low amounts among hedge and monetary funds. Also due to the good performance of the financial markets in 2013, the total stock managed by the open-ended mutual funds industry at the end of the year was almost 560 billion euro, up compared to around 480 billion euro in December 2012.
As to insurance, 2013 recorded a significant recovery of the new life insurance business (+30.1% total collected premiums in the twelve months compared to 2012). The recovery in collected premiums was particularly strong for traditional products. However, products with a higher financial content, which represented 20.4% of premiums, also achieved (slight) growth in subscriptions.

Forecast for the whole 2014

There are widespread expectations that 2014 will be a year of moderate expansion in the global economy, with greater convergence of growth rates of advanced economies and the absence of inflationary pressures. The Eurozone will see a return to growth, having a positive effect on Italy, though with modest growth rates following the recession of the last two years. Monetary policies will remain highly expansionary: the United States will gradually taper off its quantitative stimulus programme,

[1] Difference between the 1-month Euribor and interest rates on household and business current accounts.

[2] Difference between the interest rates applied to households and businesses on loans with maturity under one year and the 1-month Euribor.

but official rates will remain near zero in the main advanced countries. Quantitative stimulus will continue in Japan. In spite of this, medium/long-term interest rates are expected to continue the gradual rising trend which began in 2013.

In 2014, the GDP in emerging areas is also expected to grow to 5.1%, according to the IMF. Many countries will benefit from the recovery underway in advanced economies, but will still be negatively impacted by the weakening of the commodities cycle and less favourable liquidity conditions on international markets. On a regional basis, increased momentum in growth is expected in all areas, especially in countries which saw a slowdown in 2013: in CIS countries the GDP is expected to increase by 2.6% (which, however, is weighed down by uncertainties linked to possible developments in the Ukraine crisis), in Latin America by 3% and in the MENA countries by 3.3%.
The recovery is expected to gain strength also in the overall group of CEE and SEE countries (around 2% according to EBRD forecasts), boosted by the expected improvement in the economic trend in the Eurozone, their main export market.In emerging economies of Asia, the GDP performance is expected to grow slightly, to 6.7%, despite China stabilising at around 7.5% (from 7.7% in 2013) and due to the recovery of India, for which the IMF forecasts growth to 5.4%, from 4.4% in 2013.

For the Italian banking system, it will take some time to exit the regression phase of lending and the growth of loans will occur several quarters after the economy recovers. Moreover, the ECB's in-depth assessment of banks, in view of the launch of the Single Banking Supervision Mechanism, may have a prudential influence on the credit offer and focus attention on preserving capital, in a scenario where the number of non-performing loans continues to increase.

On the funding side, very moderate growth is expected, essentially concentrated on deposits, where time deposits will grow at a slower pace than in the recent past. In a scenario characterised by prudent credit access conditions, rates on loans will remain substantially unchanged, while the slight easing of the cost of funding may continue.

Income statement and balance sheet aggregates

Economic results

General aspects

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

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

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

Reclassifications and aggregations are as follows:

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

Reclassified income statement

(millions of euro)

	2013	2012	Changes	
			amount	%
Net interest income	8,132	9,430	-1,298	-13.8
Dividends and profits (losses) on investments carried at equity	-49	39	-88	
Net fee and commission income	6,149	5,451	698	12.8
Profits (Losses) on trading	1,161	2,182	-1,021	-46.8
Income from insurance business	796	828	-32	-3.9
Other operating income (expenses)	106	-49	155	
Operating income	**16,295**	**17,881**	**-1,586**	**-8.9**
Personnel expenses	-4,827	-5,338	-511	-9.6
Other administrative expenses	-2,828	-2,921	-93	-3.2
Adjustments to property, equipment and intangible assets	-697	-654	43	6.6
Operating costs	**-8,352**	**-8,913**	**-561**	**-6.3**
Operating margin	**7,943**	**8,968**	**-1,025**	**-11.4**
Net provisions for risks and charges	-314	-245	69	28.2
Net adjustments to loans	-7,131	-4,714	2,417	51.3
Net impairment losses on other assets	-417	-282	135	47.9
Profits (Losses) on investments held to maturity and on other investments	2,408	-117	2,525	
Income (Loss) before tax from continuing operations	**2,489**	**3,610**	**-1,121**	**-31.1**
Taxes on income from continuing operations	-875	-1,523	-648	-42.5
Charges (net of tax) for integration and exit incentives	-80	-134	-54	-40.3
Effect of purchase price allocation (net of tax)	-294	-299	-5	-1.7
Impairment (net of tax) of goodwill and other intangible assets	-5,797	-	5,797	-
Income (Loss) after tax from discontinued operations	-	-	-	-
Minority interests	7	-49	56	
Net income (loss)	**-4,550**	**1,605**	**-6,155**	

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

Quarterly development of the reclassified income statement

(millions of euro)

	2013				2012			
	Fourth quarter	Third quarter	Second quarter	First quarter	Fourth quarter	Third quarter	Second quarter	First quarter
Net interest income	2,038	2,031	2,041	2,022	2,181	2,317	2,431	2,501
Dividends and profits (losses) on investments carried at equity	-2	-6	2	-43	11	-27	29	26
Net fee and commission income	1,625	1,483	1,575	1,466	1,479	1,333	1,322	1,317
Profits (Losses) on trading	70	401	235	455	682	623	161	716
Income from insurance business	143	204	218	231	159	216	195	258
Other operating income (expenses)	70	33	15	-12	-18	-19	-7	-5
Operating income	**3,944**	**4,146**	**4,086**	**4,119**	**4,494**	**4,443**	**4,131**	**4,813**
Personnel expenses	-1,201	-1,204	-1,156	-1,266	-1,334	-1,295	-1,353	-1,356
Other administrative expenses	-811	-666	-688	-663	-781	-711	-735	-694
Adjustments to property, equipment and intangible assets	-190	-171	-169	-167	-182	-160	-155	-157
Operating costs	**-2,202**	**-2,041**	**-2,013**	**-2,096**	**-2,297**	**-2,166**	**-2,243**	**-2,207**
Operating margin	**1,742**	**2,105**	**2,073**	**2,023**	**2,197**	**2,277**	**1,888**	**2,606**
Net provisions for risks and charges	-249	-1	-38	-26	-105	-69	-34	-37
Net adjustments to loans	-3,100	-1,467	-1,398	-1,166	-1,461	-1,198	-1,082	-973
Net impairment losses on other assets	-170	-32	-147	-68	-141	-43	-39	-59
Profits (Losses) on investments held to maturity and on other investments	2,441	-35	-3	5	-104	-5	-2	-6
Income (Loss) before tax from continuing operations	**664**	**570**	**487**	**768**	**386**	**962**	**731**	**1,531**
Taxes on income from continuing operations	27	-264	-274	-364	-291	-454	-152	-626
Charges (net of tax) for integration and exit incentives	-42	-5	-21	-12	-99	-11	-10	-14
Effect of purchase price allocation (net of tax)	-75	-72	-73	-74	-79	-71	-76	-73
Impairment (net of tax) of goodwill and other intangible assets	-5,797	-	-	-	-	-	-	-
Income (Loss) after tax from discontinued operations	-	-	-	-	-	-	-	-
Minority interests	33	-11	-3	-12	-	-12	-23	-14
Net income (loss)	**-5,190**	**218**	**116**	**306**	**-83**	**414**	**470**	**804**

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

As shown in the illustration of the macroeconomic scenario, 2013 was characterised by the continuation of an unfavourable economic context in Italy, in which a slight improvement was only seen in the fourth quarter of the year. The impacts of this crisis heavily affected the Group's income (loss) from continuing operations, resulting in a decrease in operating income, especially due to the negative performance of the interest margin and a significant increase in net adjustments to loans.
These two phenomena were the main factors behind the decrease in ordinary operations which recorded, on the one hand an 8.9% drop in operating income and a 6.3% contraction in operating costs, hence a decrease in operating margin of 11.4%, and, on the other, a 51.3% increase in adjustments to loans.
Net income was also affected by two further events which, by their nature, do not relate to ordinary operations: the recognition of the new stake in the Bank of Italy and the impairment of intangible assets. This makes the net result for 2013 – which was negative to the tune of 4,550 million euro – not comparable with that of the previous year.

Operating income

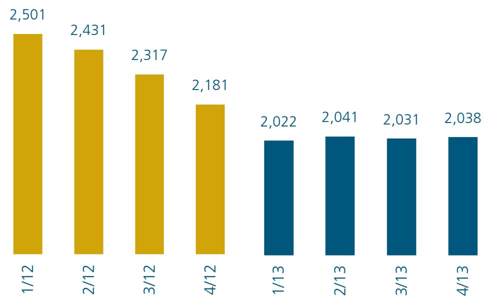
Operating income amounted to 16,295 million euro in 2013, down 8.9% compared to 17,881 million euro in the previous year. The trend was mainly determined by the decrease in net interest income and profits on trading, which in 2012 had benefited from significant capital gains, only partly mitigated by the increase in fee and commission income. Revenues in the fourth quarter of 2013 were down 4.9% compared to the third quarter, essentially owing to the lower contribution from profits on trading.

Net interest income

(millions of euro)

	2013	2012	Changes	
			amount	%
Relations with customers	9,564	10,941	-1,377	-12.6
Securities issued	-5,316	-5,778	-462	-8.0
Differentials on hedging derivatives	1,397	1,731	-334	-19.3
Customer dealing	**5,645**	**6,894**	**-1,249**	**-18.1**
Financial assets held for trading	362	493	-131	-26.6
Investments held to maturity	79	88	-9	-10.2
Financial assets available for sale	1,211	1,232	-21	-1.7
Financial assets	**1,652**	**1,813**	**-161**	**-8.9**
Relations with banks	**-236**	**-195**	**41**	**21.0**
Non-performing assets	**1,119**	**988**	**131**	**13.3**
Other net interest income	**-48**	**-70**	**-22**	**-31.4**
Net interest income	**8,132**	**9,430**	**-1,298**	**-13.8**

Quarterly development Net interest income



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

In 2013, net interest income stood at 8,132 million euro, down 13.8% compared to 2012 as a result of the reduction of both margins and volumes in customer dealing, the cost of liquidity reserves and lower interest on the securities portfolio.
Customer dealing amounted to 5,645 million euro, down 18.1% on the previous year due to the drastic decline in deposit spreads (mark-downs) and to the reduction of lending and deposit collection volumes. The overall change was positively influenced by the reduction in interest expense on securities issued and negatively impacted by lower differentials on hedging derivatives, in particular on core deposits. Interest on financial assets also fell (-8.9%) compared to 2012, particularly as a result of the decrease in interest from financial assets held for trading (-131 million euro). Conversely, the margin from non-performing assets increased by 13.3% (+131 million euro) due to the reclassification of positions from the performing portfolio. Net interest on the interbank market reported a negative balance of 236 million euro, up on the negative balance of 195 million euro in 2012. The higher costs are attributable to the shift in the composition of deposits and loans, only partly mitigated by the reduction of the exposure to the ECB. As previously reported, 36 billion euro of funds obtained from the ECB through the three-year LTRO auctions in 2011-2012 were repaid in full in 2013 and partially replaced with other refinancing operations with the Central Bank with maturities of one week to three months, amounting to approximately 20 billion euro at the end of 2013.

(millions of euro)

	2013				Changes %		
	Fourth quarter (A)	Third quarter (B)	Second quarter (C)	First quarter (D)	(A/B)	(B/C)	(C/D)
Relations with customers	2,398	2,402	2,369	2,395	-0.2	1.4	-1.1
Securities issued	-1,319	-1,293	-1,338	-1,366	2.0	-3.4	-2.0
Differentials on hedging derivatives	286	305	395	411	-6.2	-22.8	-3.9
Customer dealing	**1,365**	**1,414**	**1,426**	**1,440**	**-3.5**	**-0.8**	**-1.0**
Financial assets held for trading	91	93	85	93	-2.2	9.4	-8.6
Investments held to maturity	19	20	20	20	-5.0	-	-
Financial assets available for sale	331	291	294	295	13.7	-1.0	-0.3
Financial assets	**441**	**404**	**399**	**408**	**9.2**	**1.3**	**-2.2**
Relations with banks	**-41**	**-60**	**-61**	**-74**	**-31.7**	**-1.6**	**-17.6**
Non-performing assets	**288**	**282**	**289**	**260**	**2.1**	**-2.4**	**11.2**
Other net interest income	**-15**	**-9**	**-12**	**-12**	**66.7**	**-25.0**	**-**
Net interest income	**2,038**	**2,031**	**2,041**	**2,022**	**0.3**	**-0.5**	**0.9**

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

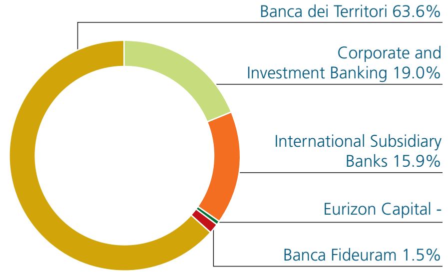
Net interest income increased slightly (+0.3%) in the fourth quarter compared to the third, owing to the rise in interest on financial assets available for sale and the containment of the negative interbank balance, following the gradual reduction of the imbalance between amounts due to banks and loans to banks, which offset the moderate decline in the balance of customer dealing.

(millions of euro)

	2013	2012	Changes amount	Changes %
Banca dei Territori	6,221	6,426	-205	-3.2
Corporate and Investment Banking	1,863	1,796	67	3.7
International Subsidiary Banks	1,555	1,642	-87	-5.3
Eurizon Capital	1	2	-1	-50.0
Banca Fideuram	147	140	7	5.0
Total business areas	**9,787**	**10,006**	**-219**	**-2.2**
Corporate Centre	-1,655	-576	1,079	
Intesa Sanpaolo Group	**8,132**	**9,430**	**-1,298**	**-13.8**

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

Business areas



Banca dei Territori, which accounts for 64% of business area results, recorded a 3.2% decline in net interest income, due to the lower margins on deposits compared to greater contribution from loans to customers. The International Subsidiary Banks Division also recorded a decline in net interest income (-5.3%) as a result of lower margins on deposits, only partly offset by the greater contribution from loans to customers. Corporate and Investment Banking recorded a 3.7% increase attributable to the positive development in the mark-up, the expansion of average direct deposits volumes and the higher net investment result recorded in the capital markets segment of Banca IMI and the banks in the International Department. Banca Fideuram’s net interest income increased by 5%.
The increase in the negative balance of the Corporate Centre is to be viewed in light of lower money-market returns, on the one hand, and the cost of the high level of liquidity reserves associated with the need to keep the Group's structural balance in an appropriate range.

Dividends and profits on investments carried at equity

In 2013, share dividends and profits on investments carried at equity, based on the latest figures made public, recorded a loss of 49 million euro, attributable to the negative result of certain associates consolidated using the equity method and mostly operating in the transport, real estate and hotels segment. The loss compares with profits of 39 million euro recorded in the previous year. Note that this caption refers only to dividends of companies not consolidated line-by-line. Dividends on shares held for trading and securities available for sale, on the other hand, are reclassified to Profits (Losses) on trading.

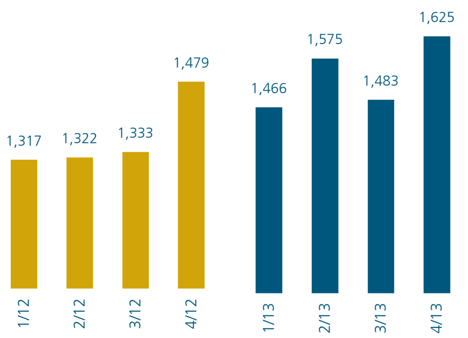
Net fee and commission income

(millions of euro)

	2013	2012	Changes amount	Changes %
Guarantees given / received	301	271	30	11.1
Collection and payment services	353	334	19	5.7
Current accounts	1,141	1,035	106	10.2
Credit and debit cards	485	463	22	4.8
Commercial banking activities	**2,280**	**2,103**	**177**	**8.4**
Dealing and placement of securities	463	453	10	2.2
Currency dealing	42	45	-3	-6.7
Portfolio management	1,507	1,194	313	26.2
Distribution of insurance products	805	607	198	32.6
Other	160	120	40	33.3
Management, dealing and consultancy activities	**2,977**	**2,419**	**558**	**23.1**
Other net fee and commission income	**892**	**929**	**-37**	**-4.0**
Net fee and commission income	**6,149**	**5,451**	**698**	**12.8**

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

Quarterly development
Net fee and commission income



Net fee and commission income, which makes up over one-third of operating income, came to 6,149 million euro in 2013, up 12.8% compared to the previous year, reaching the highest level reported by the Group since 2007. Fee and commission income on commercial banking activities increased by 8.4% as a result of the general improvement in all components, most markedly current accounts and guarantees. The positive performance of fee and commission income on current accounts (+10.2%) was driven by fee and commission income on account credit facilities, which from the second quarter of 2012 have gradually extended to the self-liquidating forms of commercial credit lines. Fee and commission income on guarantees given – although less significant in absolute terms – showed an increase of 11.1%, followed by fee and commission income on collection and payment services (+5.7%) and on credit and debit cards (+4.8%).
The recovery of commercial banking activities provided a strong boost to management, dealing and consultancy activities, which on the whole generated net fee and commission income of 2,977 million euro, up 558 million euro (+23.1%) compared to 2012. Contributing to this trend were fee and commission income on portfolio management (+313 million euro), particularly on collective and individual portfolio management, the distribution of insurance products (+198 million euro), sustained by the significant increase in new business, on management and dealing (+40 million euro), driven by consultancy activities, and on dealing and placement of securities (+10 million euro).

Other net fee and commission income showed a decline of 37 million euro, coming to 892 million euro following the reduction of fee and commission income on loans issued.

(millions of euro)

	2013				Changes %		
	Fourth quarter (A)	Third quarter (B)	Second quarter (C)	First quarter (D)	(A/B)	(B/C)	(C/D)
Guarantees given / received	83	69	61	88	20.3	13.1	-30.7
Collection and payment services	111	88	84	70	26.1	4.8	20.0
Current accounts	287	288	286	280	-0.3	0.7	2.1
Credit and debit cards	127	125	122	111	1.6	2.5	9.9
Commercial banking activities	**608**	**570**	**553**	**549**	**6.7**	**3.1**	**0.7**
Dealing and placement of securities	110	97	119	137	13.4	-18.5	-13.1
Currency dealing	10	11	11	10	-9.1	-	10.0
Portfolio management	466	349	391	301	33.5	-10.7	29.9
Distribution of insurance products	208	202	211	184	3.0	-4.3	14.7
Other	39	41	44	36	-4.9	-6.8	22.2
Management, dealing and consultancy activities	**833**	**700**	**776**	**668**	**19.0**	**-9.8**	**16.2**
Other net fee and commission income	**184**	**213**	**246**	**249**	**-13.6**	**-13.4**	**-1.2**
Net fee and commission income	**1,625**	**1,483**	**1,575**	**1,466**	**9.6**	**-5.8**	**7.4**

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

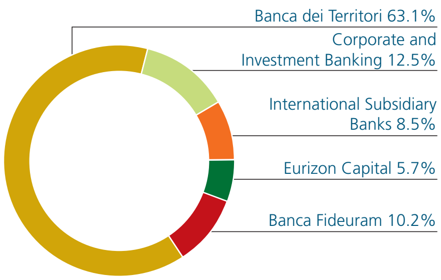
Compared to the third quarter of 2013, net fee and commission income for the fourth quarter of 2013 recorded an increase (9.6%, equal to 142 million euro). The greatest contribution to the overall increase was provided by fee and commission income on portfolio management, which rose by 117 million euro (+33.5%), and especially on collective and individual portfolio management. Within fee and commission income on commercial banking activities, attention should be drawn to the positive performance of fee and commission income on collection and payment services (+26.1%) and guarantees given (+20.3%).

(millions of euro)

	2013	2012	Changes	
			amount	%
Banca dei Territori	4,094	3,569	525	14.7
Corporate and Investment Banking	815	824	-9	-1.1
International Subsidiary Banks	550	539	11	2.0
Eurizon Capital	370	285	85	29.8
Banca Fideuram	662	574	88	15.3
Total business areas	**6,491**	**5,791**	**700**	**12.1**
Corporate Centre	-342	-340	2	0.6
Intesa Sanpaolo Group	**6,149**	**5,451**	**698**	**12.8**

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

Business areas



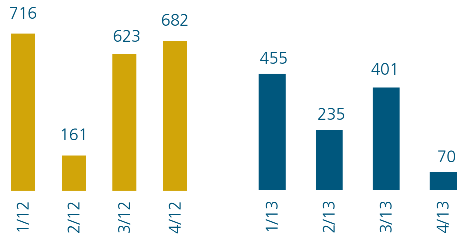
By business area, all Business Units experienced growth of net fee and commission income, except for Corporate and Investment Banking, which reported a slight decline. Banca dei Territori, which represents 63% of fee and commission income from the business units, recorded the most significant positive contribution in absolute terms (+14.7%, equal to 525 million euro). In particular, net fee and commission income increased on asset management and bancassurance products, fee and commission income on current accounts (including fee and commission income on credit facilities) and fee and commission income on placements. Though more limited in absolute terms, the following also recorded an increase: Eurizon Capital (+29.8%), which benefited from the overperformance commissions collected, as well as from the development of assets under management and from the improved product mix, which yielded significant inflows to higher-margin mutual funds; Banca Fideuram (+15.3%), as a result of the increase in recurring fee and commission income from growth in the average assets under management; and the International Subsidiary Banks Division (+2%). The slight decline shown by Corporate and Investment Banking Division (-1.1%) was due to the decreased contribution of fee and commission income in the investment banking segment, only partly mitigated by the positive performance of transaction and commercial banking fee and commission income.

Profits (Losses) on trading

(millions of euro)

	2013	2012	Changes amount	Changes %
Interest rates	67	471	-404	-85.8
Equity instruments	242	111	131	
Currencies	148	162	-14	-8.6
Structured credit products	77	96	-19	-19.8
Credit derivatives	6	-127	133	
Commodity derivatives	30	16	14	87.5
Trading result	**570**	**729**	**-159**	**-21.8**
Trading on AFS securities and financial liabilities	**591**	**1,453**	**-862**	**-59.3**
Profits (Losses) on trading	**1,161**	**2,182**	**-1,021**	**-46.8**

Quarterly development Profits (losses) on trading



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

Profits on trading were 1,161 million euro, down 46.8% compared to the 2,182 million euro recorded in the previous year, which was highly affected by non-recurring components. In detail, 2012 had benefited from 711 million euro associated with the buy-back of own notes and 94 million euro associated with the sale of the London Stock Exchange stake. By contrast, 2013 saw the recognition of a lower level of extraordinary profits of a total of 277 million euro made on the buy-back and exchange of the Group's debt securities and the sale of the stake in Assicurazioni Generali S.p.A.
The negative trend is attributable to the drop in trading on AFS securities and financial liabilities (-862 million euro), which include the previously mentioned capital gains and, to a lesser extent, to the trading result (-159 million euro). The trading result was affected by the decline in interest rates (-404 million euro) and credit derivatives (which provided a slightly positive contribution, compared to a negative balance of 127 million euro in 2012), captions which should be considered jointly, as they mainly involve transactions undertaken to hedge credit risk on investments in debt securities. Currencies, structured credit products and commodity derivatives showed marginal changes, whereas equity instruments recorded a strong performance (+131 million euro) that nonetheless was not sufficient to offset the decreases in the other captions.
It should be noted that the subcaption "Trading on AFS securities and financial liabilities" incorporates, in addition to dividends and proceeds on the trading of securities classified as available for sale, the effects of the measurement at fair value of financial liabilities issued associated with an assessment of creditworthiness in accordance with the fair value option.

(millions of euro)

	2013 Fourth quarter (A)	2013 Third quarter (B)	2013 Second quarter (C)	2013 First quarter (D)	Changes % (A/B)	Changes % (B/C)	Changes % (C/D)
Interest rates	-237	137	92	75		48.9	22.7
Equity instruments	133	-40	41	108			-62.0
Currencies	34	62	39	13	-45.2	59.0	
Structured credit products	1	9	37	30	-88.9	-75.7	23.3
Credit derivatives	15	7	-12	-4			
Commodity derivatives	10	10	6	4	-	66.7	50.0
Trading result	**-44**	**185**	**203**	**226**		**-8.9**	**-10.2**
Trading on AFS securities and financial liabilities	**114**	**216**	**32**	**229**	**-47.2**		**-86.0**
Profits (Losses) on trading	**70**	**401**	**235**	**455**	**-82.5**	**70.6**	**-48.4**

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

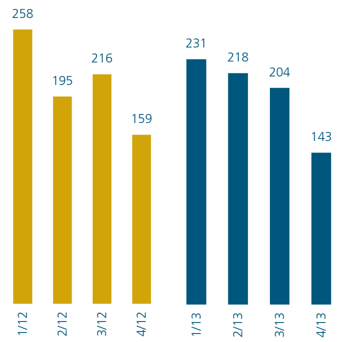
As regards the quarterly performance, profits on trading on the fourth quarter of 2013 were 70 million euro, down from the 401 million euro recognised in the third quarter. This performance may be attributed both to the trading result, influenced by interest rates, the loss on which (-237 million euro) was only partially offset by the positive performance of equity instruments (+133 million euro) and trading on AFS securities and financial liabilities, which in the third quarter had benefited from greater extraordinary components, markedly 193 million euro attributable to the aforementioned buy-back and exchange of own notes.

Income from insurance business

(millions of euro)

Captions (a)	**2013**			**2012**			**Changes**	
	Life	Non-life	**Total**	Life	Non-life	**Total**	**amount**	**%**
Technical margin	**33**	**39**	**72**	**71**	**13**	**84**	**-12**	**-14.3**
Net insurance premiums (b)	11,715	206	11,921	5,495	165	5,660	6,261	
Net charges for insurance claims and surrenders (c)	-6,745	-98	-6,843	-7,447	-82	-7,529	-686	-9.1
Net charges for changes in technical reserves (d)	-6,384	-	-6,384	12	1	13	-6,397	
Gains (losses) on investments pertaining to insured parties on insurance products (e)	1,727	-	1,727	2,171	-	2,171	-444	-20.5
Net fees on investment contracts (f)	139	-	139	130	-	130	9	6.9
Commission expenses on insurance contracts (g)	-400	-53	-453	-290	-64	-354	99	28.0
Other technical income and expense (h)	-19	-16	-35	-	-7	-7	28	
Net investment result	**704**	**20**	**724**	**722**	**22**	**744**	**-20**	**-2.7**
Operating income from investments	3,797	20	3,817	5,341	22	5,363	-1,546	-28.8
Net interest income	*2,274*	*16*	*2,290*	*2,287*	*16*	*2,303*	*-13*	*-0.6*
Dividends	*97*	*2*	*99*	*94*	*-*	*94*	*5*	*5.3*
Gains/losses on disposal	*1,094*	*2*	*1,096*	*809*	*6*	*815*	*281*	*34.5*
Valuation gains/losses	*478*	*-*	*478*	*2,535*	*-*	*2,535*	*-2,057*	*-81.1*
Portfolio management fees paid (i)	*-155*	*-*	*-155*	*-155*	*-*	*-155*	*-*	*-*
Profit/loss pertaining to third party underwriters of mutual funds (j)	*9*	*-*	*9*	*-229*	*-*	*-229*	*238*	
Gains (losses) on investments pertaining to insured parties	-3,093	-	-3,093	-4,619	-	-4,619	-1,526	-33.0
Insurance products (k)	*-1,642*	*-*	*-1,642*	*-1,906*	*-*	*-1,906*	*-264*	*-13.9*
Investment's unrealized capital gains/losses pertaining to insured parties on insurance products (l)	*-85*	*-*	*-85*	*-265*	*-*	*-265*	*-180*	*-67.9*
Investment products (m)	*-1,366*	*-*	*-1,366*	*-2,448*	*-*	*-2,448*	*-1,082*	*-44.2*
Income from insurance business	**737**	**59**	**796**	**793**	**35**	**828**	**-32**	**-3.9**

Quarterly development Income from insurance business



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

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

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

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

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

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

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

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

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

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

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

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

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

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

During 2013, income from insurance business, which, as previously specified, includes the cost and revenue captions of the insurance business of the Group's life and non-life companies, amounted to 796 million euro, down 3.9% on the previous year. The essentially stable performance of this segment is the result of a slight worsening in the life business and an improvement in the non-life business, which, however, is significantly lower. The life business recorded a decrease in the net investment result compared to 2012. This was attributable to the valuation component of the portfolios, which downsized the operating income from investments, despite the higher realised gains originating from trading activity by the insurance companies. The technical margin decreased by 38 million euro, attributable to the combined effect of an expansion in net premiums, a decrease in charges for insurance claims and surrenders and the lower income from investments pertaining to insured parties, on the one hand, and to an increase in charges due to the change in technical insurance reserves and commission expenses on the other, partly relating to the development of new life insurance business. The decline in the result pertaining to insured parties is mainly a consequence of the drop in profit from investment products.
Income from non-life business grew by 24 million euro, attributable to the increase in net insurance premiums which more than absorbed the increase in charges for insurance claims and surrenders and the increase in other technical income and charges. The improvement in income may be attributed to the positive performance of the motor class, due to the significant development of collected premiums associated with the product ViaggaConMe and the technical rebalancing of the CPI products, owing especially to the positive technical performances shown by post-2010 generations.

(millions of euro)

Captions (a)	2013				Changes		
	Fourth quarter (A)	**Third quarter** (B)	**Second quarter** (C)	**First quarter** (D)	(A/B)	(B/C)	(C/D)
Technical margin	**13**	**12**	**14**	**33**	**8.3**	**-14.3**	**-57.6**
Net insurance premiums (b)	3,525	3,547	2,409	2,440	-0.6	47.2	-1.3
Net charges for insurance claims and surrenders (c)	-1,858	-1,579	-1,799	-1,607	17.7	-12.2	11.9
Net charges for changes in technical reserves (d)	-2,063	-2,289	-828	-1,204	-9.9		-31.2
Gains (losses) on investments pertaining to insured parties on insurance products (e)	491	417	314	505	17.7	32.8	-37.8
Net fees on investment contracts (f)	38	34	33	34	11.8	3.0	-2.9
Commission expenses on insurance contracts (g)	-112	-115	-117	-109	-2.6	-1.7	7.3
Other technical income and expense (h)	-8	-3	2	-26			
Net investment result	**130**	**192**	**204**	**198**	**-32.3**	**-5.9**	**3.0**
Operating income from investments	1,275	1,158	183	1,201	10.1		-84.8
Net interest income	*564*	*604*	*570*	*552*	*-6.6*	*6.0*	*3.3*
Dividends	*17*	*25*	*42*	*15*	*-32.0*	*-40.5*	
Gains/losses on disposal	*70*	*174*	*356*	*496*	*-59.8*	*-51.1*	*-28.2*
Valuation gains/losses	*733*	*357*	*-766*	*154*			
Portfolio management fees paid (i)	*-33*	*-43*	*-37*	*-42*	*-23.3*	*16.2*	*-11.9*
Profit/loss pertaining to third party underwriters of mutual funds (j)	*-76*	*41*	*18*	*26*			*-30.8*
Gains (losses) on investments pertaining to insured parties	-1,145	-966	21	-1,003	18.5		
Insurance products (k)	*-461*	*-424*	*-308*	*-449*	*8.7*	*37.7*	*-31.4*
Investment's unrealized capital gains/losses pertaining to insured parties on insurance products (l)	*-30*	*7*	*-6*	*-56*			*-89.3*
Investment products (m)	*-654*	*-549*	*335*	*-498*	*19.1*		
Income from insurance business	**143**	**204**	**218**	**231**	**-29.9**	**-6.4**	**-5.6**

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

For notes, see the previous table

In the fourth quarter of 2013, income from insurance business, including the life and non-life segments, recorded a decrease of 61 million euro compared to the third quarter of the year, entirely as a result of the drop in the net investment result.

(millions of euro)

	2013				2012
	Periodic premiums	**Single premiums**	**Total**	*of which new business*	
Life insurance business	**291**	**11,424**	**11,715**	***11,425***	**5,496**
Premiums issued on traditional products	244	11,230	11,474	*11,230*	5,215
Premiums issued on unit-linked products	22	32	54	*32*	59
Premiums issued on capitalisation products	1	1	2	*2*	2
Premiums issued on pension funds	24	161	185	*161*	220
Non-life insurance business	**41**	**172**	**213**	***75***	**171**
Premiums issued	41	191	232	*154*	222
Change in premium reserves	-	-19	-19	*-79*	-51
Premiums ceded to reinsurers	**-3**	**-4**	**-7**	***-2***	**-7**
Net premiums from insurance products	**329**	**11,592**	**11,921**	***11,498***	**5,660**
Business on index-linked contracts	-	-	-	-	1
Business on unit-linked contracts	159	7,707	7,866	*7,717*	6,544
Total business from investment contracts	**159**	**7,707**	**7,866**	***7,717***	**6,545**
Total business	**488**	**19,299**	**19,787**	***19,215***	**12,205**

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

In 2013 the total business of the insurance segment reached premiums of 19,787 million euro compared to total inflows of 12,205 million in the previous year. The significant increase is largely due to premiums issued against traditional life policies and, to a lesser extent, to new unit-linked contract business. New business came to 19,215 million euro.

Other operating income (expenses)

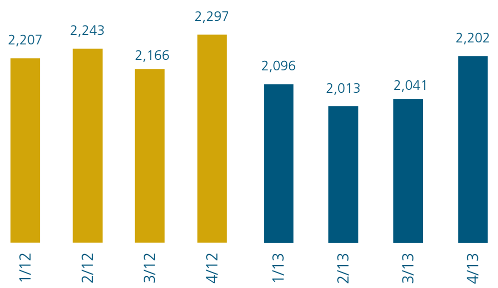
Other operating income (expenses) is a residual caption comprising various types of income and expenses that cannot be recognised in other operating income captions, except expense, tax and duty recoveries that have been directly deducted from the corresponding sub-captions of administrative expenses. In 2013, this caption recorded and income of 106 million euro, compared to the 49 million euro loss recorded in 2012. The positive balance for the year was due to non-recurring income.

Operating costs

(millions of euro)

	2013	2012	Changes	
			amount	%
Wages and salaries	3,431	3,783	-352	-9.3
Social security charges	868	937	-69	-7.4
Other	528	618	-90	-14.6
Personnel expenses	**4,827**	**5,338**	**-511**	**-9.6**
Information technology expenses	662	675	-13	-1.9
Management of real estate assets expenses	684	749	-65	-8.7
General structure costs	412	430	-18	-4.2
Professional and legal expenses	348	338	10	3.0
Advertising and promotional expenses	154	146	8	5.5
Indirect personnel costs	92	114	-22	-19.3
Other costs	340	365	-25	-6.8
Indirect taxes and duties	879	714	165	23.1
Recovery of expenses and charges	-743	-610	133	21.8
Administrative expenses	**2,828**	**2,921**	**-93**	**-3.2**
Property and equipment	368	366	2	0.5
Intangible assets	329	288	41	14.2
Adjustments	**697**	**654**	**43**	**6.6**
Operating costs	**8,352**	**8,913**	**-561**	**-6.3**

Quarterly development Operating costs



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

In 2013, operating costs amounted to 8,352 million euro, down 6.3% compared to 2012, continuing the positive trend seen throughout the year.

Personnel expenses decreased by 9.6% to 4,827 million euro. This performance is to be considered in light of the continuation of the difficult economic scenario and the ensuing decrease in the variable component, as well as the general policy of containing personnel expenses adopted by the Group, including exit incentives for personnel close to pension age, which was reflected in a decrease in the number of staff in both year-end and average terms.

Administrative expenses came to 2,828 million euro, down 3.2% compared to 2012. Expenses were generally contained, notably management of real estate assets expenses (-65 million euro), other costs (-25 million euro), particularly those relating to services provided by third parties and industrial association contributions, indirect personnel costs (-22 million euro), general structure costs (-18 million euro) and information technology expenses (-13 million euro).

Adjustments totalled 697 million euro, up 6.6% on the previous year. The increase focused on investments in the technologies and infrastructures considered most important for innovation.

The cost/income ratio for the year was 51.3%, up slightly from the 49.8% recorded in 2012 due to the greater decline in revenues than in costs.

(millions of euro)

	2012				Changes %		
	Fourth quarter (A)	**Third quarter** (B)	**Second quarter** (C)	**First quarter** (D)	(A/B)	(B/C)	(C/D)
Wages and salaries	859	858	817	897	0.1	5.0	-8.9
Social security charges	213	215	209	231	-0.9	2.9	-9.5
Other	129	131	130	138	-1.5	0.8	-5.8
Personnel expenses	**1,201**	**1,204**	**1,156**	**1,266**	**-0.2**	**4.2**	**-8.7**
Information technology expenses	183	158	162	159	15.8	-2.5	1.9
Management of real estate assets expenses	171	166	167	180	3.0	-0.6	-7.2
General structure costs	102	103	103	104	-1.0	-	-1.0
Professional and legal expenses	110	81	85	72	35.8	-4.7	18.1
Advertising and promotional expenses	76	26	28	24		-7.1	16.7
Indirect personnel costs	31	17	24	20	82.4	-29.2	20.0
Other costs	103	85	76	76	21.2	11.8	-
Indirect taxes and duties	239	216	231	193	10.6	-6.5	19.7
Recovery of expenses and charges	-204	-186	-188	-165	9.7	-1.1	13.9
Administrative expenses	**811**	**666**	**688**	**663**	**21.8**	**-3.2**	**3.8**
Property and equipment	95	89	92	92	6.7	-3.3	-
Intangible assets	95	82	77	75	15.9	6.5	2.7
Adjustments	**190**	**171**	**169**	**167**	**11.1**	**1.2**	**1.2**
Operating costs	**2,202**	**2,041**	**2,013**	**2,096**	**7.9**	**1.4**	**-4.0**

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

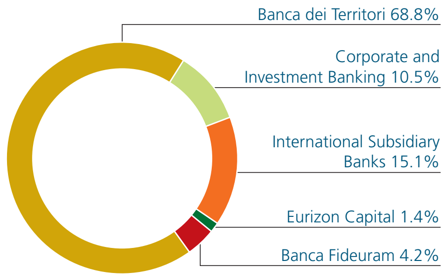
At the quarterly level, operating costs increased by 7.9% in the fourth quarter compared to the third quarter, reaching 2,202 million euro. This trend is mainly attributable to administrative expenses (+21.8%), which traditionally present elements of seasonality in the final part of the year: the most significant differences were advertising and promotional expenses, professional and legal expenses and information technology expenses.

(millions of euro)

	2013	2012	Changes	
			amount	%
Banca dei Territori	5,282	5,783	-501	-8.7
Corporate and Investment Banking	807	840	-33	-3.9
International Subsidiary Banks	1,156	1,150	6	0.5
Eurizon Capital	111	118	-7	-5.9
Banca Fideuram	322	348	-26	-7.5
Total business areas	**7,678**	**8,239**	**-561**	**-6.8**
Corporate Centre	674	674	-	-
Intesa Sanpaolo Group	**8,352**	**8,913**	**-561**	**-6.3**

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

Business areas



The Business Units contributing to the containment in Group operating costs (-6.3%) were: Banca dei Territori (-8.7%), which accounts for approximately 70% of business area costs, Corporate and Investment Banking (-3.9%), Banca Fideuram (-7.5%) and Eurizon Capital (-5.9%). Savings in these business areas were related to both personnel expenses and, to a lesser extent, other administrative expenses. The International Subsidiary Banks' costs were essentially in line with the previous year (+0.5%): the increase in administrative expenses was almost entirely offset by lower adjustments and the reduction of personnel expenses. The Corporate Centre's costs remained stable.

Operating margin

The operating margin amounted to 7,943 million euro, down 11.4% compared to the previous year. This trend was generated by the decrease in revenues (-8.9%), not fully absorbed by the reduction in operating costs (-6.3%).
On a quarterly basis, the operating margin in the fourth quarter was down compared to the third quarter (-17.2%), partly in connection with the capital gains made on the buy-back and exchange of own notes recorded in the previous quarter.

Adjustments to/write-backs on assets

Net provisions for risks and charges

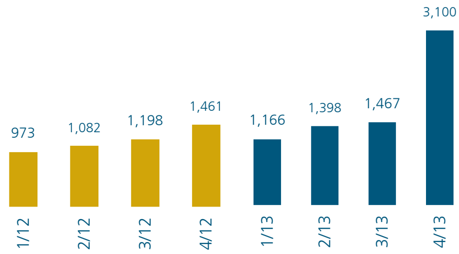
In 2013, net provisions for risks and charges stood at 314 million euro, mostly attributable to provisions for legal disputes or costs deriving from transactions that had been contractually defined but not yet finalised (the disposal of Pravex and the intervention by the National Interbank Deposit Guarantee Fund in the case of Banca Tercas). This figure compares with 245 million euro recorded in 2012.

Net adjustments to loans

(millions of euro)

	2013	2012	Changes	
			amount	%
Doubtful loans	-3,744	-2,363	1,381	58.4
Substandard loans	-2,762	-1,656	1,106	66.8
Restructured loans	-105	-271	-166	-61.3
Past due loans	-444	-427	17	4.0
Performing loans	36	56	-20	-35.7
Net impairment losses on loans	**-7,019**	**-4,661**	**2,358**	**50.6**
Net adjustments to guarantees and commitments	**-112**	**-53**	**59**	
Net adjustments to loans	**-7,131**	**-4,714**	**2,417**	**51.3**

Quarterly development
Net adjustments to loans



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

The continued decline in the general economic situation resulted in a gradual deterioration in loan portfolio quality, with a consequent increase in net adjustments to loans: this phenomenon was especially acute in the fourth quarter of 2013. Net adjustments to loans came to 7,131 million euro in 2013, up 51.3% on the previous year. Action taken on the value of loans further increased coverage both of non-performing and performing loans.

Doubtful positions required total net adjustments of 3,744 million euro, up 58.4% compared to the previous year, with an average coverage ratio of 62.5%. Net impairment losses on substandard loans, totalling 2,762 million euro, increased by 66.8% compared to the previous year, with a coverage ratio of 23.2%. Net impairment losses on past due loans increased to a marginal extent (+17 million euro, 4%), whilst net impairment losses on restructured loans, of a limited value overall, decreased due to the reclassification of several positions as substandard.

Lastly, within performing loans, the generic reserve offered a stable coverage ratio for the physiological risk inherent in the portfolio of 0.8%.

Throughout 2013, and especially in the fourth quarter, an especially rigorous policy was adopted when assessing the loan portfolio, with regard to both the classification and assessment of positions, also in light of the persistent negative economic scenario.

Net adjustments reached levels never previously recorded.

It also bears emphasising that the prudence adopted does not determine the amount of the final losses on the loans concerned. In fact, as is common knowledge, the Group is in the process of adopting appropriate measures aimed at increasing the efficiency with which non-performing loans are managed, which should result in increased recoverability.

(millions of euro)

	2013				Changes %		
	Fourth quarter (A)	Third quarter (A)	Second quarter (B)	First quarter (C)	(A/B)	(B/C)	(C/D)
Doubtful loans	-1,691	-766	-785	-502		-2.4	56.4
Substandard loans	-1,256	-431	-563	-512		-23.4	10.0
Restructured loans	-58	-30	-13	-4	93.3		
Past due loans	-65	-154	-93	-132	-57.8	65.6	-29.5
Performing loans	70	-60	55	-29			
Net losses/recoveries on impairment of loans	**-3,000**	**-1,441**	**-1,399**	**-1,179**		**3.0**	**18.7**
Net adjustments to/recoveries on guarantees and commitments	**-100**	**-26**	**1**	**13**			**-92.3**
Net adjustments to loans	**-3,100**	**-1,467**	**-1,398**	**-1,166**		**4.9**	**19.9**

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

Net adjustments to loans in the fourth quarter were more than twice the level recorded in the third quarter, coming to 3,100 million euro. This performance was the result of the reclassification of new positions to the doubtful and substandard categories and the increase in the relative coverages.

Net impairment losses on other assets

Net impairment losses on assets other than loans came to 417 million euro in 2013 and were mainly attributable to impairment losses on banking and insurance investments classified as available for sale (-130 million euro) and on overseas property (-124 million euro) obtained through the recovery by international subsidiaries of outstanding receivables, as well as, to a lesser extent, to impairment losses on funds and other equity instruments. This figure represents a considerable increase on the net impairment losses of 282 million euro recorded in 2012.

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

Profits on investments held to maturity, including investments subject to significant influence, and other investments came to 2,408 million euro, compared to the losses of 117 million euro recognised in 2012. This performance was due to the fair value recognition of the new stake in the Bank of Italy of 2,558 million euro (gross of the substitute tax of 12% and of the release of previously recognised deferred tax liabilities), as a consequence of Decree Law 133/2013, converted into Law 5/2014, as previously illustrated. The impairment losses of slightly less than 200 million euro are attributable to investments subject to significant influence in the telecommunications, transport and infrastructure sectors.

Income before tax from continuing operations

Income before tax from continuing operations came to 2,489 million euro, down 31.1% from 2012. Income for the fourth quarter of 2013, amounting to 664 million euro, was up 16.5% compared to the 570 million euro recorded in the third quarter of this year.

Other income and expense captions

Taxes on income from continuing operations

Current and deferred taxes accrued in 2013 came to 875 million euro, down from 1,523 million euro in 2012, reflecting the contraction in the taxable base, driven by the fall in operating margin and the greater adjustments to loans recognised in 2013. The tax rate came to 35.2%, down compared to the previous year (42.2%), also following lower taxes on the recognition of the new stake in the Bank of Italy and the deductibility of net adjustments to loans to customers for the purposes of Regional Business Tax (IRAP) in application of Law 147 of 2013. Those benefits more than offset the effects of the IRES tax (8.5% pursuant to Law 5/2014) recognised by Group companies that reported a positive taxable base during the year.

Charges (net of tax) for integration and exit incentives

The caption came to 80 million euro and mainly related to the charge resulting from the exit incentive agreements; the amount was less than the 134 million euro reported in 2012.

Effect of purchase price allocation (net of tax)

This caption comprises charges attributable to the revaluation of loans, debts, real estate and the recognition of new intangible assets, in application of IFRS 3, upon recognition of acquisition transactions. These charges came to 294 million euro in 2013, essentially in line with the amount recorded for the previous year (299 million euro).

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

The results of the impairment tests on goodwill and other intangible assets, as described in further detail in Part B of the Notes to the consolidated financial statements, required the recognition of impairment (net of tax effect) of goodwill, brand name and core deposits of a total of 5,797 million euro. In further detail, impairment came to 4,676 million euro for goodwill, 502 million euro for brand name, and 1,581 million euro for core deposits. Positive tax effects of 962 million euro were recognised against this impairment.

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

No income or loss from discontinued operations was recorded in 2013 and 2012.

Net income (loss)

The net loss for 2013, which was affected by non-recurring income and expenses of a significant amount described above, came to -4,550 million euro. This figure therefore is not comparable with the net income of 1,605 million euro posted in 2012.

Balance sheet aggregates

General aspects

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

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

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

Balance sheet figures at 31 December 2012 have been modified to take account of the effects of the amendments to IAS 19 described in the chapter concerning accounting policies, as well as to include amongst inventories of assets, as defined in IAS 2, within caption 150 Other assets, certain properties and other assets deriving from the enforcement of guarantees or purchased at auction, intended for sale on the market in the near future.

Aggregations of captions referred to:

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

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

Reclassified balance sheet

(millions of euro)

Assets	31.12.2013	31.12.2012	Changes amount	Changes %
Financial assets held for trading	49,013	63,546	-14,533	-22.9
of which: Insurance Companies	*864*	*1,125*	*-261*	*-23.2*
Financial assets designated at fair value through profit and loss	37,655	36,887	768	2.1
of which: Insurance Companies	*36,670*	*35,748*	*922*	*2.6*
Financial assets available for sale	115,302	97,209	18,093	18.6
of which: Insurance Companies	*54,278*	*43,527*	*10,751*	*24.7*
Investments held to maturity	2,051	2,148	-97	-4.5
Due from banks	26,673	36,533	-9,860	-27.0
Loans to customers	343,991	376,625	-32,634	-8.7
Investments in associates and companies subject to joint control	1,991	2,633	-642	-24.4
Property, equipment and intangible assets	12,527	19,828	-7,301	-36.8
Tax assets	14,921	12,673	2,248	17.7
Non-current assets held for sale and discontinued operations	108	98	10	10.2
Other assets	22,051	25,402	-3,351	-13.2
Total Assets	**626,283**	**673,582**	**-47,299**	**-7.0**

Liabilities and Shareholders' Equity	31.12.2013	31.12.2012	Changes amount	Changes %
Due to banks	52,244	73,352	-21,108	-28.8
Due to customers and securities issued	366,941	377,358	-10,417	-2.8
of which: Insurance Companies	*534*	*68*	*466*	
Financial liabilities held for trading	39,268	52,195	-12,927	-24.8
of which: Insurance Companies	*348*	*79*	*269*	
Financial liabilities designated at fair value through profit and loss	30,733	27,047	3,686	13.6
of which: Insurance Companies	*30,723*	*27,038*	*3,685*	*13.6*
Tax liabilities	2,236	3,494	-1,258	-36.0
Liabilities associated with non-current assets held for sale and discontinued operations	-	-	-	-
Other liabilities	23,328	30,617	-7,289	-23.8
Technical reserves	62,236	54,660	7,576	13.9
Allowances for specific purpose	4,239	4,953	-714	-14.4
Share capital	8,546	8,546	-	-
Reserves	41,593	40,861	732	1.8
Valuation reserves	-1,074	-1,692	-618	-36.5
Minority interests	543	586	-43	-7.3
Net income (loss)	-4,550	1,605	-6,155	
Total Liabilities and Shareholders' Equity	**626,283**	**673,582**	**-47,299**	**-7.0**

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

Intesa Sanpaolo’s consolidated assets recorded a decrease of 47.3 billion euro in 2013 (-7%). With regard to assets, there was a decrease in loans both to customers (-32.6 billion euro) – due to the recession that has weakened lending, especially to non-financial companies – and to banking counterparties (-9.9 billion euro), and a decrease in financial assets held for trading (-14.5 billion euro), only partly offset by the increase in financial assets available for sale (+18.1 billion euro). Among liabilities, there was a decline in amounts due to both banks (-21.1 billion euro) and customers (-10.4 billion euro), as well as financial liabilities held for trading (-12.9 billion euro) and other liabilities (-7.3 billion euro), only partly offset by the increases in technical reserves (+7.6 billion euro) and financial liabilities designated at fair value through profit or loss (+3.7 billion euro), both attributable to the Group's insurance companies.

Quarterly development of the reclassified balance sheet

(millions of euro)

Assets	**2013**				**2012**			
	31/12	**30/9**	**30/6**	**31/3**	**31/12**	**30/9**	**30/6**	**31/3**
Financial assets held for trading	49,013	53,337	55,905	61,556	63,546	70,034	66,080	60,328
of which: Insurance Companies	*864*	*754*	*1,006*	*953*	*1,125*	*1,102*	*1,257*	*1,331*
Financial assets designated at fair value through profit and loss	37,655	37,636	37,042	36,747	36,887	36,546	37,842	35,971
of which: Insurance Companies	*36,670*	*36,541*	*35,947*	*35,722*	*35,748*	*35,486*	*36,763*	*35,015*
Financial assets available for sale	115,302	102,969	103,944	97,030	97,209	88,317	88,408	85,224
of which: Insurance Companies	*54,278*	*46,526*	*45,097*	*42,454*	*43,527*	*41,709*	*41,082*	*40,623*
Investments held to maturity	2,051	2,120	2,140	2,150	2,148	2,224	2,222	2,266
Due from banks	26,673	32,891	31,570	38,569	36,533	36,580	35,826	32,431
Loans to customers	343,991	349,671	358,404	371,561	376,625	375,037	375,183	378,280
Investments in associates and companies subject to joint control	1,991	2,606	2,634	2,629	2,633	2,721	2,722	2,599
Property, equipment and intangible assets	12,527	19,369	19,502	19,630	19,828	19,763	19,869	20,025
Tax assets	14,921	13,691	13,508	12,661	12,673	12,873	13,382	12,406
Non-current assets held for sale and discontinued operations	108	102	102	112	98	101	100	99
Other assets	22,051	25,376	23,034	24,462	25,402	24,808	25,104	23,319
Total Assets	**626,283**	**639,768**	**647,785**	**667,107**	**673,582**	**669,004**	**666,738**	**652,948**

Liabilities and Shareholders' Equity	**2013**				**2012**			
	31/12	**30/9**	**30/6**	**31/3**	**31/12**	**30/9**	**30/6**	**31/3**
Due to banks	52,244	64,993	67,522	72,775	73,352	74,787	83,831	75,958
Due to customers and securities issued	366,941	359,589	368,419	375,956	377,358	373,471	365,667	368,685
of which: Insurance Companies	*534*	*558*	*81*	*132*	*68*	*106*	*117*	*343*
Financial liabilities held for trading	39,268	40,517	44,353	49,736	52,195	55,779	54,921	47,907
of which: Insurance Companies	*348*	*73*	*85*	*93*	*79*	*68*	*26*	*23*
Financial liabilities designated at fair value through profit and loss	30,733	30,027	29,257	28,130	27,047	26,278	24,854	24,496
of which: Insurance Companies	*30,723*	*30,016*	*29,246*	*28,120*	*27,038*	*25,938*	*24,417*	*23,637*
Tax liabilities	2,236	3,594	2,983	3,979	3,494	3,297	2,936	3,154
Liabilities associated with non-current assets held for sale and discontinued operations	-	-	-	-	-	-	-	-
Other liabilities	23,328	27,574	24,564	26,207	30,617	27,410	28,812	24,641
Technical reserves	62,236	59,088	56,633	55,552	54,660	53,468	52,310	53,023
Allowances for specific purpose	4,239	4,319	4,404	4,825	4,953	4,865	4,895	5,149
Share capital	8,546	8,546	8,546	8,546	8,546	8,546	8,546	8,546
Reserves	41,593	41,600	41,563	42,419	40,861	40,906	40,882	41,800
Valuation reserves	-1,074	-1,305	-1,443	-1,894	-1,692	-2,158	-2,862	-1,953
Minority interests	543	586	562	570	586	667	672	738
Net income (loss)	-4,550	640	422	306	1,605	1,688	1,274	804
Total Liabilities and Shareholders' Equity	**626,283**	**639,768**	**647,785**	**667,107**	**673,582**	**669,004**	**666,738**	**652,948**

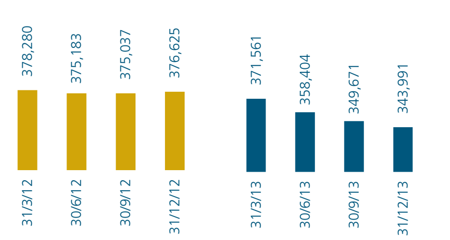
Figures restated, where necessary, considering the changes in the scope of consolidation and discontinued operations.

Loans to customers

(millions of euro)

	31.12.2013	% breakdown	31.12.2012	% breakdown	Changes amount	Changes %
Current accounts	29,462	8.6	34,199	9.1	-4,737	-13.9
Mortgages	143,657	41.8	157,381	41.7	-13,724	-8.7
Advances and other loans	109,875	31.9	124,948	33.2	-15,073	-12.1
Commercial banking loans	**282,994**	**82.3**	**316,528**	**84.0**	**-33,534**	**-10.6**
Repurchase agreements	**15,059**	**4.4**	**14,911**	**4.0**	**148**	**1.0**
Loans represented by securities	**14,863**	**4.3**	**16,714**	**4.4**	**-1,851**	**-11.1**
Non-performing loans	**31,075**	**9.0**	**28,472**	**7.6**	**2,603**	**9.1**
Loans to customers	**343,991**	**100.0**	**376,625**	**100.0**	**-32,634**	**-8.7**

Quarterly development Loans to customers



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

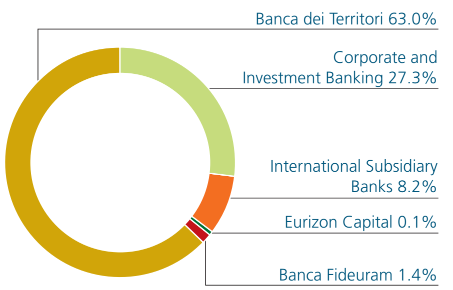
As at 31 December 2013, the Intesa Sanpaolo Group's loans to customers amounted to approximately 344 billion euro, down 8.7% compared to the end of the previous year.
The decrease in loans since the beginning of the year was essentially due to the 33.5 billion euro reduction in commercial banking loans. Also contributing to the overall change was the decline in loans represented by securities, the balance of which decreased by 1.9 billion euro (-11.1%). The decrease of commercial banking loans, conditioned by the negative economic cycle, translated into reductions in the amounts of all technical forms: advances and loans declined 15.1 billion euro (-12.1%), mortgages fell 13.7 billion euro (-8.7%) and current accounts were down 4.7 billion euro (-13.9%). On the one hand, this performance reflects the drastic drop in demand for business loans and for short-term loans, due to the reduced need to finance working capital, and for medium-/long-term loans due to fewer investments made. On the other hand it reflects the strict criteria adopted for assessment of creditworthiness applied by managers in view of the decline in borrowers' capacity to meet their commitments.
In the domestic medium-/long-term loan market, in 2013 disbursements to households (including the small business and non-profit segments) amounted to 9.8 billion euro and disbursements to businesses under the Banca dei Territori scope (including Corporate segment customers with turnover of up to 350 million euro migrated to Banca dei Territori) came to approximately 9.4 billion euro. During the same period, medium-/long-term disbursements to segments included in the new scope of the Corporate Division in Italy amounted to 12.4 billion euro.
As at 31 December 2013, the Group's share of the domestic market (calculated on the harmonised time-series established for countries in the Eurozone) was estimated at 15.1% for total loans.

(millions of euro)

	31.12.2013	31.12.2012	Changes amount	Changes %
Banca dei Territori	209,626	223,887	-14,261	-6.4
Corporate and Investment Banking	90,907	102,982	-12,075	-11.7
International Subsidiary Banks	27,249	29,312	-2,063	-7.0
Eurizon Capital	281	226	55	24.3
Banca Fideuram	4,730	3,985	745	18.7
Total business areas	**332,793**	**360,392**	**-27,599**	**-7.7**
Corporate Centre	11,198	16,233	-5,035	-31.0
Intesa Sanpaolo Group	**343,991**	**376,625**	**-32,634**	**-8.7**

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

Business areas



In the analysis of loans by business area, Banca dei Territori, which accounts for over 60% of the aggregate of the Group's business areas, recorded a decrease of 6.4% compared to the end of the previous year, particularly to the business and retail segments. Corporate and Investment Banking loans declined by 11.7%: the lesser use of cash by Corporate Italia and international customers, especially Global Industries customers, was only partly offset by the development of reverse repurchase agreement transactions with institutional operators and financial intermediaries by Banca IMI. The International Subsidiary Bank's loans also declined (-7%). By contrast, Banca Fideuram – which has a modest overall amount of outstanding loans – recorded an increase of 18.7% in connection with the rise in facilities granted in current accounts and greater repurchase agreement transactions with institutional customers. The decline in Corporate Centre loans (-31%) is mainly attributable to decreased reverse repurchase agreement transactions with Cassa di Compensazione e Garanzia.

Loans to customers: loan portfolio quality

(millions of euro)

	31.12.2013		31.12.2012		Change
	Net exposure	% breakdown	Net exposure	% breakdown	Net exposure
Doubtful loans	12,960	3.8	11,202	3.0	1,758
Substandard loans	13,841	4.0	11,495	3.0	2,346
Restructured loans	2,315	0.7	2,863	0.8	-548
Past due loans	1,959	0.5	2,912	0.8	-953
Non-performing loans	**31,075**	**9.0**	**28,472**	**7.6**	**2,603**
Performing loans	298,053	86.7	331,439	88.0	-33,386
Loans represented by performing securities	14,863	4.3	16,714	4.4	-1,851
Loans to customers	**343,991**	**100.0**	**376,625**	**100.0**	**-32,634**

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

(millions of euro)

	31.12.2013			31.12.2012			Changes
	Gross exposure	Total adjustments	Net exposure	Gross exposure	Total adjustments	Net exposure	Net exposure
Doubtful loans	34,595	-21,635	12,960	28,362	-17,160	11,202	1,758
Substandard loans	18,019	-4,178	13,841	14,480	-2,985	11,495	2,346
Restructured loans	2,728	-413	2,315	3,587	-724	2,863	-548
Past due loans	2,233	-274	1,959	3,244	-332	2,912	-953
Non-performing loans	**57,575**	**-26,500**	**31,075**	**49,673**	**-21,201**	**28,472**	**2,603**
Performing loans	300,457	-2,404	298,053	333,989	-2,550	331,439	-33,386
Performing loans represented by securities	15,207	-344	14,863	17,108	-394	16,714	-1,851
Loans to customers	**373,239**	**-29,248**	**343,991**	**400,770**	**-24,145**	**376,625**	**-32,634**

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

As at 31 December 2013 the Group's non-performing loans, net of adjustments, increased by 9.1% compared to the end of the previous year. With non-performing loans accounting for 9% of total loans to customers, the Group maintained a rigorous provisioning policy suited to covering expected losses, also considering collateral and guarantees securing the positions. Specific coverage of non-performing loans came to 46%, much higher than the level at the end of 2012 (42.7%).
In further detail, doubtful loans came to 13 billion euro, net of adjustments, at the end of 2013, up 15.7% on an annual basis and represented 3.8% of total loans, with an increased coverage ratio of 62.5%. Substandard loans increased (+20.4%) compared to 31 December 2012 to reach 13.8 billion euro with a 4% impact on total loans to customers: the coverage ratio rose to 23.2%. Restructured loans stood at 2.3 billion euro, recording a decrease of 19.1%, with a resulting reduction in their impact on total loans (0.7%) and a declining coverage ratio on an annual basis as a result of the reclassification of several significant positions as substandard. Past due loans totalled approximately 2 billion euro, down 32.7% compared to the end of 2012.
The coverage ratio for performing loans was 0.8%, up slightly compared to the end of 2012.

Customer financial assets

(millions of euro)

	31.12.2013		31.12.2012		Changes	
		% breakdown		% breakdown	amount	%
Direct deposits from banking business	372,033	46.3	380,353	47.8	-8,320	-2.2
Direct deposits from insurance business and technical reserves	93,493	11.6	81,766	10.3	11,727	14.3
Indirect customer deposits	430,287	53.6	413,796	52.1	16,491	4.0
Netting [(a)]	-92,484	-11.5	-81,279	-10.2	11,205	13.8
Customer financial assets	**803,329**	**100.0**	**794,636**	**100.0**	**8,693**	**1.1**

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

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

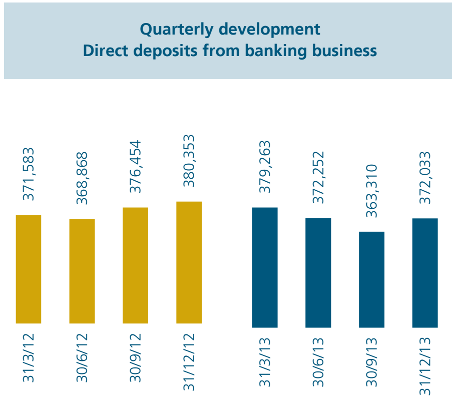
As at 31 December 2013 customer financial assets stood at 803 billion euro, up 1.1% on an annual basis: the decrease in direct deposits from banking business was more than offset by the increase in direct deposits from insurance business and in indirect customer deposits. The insurance segment recorded an 11.7 billion euro increase (+14.3%) as a result both of the increase of life insurance business technical reserves representing traditional policies and financial liabilities designated at fair value associated with unit-linked products. Indirect customer deposits recorded an increase (+4%), associated with a marked shift from assets under administration towards assets under management. The decrease of direct deposits from banking business of 8.3 billion euro (-2.2%) was due to securities (bonds, certificates of deposit and subordinated liabilities), not sufficiently offset by the increase in current accounts and deposits, driven by the rise in the term component and the stability of the on-demand component, as well as of other forms of deposits, markedly certificates issued by Banca IMI.

Direct deposits from banking business

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

(millions of euro)

	31.12.2013		31.12.2012		Changes	
		% breakdown		% breakdown	amount	%
Current accounts and deposits	203,421	54.7	194,680	51.2	8,741	4.5
Repurchase agreements and securities lending	15,633	4.2	14,414	3.8	1,219	8.5
Bonds	118,237	31.8	136,407	35.9	-18,170	-13.3
of which designated at fair value (*)	*10*	*-*	*9*	*-*	*1*	*11.1*
Certificates of deposit	4,453	1.2	6,556	1.7	-2,103	-32.1
Subordinated liabilities	13,091	3.5	13,451	3.5	-360	-2.7
Other deposits	17,198	4.6	14,845	3.9	2,353	15.9
of which designated at fair value (**)	*5,616*	*1.5*	*3,054*	*0.8*	*2,562*	*83.9*
Direct deposits from banking business	**372,033**	**100.0**	**380,353**	**100.0**	**-8,320**	**-2.2**



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

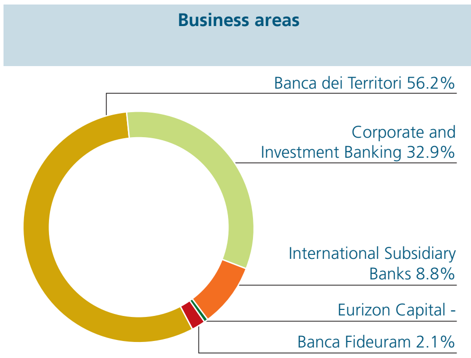
(*) Figures included in the Balance sheet under Financial liabilities designated at fair value through profit and loss.

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

The total of direct deposits from banking business was down compared to the end of December 2012 (-2.2%), with diverging performances by the main deposit types.
Current accounts and deposits increased by 8.7 billion euro (+4.5%), owing to the placements of savings deposits, driven by customers' interest in the more remunerative time deposits. Repurchase agreements and securities lending, which are primarily financial in nature, recorded an increase of 1.2 billion euro. By contrast, bonds declined by 18.2 billion euro (-13.3%), showing a decrease in the renewal of maturing securities, also due to the shift in the composition of funding towards more flexible forms such as savings deposits and capital protected certificates, as well as to decreased funding needs for medium-/long-term loans. Certificates of deposit showed a consistent decrease (-32.1%), essentially attributable to lower issues by the international branches, and subordinated liabilities also fell by 2.7%. Other deposits showed growth (+15.9%) due to the increase of 2.6 billion euro in capital protected certificates issued by Banca IMI and designated at fair value.
At the end of December 2013, the share of the Group's direct deposits on the harmonised domestic market, consisting of deposits and bonds, according to the ECB definition, stood at 16.5%.

(millions of euro)

	31.12.2013	31.12.2012	Changes	
			amount	%
Banca dei Territori	194,316	203,548	-9,232	-4.5
Corporate and Investment Banking	113,956	107,372	6,584	6.1
International Subsidiary Banks	30,462	31,163	-701	-2.2
Eurizon Capital	7	7	-	-
Banca Fideuram	7,256	6,673	583	8.7
Total business areas	**345,997**	**348,763**	**-2,766**	**-0.8**
Corporate Centre	26,036	31,590	-5,554	-17.6
Intesa Sanpaolo Group	**372,033**	**380,353**	**-8,320**	**-2.2**



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

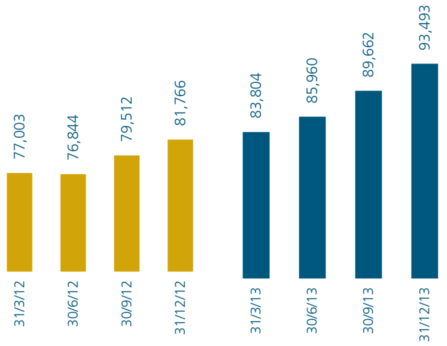
The breakdown by Group business areas shows that Banca dei Territori, which accounts for over half of the aggregate attributable to the Group's total business areas, has declined by 4.5% over the twelve months: the decrease in securities issued, associated with the maturity of retail bonds, was only partly offset by the increase in amounts due to customers, especially retail and private-banking customers that subscribed to savings deposits. Corporate and Investment Banking reported an increase of 6.6 billion euro (+6.1%), mainly attributable to the rise in Italian and foreign corporate deposits and greater dealings in repurchase agreements by Banca IMI. Banca Fideuram's funding also increased (+8.7%), mainly as a result of the increase in current account deposits held by ordinary and institutional customers. By contrast, the International Subsidiary Banks recorded a slight decrease in funding (-2.2%), essentially attributable to amounts due to customers and, in particular, lesser retail deposits and an unfavourable exchange rate effect for certain currencies. The decrease recorded by the Corporate Centre (-17.6%) should be read in relation to the lower volumes of bonds due to the prevalence of redemptions over new issues on the wholesale market, as well as the decreased dealings involving repurchase agreements with Cassa di Compensazione e Garanzia.

Direct deposits from insurance business and technical reserves

(millions of euro)

	31.12.2013		31.12.2012		Changes	
		% breakdown		% breakdown	amount	%
Financial liabilities of the insurance business designated at fair value (*)	**30,723**	**32.9**	**27,038**	**33.1**	**3,685**	**13.6**
Index-linked products	*1,099*	*1.2*	*1,700*	*2.1*	*-601*	*-35.4*
Unit-linked products	*29,624*	*31.7*	*25,338*	*31.0*	*4,286*	*16.9*
Technical reserves	**62,236**	**66.5**	**54,660**	**66.8**	**7,576**	**13.9**
Life business	61,761	66.0	54,241	66.3	7,520	13.9
Mathematical reserves	*55,304*	*59.1*	*47,525*	*58.1*	*7,779*	*16.4*
Technical reserves where the investment risk is borne by the policyholders (**) and reserves related to pension funds	*4,766*	*5.1*	*6,226*	*7.6*	*-1,460*	*-23.5*
Other reserves	*1,691*	*1.8*	*490*	*0.6*	*1,201*	
Non-life business	475	0.5	419	0.5	56	13.4
Other insurance deposits (***)	**534**	**0.6**	**68**	**0.1**	**466**	
Direct deposits from insurance business and technical reserves	**93,493**	**100.0**	**81,766**	**100.0**	**11,727**	**14.3**

Quarterly development
Direct insurance deposits and technical reserves



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

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

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

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

Direct deposits from insurance business came to over 93 billion euro at the end of December 2013, up 14.3% on an annual basis. Insurance segment financial liabilities designated at fair value recorded growth of 3.7 billion euro (+13.6%), attributable to the contribution from unit-linked products, which more than offset the decline in index-linked products. Technical reserves, which represent the amounts owed to customers subscribing to traditional policies, recorded a net increase of 7.6 billion euro (+13.9%), almost entirely attributable to the life business: this performance is associated with the improvement in mathematical reserves, only partly offset by the decrease in technical reserves associated with unit-linked and index-linked policies with significant insurance risk and with pension funds.

Indirect customer deposits

(millions of euro)

	31.12.2013		31.12.2012		Changes	
		% breakdown		% breakdown	amount	%
Mutual funds (*)	66,899	15.5	59,011	14.3	7,888	13.4
Open-ended pension funds and individual pension plans	3,697	0.9	3,040	0.7	657	21.6
Portfolio management	85,108	19.8	77,140	18.6	7,968	10.3
Life technical reserves and financial liabilities	92,321	21.5	82,122	19.8	10,199	12.4
Relations with institutional customers	10,545	2.4	10,178	2.5	367	3.6
Assets under management	**258,570**	**60.1**	**231,491**	**55.9**	**27,079**	**11.7**
Assets under administration and in custody	**171,717**	**39.9**	**182,305**	**44.1**	**-10,588**	**-5.8**
Indirect customer deposits	**430,287**	**100.0**	**413,796**	**100.0**	**16,491**	**4.0**

Quarterly development
Indirect customer deposits

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

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

As at 31 December 2013, indirect customer deposits exceeded 430 billion euro, up 4% compared to the end of the previous year. During the year, customers repositioned into forms of professional asset management, with a transfer from assets under administration to assets under management. Assets under management, which account for more than half of the total aggregate, increased by 27.1 billion euro on an annual basis (+11.7%), owing to consistent net inflows and the revaluation of assets under management. All technical forms making up assets under management performed well, continuing the positive trend that had started in the first quarter of 2013: life insurance policies increased by 10.2 billion euro (+12.4%), portfolio management by 8 billion euro (+10.3%) and mutual investment funds by 7.9 billion euro (+13.4%). Positive contributions, albeit of a lesser amount in absolute terms, were also provided by collective and individual pension forms, which showed an increase of 657 million euro (+21.6%), and by relations with institutional customers which increased by 367 million euro (+3.6%). In the insurance business, the new life business of Intesa Sanpaolo Vita (including Intesa Sanpaolo Life) and Fideuram Vita, including pension products, amounted to 19.1 billion euro in 2013.

Financial assets and liabilities

(millions of euro)

	31.12.2013		31.12.2012		Changes	
		of which Insurance Companies		*of which Insurance Companies*	amount	%
Financial assets held for trading	49,013	*864*	63,546	*1,125*	-14,533	-22.9
of which derivatives at fair value	*29,936*	*-*	*44,968*	*39*	*-15,032*	*-33.4*
Financial assets designated at fair value through profit and loss	37,655	*36,670*	36,887	*35,748*	768	2.1
Financial assets available for sale	115,302	*54,278*	97,209	*43,527*	18,093	18.6
Investments held to maturity	2,051		2,148		-97	-4.5
Total financial assets	**204,021**	***91,812***	**199,790**	***80,400***	**4,231**	**2.1**
Financial liabilities held for trading (*)	**-33,652**	***-348***	**-49,141**	***-79***	**-15,489**	**-31.5**
of which derivatives at fair value	*-30,617*	*-348*	*-46,097*	*-79*	*-15,480*	*-33.6*

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

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

The table above illustrates the breakdown of financial assets and the total financial liabilities held for trading. Financial liabilities designated at fair value, referring to insurance business, certain bond issues designated at fair value and capital-protected certificates, are not represented as these are included in the direct deposits aggregates.
Total financial assets increased by 2.1% owing to the differentiated performance of the various components. Financial assets held for trading recorded a 14.5 billion euro decrease (-22.9%), entirely attributable to derivative contracts, a decline which, additionally, is correlated with the analogous decrease in the negative fair value of those same derivative contracts under financial liabilities held for trading. The 18.1 billion euro increase in financial assets available for sale (+18.6%) is primarily attributable to bonds and other debt securities, with increases reported by Intesa Sanpaolo Vita and the Parent Company. Financial assets designated at fair value through profit and loss recorded a more limited increase in absolute terms (768 million euro, or an increase of 2.1%), whilst investments held to maturity did not report significant changes.

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

(millions of euro)

	31.12.2013		31.12.2012		Changes	
		of which Insurance Companies		*of which Insurance Companies*	amount	%
Bonds and other debt securities held for trading and designated at fair value through profit and loss	34,218	*17,039*	40,472	*23,603*	-6,254	-15.5
of which designated at fair value (fair value option)	*17,480*	*16,610*	*23,664*	*22,670*	*-6,184*	*-26.1*
Equities and quotas of UCI held for trading and designated at fair value through profit and loss	22,290	*20,234*	14,764	*13,011*	7,526	51.0
of which designated at fair value (fair value option)	*19,951*	*19,836*	*13,002*	*12,858*	*6,949*	*53.4*
Other assets designated at fair value through profit and loss	224	*224*	229	*220*	-5	-2.2
Securities, assets held for trading and financial assets designated at fair value through profit and loss	**56,732**	***37,497***	**55,465**	***36,834***	**1,267**	**2.3**
Financial liabilities held for trading (*)	**-3,035**	*-*	**-3,044**	*-*	**-9**	**-0.3**
Net value of financial derivatives	-376	*-260*	-849	*-21*	-473	-55.7
Net value of credit derivatives	-305	*-51*	-280	*-19*	25	8.9
Net value of trading derivatives	**-681**	*-311*	**-1,129**	*-40*	**-448**	**-39.7**
Financial assets / liabilities, net	**53,016**	***37,186***	**51,292**	***36,794***	**1,724**	**3.4**

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

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

Financial assets held for trading, net of the associated liabilities, and financial assets designated at fair value through profit and loss amounted to 53 billion euro, up 3.4% compared to the end of 2012. In detail, this growth was due to an increase in the stock of equities and quotas of UCI held for trading and designated at fair value, which offset the decrease in bonds and other debt securities. The negative balance of trading derivatives decreased by 448 million euro, whilst financial liabilities held for trading did not record any significant changes.

Financial assets available for sale

(millions of euro)

	31.12.2013		31.12.2012		Changes	
		of which Insurance Companies		*of which Insurance Companies*	amount	%
Bonds and other debt securities	106,790	*51,447*	92,329	*41,743*	14,461	15.7
Equities and quotas of UCI	8,474	*2,831*	4,843	*1,784*	3,631	75.0
Securities available for sale	**115,264**	***54,278***	**97,172**	***43,527***	**18,092**	**18.6**
Loans available for sale	**38**	-	**37**	-	**1**	**2.7**
Financial assets available for sale	**115,302**	***54,278***	**97,209**	***43,527***	**18,093**	**18.6**

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

Financial assets available for sale amounted to over 115 billion euro, up 18.6% compared to the figure as at 31 December 2012. The caption consists primarily of bonds and other debt securities not held for trading and, to a marginal extent, of equities. Financial assets available for sale are measured at fair value with a balancing entry in the specific shareholders' equity reserve.

Net interbank position

The net interbank position as at 31 December 2013 came to a negative 25.6 billion euro, an improvement on the figure recorded at the end of 2012 (-36.8 billion euro). The reduction of net interbank debt was driven by the loans entered into with the European Central Bank, which at the end of December 2013 had decreased to 19.5 billion euro, compared to 36 billion euro in the previous year. This decrease may be attributed to the partial replacement with operations with shorter terms (three-month LTROs – Long Term Refinancing Operations and MROs – Main Refinancing Operations) of the funds acquired through the participation in the three-year LTROs issued by the monetary authority in December 2011 and February 2012 in the total amount of 36 billion euro, repaid in full in two instalments, of 12 billion euro and 24 billion euro, at the end of the first half of 2013 and the end of 2013.

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

(millions of euro)

	31.12.2013	31.12.2012	Changes	
			amount	%
Investments in associates and companies subject to joint control	79	73	6	8.2
Property and equipment	29	25	4	16.0
Other	-	-	-	-
Individual assets	**108**	**98**	**10**	**10.2**
Discontinued operations	**-**	**-**	**-**	**-**
of which: loans to customers	-	-	-	-
Liabilities associated with non-current assets held for sale and discontinued operations	**-**	**-**	**-**	**-**
Non-current assets held for sale and discontinued operations and related liabilities	**108**	**98**	**10**	**10.2**

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

This caption contains assets and related liabilities which no longer refer to continuing operations as they are being disposed of. At the end of 2013, assets held for sale came to 108 million euro, consisting of 79 million euro of equity investments and 29 million euro of property and equipment, up 10.2% compared to the figure at end of 2012.

Shareholders’ equity

As at 31 December 2013, the Group’s shareholders' equity, including net income for the period, came to 44,515 million euro compared to the 49,320 million euro at the end of the previous year. The change in shareholders’ equity reflects the opposite effects of the increase in reserves, the distribution of the dividend on 2012 earnings, the reduction of the negative balance of valuation reserves, as illustrated below, and the net loss for 2013. Share capital underwent marginal changes due to the merger of Sudameris S.A. into the Parent Company, finalised in December 2013.

Valuation reserves

(millions of euro)

	Valuation reserves as at 31.12.2012	Change in the period	Valuation reserves as at 31.12.2013	
				% breakdown
Financial assets available for sale	-59	422	363	-33.8
of which: Insurance Companies	*221*	*98*	*319*	*-29.7*
Property and equipment	-	-	-	-
Cash flow hedges	-1,306	428	-878	81.8
Legally-required revaluations	351	8	359	-33.4
Other	-678	-240	-918	85.4
Valuation reserves	**-1,692**	**618**	**-1,074**	**100.0**

As at 31 December 2013, the negative balance of the Group's valuation reserves came to -1,074 million euro compared to -1,692 million euro at the end of 2012. The change for the period was attributable to the improvement in reserves for financial assets available for sale (+422 million euro), particularly debt securities included in the insurance companies' portfolios, as well as cash flow hedge reserves (+428 million euro). Other reserves, of negative amounts, recorded an increase of 240 million euro, whereas reserves for legally-required revaluations remained essentially stable.

Regulatory capital

(millions of euro)

Regulatory capital and capital ratios	31.12.2013	31.12.2012
Regulatory capital		
Tier 1 capital	33,840	36,013
of which: instruments not included in Core Tier 1 ratio (*)	*2,545*	*2,544*
Tier 2 capital	7,100	8,141
Minus items to be deducted (**)	-	-3,410
REGULATORY CAPITAL	**40,940**	**40,744**
Tier 3 subordinated loans	-	-
TOTAL REGULATORY CAPITAL	**40,940**	**40,744**
Risk-weighted assets		
Credit and counterparty risks	227,031	253,309
Market risks	17,962	18,427
Operational risks	22,737	25,745
Other risks (***)	8,561	1,138
RISK-WEIGHTED ASSETS	**276,291**	**298,619**
Capital ratios %		
Core Tier 1 ratio	11.3	11.2
Tier 1 ratio	12.2	12.1
Total capital ratio	14.8	13.6

(*) This caption includes preferred shares, savings shares and preference ordinary shares.

(**) Effective 1 January 2013, the elements of an insurance nature previously deducted from total regulatory capital have instead been deducted from tier 1 and tier 2 capital (at 50% each), on a par with the other elements deducted, according to the specific indications contained in Bank of Italy Circulars 155 and 263.

(***) In relation to risk-weighted assets, this caption includes further specific capital requirements as provided for by the Supervisory Authority to the various Group entities. It also includes the supplement for the floor relating to the calculation of capital requirements for the credit risk according to IRB approaches.

Regulatory capital and related capital ratios as at 31 December 2013 have been determined in accordance with Basel 2 provisions, by applying the Bank of Italy's instructions.
As at 31 December 2013, total regulatory capital came to 40,940 million euro, compared to risk-weighted assets of 276,291 million euro, resulting primarily from credit and counterparty risk and, to a lesser extent, operational and market risk.
The constant decrease in risk-weighted assets throughout 2013 is primarily attributable, in the case of credit risks, to ordinary operations and optimisation processes, whereas in the case of operational risks it is largely related to the contracting of an insurance policy of an innovative nature ("second layer policy") known as the Operational Risk Insurance Programme, which offers coverage greater than that of traditional ("first layer") policies and therefore significantly increases the limit of liability, in effect transferring the risk of significant operational losses to the insurance market.
With respect to regulatory capital, it should be noted that effective form 1 January 2013 the option granted by the Bank of Italy allowing for the deduction of insurance investments made prior to July 2006 from total regulatory capital is no longer in force. Accordingly, such investments are included 50% among deductions from Tier 1 capital and the remaining 50% among deductions from Tier 2 capital; the effect, on the basis of the figures as at 1 January 2013, was a negative 57 hundredths of a point on the Core Tier 1 ratio.

It should also be noted that following the notice received from the Bank of Italy on 9 May 2013, a negative prudential filter has been applied to sterilise the positive effects on Core Tier 1 associated with multiple cases of tax realignment of goodwill. The effects of this sterilisation, spread over a five-year period from report as at 31 March 2013, were calculated in reference to the associated DTAs as at 31 December 2012, net of the substitute tax paid and the total of such DTAs reversed to the income statement during the period. The application of this filter led to a negative effect on Core Tier 1 of 3 hundredths of a point.
The application effective from 1 January 2013 of the amendments to IAS 19 (an accounting standard that governs employee benefits) had a limited impact for regulatory purposes, inasmuch as the negative valuation reserve generated was essentially sterilised through the specific prudential filter envisaged by the Bank of Italy.
Finally, regulatory capital takes account of the proposal for a "dividend" that the Management Board will submit to the Shareholders' Meeting, to be distributed in the amount of 5 euro cents per each outstanding ordinary and savings share, for a total of 822 million euro. In addition, the carrying amount of the new stakes in the Bank of Italy, recognised following the issuance of the provisions laid down in Decree Law 133/2013, converted into Law 5 of 23 January 2014 and the ensuing amendments to the Bank of Italy's Statute approved by the Shareholders' Assembly of 23 December 2013, in accordance with the indications received from the supervisory authority, continues to be deducted 50% from Tier 1 Capital and 50% from Tier 2 Capital for the previous carrying amount of the cancelled stakes, and fully deducted from Tier 1 Capital, for the increased carrying amount of the new stakes.
The Total capital ratio stood at 14.8%, while the Group's Tier 1 ratio was 12.2%. The ratio of Tier 1 capital net of ineligible instruments to risk-weighted assets (Core Tier 1) was 11.3%.
Lastly, in a Regulation published on 18 May 2010, the Bank of Italy provided new supervisory instructions concerning the prudential treatment of reserves associated with debt securities issued by the central governments of EU countries and classified among "Financial assets available for sale". In particular, the Regulation allows the capital gains and losses recognised through such reserves associated with the foregoing securities to be completely neutralised effective from 1 January 2010, as an alternative to the already established asymmetrical approach (full deduction of the net capital loss from Tier 1 capital and partial inclusion of the net capital gain in Tier 2 capital). The Intesa Sanpaolo Group has elected to apply this approach. Accordingly, the regulatory capital and capital ratios as at 31 December 2013 account for this measure (the effect on the Core Tier 1 ratio is -2 basis points).

Reconciliation of Net book value and Tier 1 Regulatory Capital

(millions of euro)

Captions	31.12.2013	31.12.2012
Shareholders' equity pertaining to the Group	44,515	49,613
Shareholders' equity pertaining to minority interests	543	586
SHAREHOLDERS' EQUITY	**45,058**	**50,199**
Components of shareholders' equity not pertaining to the Banking group	7	2
Dividends or distribution of reserves to shareholders of Intesa Sanpaolo S.p.A. (*)	-822	-832
Dividends or distribution of reserves to minority shareholders	-35	-45
BANKING GROUP CAPITAL FOLLOWING DISTRIBUTION TO SHAREHOLDERS	**44,208**	**49,324**
OTHER COMPONENTS OF TIER 1 CAPITAL	**-7,049**	**-11,369**
- Innovative and non-innovative capital instruments eligible to be included in Tier 1 capital	2,057	2,056
- Deduction of goodwill	-4,396	-9,125
- Deduction of other intangible assets pertaining to the Banking group	-3,071	-5,186
- Elimination of valuation reserves pertaining to the Banking group	1,091	1,402
- Prudential filter for negative AFS valuation reserves on debt securities not issued by EU countries	-254	-353
- Prudential filter for sterilisation of the increased value of new stakes in the Bank of Italy for regulatory purposes	-2,187	-
- Prudential filter for sterilisation of DTA relating to multiple cases of tax realignment of goodwill	-92	-
- Other negative prudential filters	-33	-34
- Other regulatory adjustments	-164	-129
TOTAL TIER 1 CAPITAL BEFORE ITEMS TO BE DEDUCTED	**37,159**	**37,955**
TOTAL ITEMS TO BE DEDUCTED FROM TIER 1 CAPITAL (**)	**-3,319**	**-1,942**
- Value of stakes in the Bank of Italy (50% of the book value of the cancelled stakes)	-312	-312
- Investments in insurance companies	-2,096	-604
- Other investments in banks and financial companies equal to or greater than 20% of the subsidiary's capital	-295	-270
- Amount by which expected losses exceed total impairment provisions (IRB approaches)	-439	-600
- Other deductions	-177	-156
TOTAL TIER 1 CAPITAL (NET OF ITEMS TO BE DEDUCTED)	**33,840**	**36,013**

(*) As per the proposal by the Management Board.

(**) The "Total items to be deducted" amounted to half the overall deductions, 50% of which were allocated as a reduction to the Tier 1 capital and the remaining 50% as a reduction to the Tier 2 capital.

Performance of risk-weighted assets

(millions of euro)

Risk-weighted assets as at 31.12.2012	**298,619**
Reduction in credit risk due to decrease in utilisations	-28,285
Supplementation of credit risk as compared to the calculation using the IRB approaches required by the A	7,973
Reduction in operational risk as a result of second level insurance coverage	-3,008
Other changes in risk-weighted assets	992
Risk-weighted assets as at 31.12.2013	**276,291**

Credit risk recorded an increase due to the volume effect, relating to the performance of loans to customers, of approximately 28 billion euro, and an increase of the transitional floor effect of 8 billion euro (represented by the greater requirements resulting from the comparison with RWAs calculated according to the Basel I approach).
Operational risks showed a decrease of 3 billion euro, chiefly due to the contracting of second-layer insurance for cover of extreme events, as well as a favourable performance of operational events and the extension of the scope of application of the advanced approach.
Other minor effects primarily related to the change in the risk level of credit risks, net of the shift of the portfolio towards better exposures and transfers to the non-performing category.
Lastly, it should be noted that total capital requirements also reflected the reduction of the net shortfall of 0.6 billion euro due to the increase in the coverage ratio for positions in default.
Market risks do not show any change at the annual level.

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

(millions of euro)

	Shareholders' equity	*of which Net income (loss) as at 31.12.2013*
Parent Company's balances as at 31 December 2013	**39,763**	***-3,913***
Effect of consolidation of subsidiaries subject to control	935	*-701*
Effect of valuation at equity of companies subject to joint control and other significant equity investments	-172	*-78*
Elimination of adjustments to equity investments and recognition of impairment of goodwill	4,093	*2,731*
Dividends collected during the period	-	*-2,543*
Other	-104	*-46*
Consolidated balances as at 31 December 2013	**44,515**	***-4,550***

Breakdown of consolidated results by business area and geographical area

Breakdown of consolidated results by business area and geographical area

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

The Intesa Sanpaolo Group

Banca dei Territori

Corporate and Investment Banking

International Subsidiary Banks

Eurizon Capital

Banca Fideuram

Corporate Centre (*)

(*) Includes the Group's Treasury.

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

The table below shows the main data summarising the trend of the business areas of the Intesa Sanpaolo Group in 2013.
The following itemised analysis of the business areas contains a description of the products and services offered, the type of customers served and the initiatives carried out in the year; it also illustrates income statement figures and the main balance sheet aggregates. For each business area, the capital absorbed based on Risk Weighted Assets (RWAs) was also calculated, determined in accordance with the instructions issued by the Bank of Italy in compliance with the regulations in force. For asset management, business risk was also taken into consideration, and for the insurance segment reference was made to the capital absorbed by insurance risk.
As part of the redefinition of the organisational structure and areas of responsibility of the Intesa Sanpaolo Group, the Banca dei Territori Division expanded its scope to companies with group turnover from 150 to 350 million euro, previously included under the Corporate and Investment Banking Division, as well as to the product companies Leasint, Centro Leasing and Mediofactoring.
Division figures for the comparative periods have been restated to reflect the changes in scope of the Business Units, where necessary.

(millions of euro)

	Banca dei Territori	Corporate and Investment Banking	International Subsidiary Banks	Eurizon Capital	Banca Fideuram	Corporate Centre	Total
Operating income							
2013	11,134	3,360	2,165	389	895	-1,648	16,295
2012	10,848	3,590	2,183	302	836	122	17,881
% change [(a)]	2.6	-6.4	-0.8	28.8	7.1		-8.9
Operating costs							
2013	-5,282	-807	-1,156	-111	-322	-674	-8,352
2012	-5,783	-840	-1,150	-118	-348	-674	-8,913
% change [(a)]	-8.7	-3.9	0.5	-5.9	-7.5	-	-6.3
Operating margin							
2013	5,852	2,553	1,009	278	573	-2,322	7,943
2012	5,065	2,750	1,033	184	488	-552	8,968
% change [(a)]	15.5	-7.2	-2.3	51.1	17.4		-11.4
Net income (loss)							
2013	-3,954	-69	-880	160	218	-25	-4,550
2012	753	1,453	-189	100	160	-672	1,605
% change [(a)]				60.0	36.3	-96.3	
Loans to customers							
31.12.2013	209,626	90,907	27,249	281	4,730	11,198	343,991
31.12.2012	223,887	102,982	29,312	226	3,985	16,233	376,625
% change [(b)]	-6.4	-11.7	-7.0	24.3	18.7	-31.0	-8.7
Direct deposits from banking business							
31.12.2013	194,316	113,956	30,462	7	7,256	26,036	372,033
31.12.2012	203,548	107,372	31,163	7	6,673	31,590	380,353
% change [(b)]	-4.5	6.1	-2.2	-	8.7	-17.6	-2.2
Risk-weighted assets							
31.12.2013	115,772	89,690	27,923	409	5,283	37,214	276,291
31.12.2012	132,390	105,595	31,271	540	4,300	24,527	298,623
% change [(b)]	-12.6	-15.1	-10.7	-24.3	22.9	51.7	-7.5
Absorbed capital							
31.12.2013	10,526	6,278	1,955	35	655	2,605	22,054
31.12.2012	10,995	7,392	2,189	44	546	1,717	22,883
% change [(b)]	-4.3	-15.1	-10.7	-20.5	20.0	51.7	-3.6

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

[(a)] The change expresses the ratio between 2013 and 2012.

[(b)] The change expresses the ratio between 31.12.2013 and 31.12.2012.

BUSINESS AREAS

Banca dei Territori

(millions of euro)

Income statement	2013	2012	Changes amount	Changes %
Net interest income	6,221	6,426	-205	-3.2
Dividends and profits (losses) on investments carried at equity	13	1	12	
Net fee and commission income	4,094	3,569	525	14.7
Profits (Losses) on trading	65	94	-29	-30.9
Income from insurance business	707	713	-6	-0.8
Other operating income (expenses)	34	45	-11	-24.4
Operating income	**11,134**	**10,848**	**286**	**2.6**
Personnel expenses	-2,982	-3,363	-381	-11.3
Other administrative expenses	-2,291	-2,409	-118	-4.9
Adjustments to property, equipment and intangible assets	-9	-11	-2	-18.2
Operating costs	**-5,282**	**-5,783**	**-501**	**-8.7**
Operating margin	**5,852**	**5,065**	**787**	**15.5**
Net provisions for risks and charges	-47	-74	-27	-36.5
Net adjustments to loans	-5,560	-3,338	2,222	66.6
Net impairment losses on other assets	-1	-3	-2	-66.7
Profits (Losses) on investments held to maturity and on other investments	-	-	-	-
Income (Loss) before tax from continuing operations	**244**	**1,650**	**-1,406**	**-85.2**
Taxes on income from continuing operations	-52	-619	-567	-91.6
Charges (net of tax) for integration and exit incentives	-67	-106	-39	-36.8
Effect of purchase price allocation (net of tax)	-167	-172	-5	-2.9
Impairment (net of tax) of goodwill and other intangible assets	-3,912	-	3,912	-
Income (Loss) after tax from discontinued operations	-	-	-	-
Minority interests	-	-	-	-
Net income (loss)	**-3,954**	**753**	**-4,707**	

(millions of euro)

	31.12.2013	31.12.2012	Changes amount	Changes %
Loans to customers	209,626	223,887	-14,261	-6.4
Direct deposits from banking business	194,316	203,548	-9,232	-4.5
Direct deposits from insurance business and technical reserves	75,062	67,597	7,465	11.0
Indirect customer deposits	252,757	238,402	14,355	6.0
Risk-weighted assets	115,772	132,390	-16,618	-12.6
Absorbed capital	10,526	10,995	-469	-4.3

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

Banca dei Territori's operating income was 11,134 million euro in 2013, amounting to 68% of the Group's consolidated operating income, up 2.6% on the previous year. In further detail, there was a decline in net interest income (-3.2%), the main drivers of which included lower margins on deposits and a larger contribution by loans to customers. By contrast, net fee and commission income increased (+14.7%), most markedly on asset management and bancassurance products, net fee and commission income on current accounts (including fee and commission income on credit facilities) and fees and commissions on placements. Other income components reported a decrease in profits on trading, dropping from 94 million euro to 65 million euro. Income from insurance businesses, equal to 707 million euro, contracted slightly (-0.8%), primarily attributable to the decrease in the technical margin, which more than offset the increase in the financial component. Operating costs, amounting to 5,282 million euro, decreased (-8.7%) compared with those of 2012. Operating margin amounted to 5,852 million euro, up 15.5% from the previous year. On the contrary, income before tax from continuing operations decreased (-85.2%), amounting to 244 million euro, due to higher adjustments to loans in 2013 (+66.6%). The cost of credit of Banca dei Territori, calculated as the ratio of adjustments to loans and stock of loans to customers, amounted to 2.7% during 2013. In greater detail, adjustments during the year by the Network Banks with respect to Banca dei Territori amounted to 4,168 million euro (compared to loans of 150,481 million euro), broken down as follows: Intesa Sanpaolo 1,995 million euro, Banco di Napoli 397 million euro, Banca dell'Adriatico 172 million euro, CR Veneto 289 million euro, CR Venezia 55 million euro, CR Friuli Venezia Giulia 79 million euro, Banca di Trento e Bolzano 57 million euro, Carisbo 356 million euro, CR Romagna 123 million euro, the Banca CR Firenze Group 483 million euro, Banca di Credito Sardo 86 million euro and Banca Monte Parma 76 million euro.

Lastly, net loss was affected by considerable impairment of goodwill and other intangible assets caused by the difficult macroeconomic environment. Thus, after allocation to the Division of 67 million euro of charges for integration and 167 million euro of the effect of purchase price allocation, the net result was negative to the tune of -3,954 million euro (-42 million euro excluding the effect of impairment of intangible assets).

On a quarterly basis, the fourth quarter of 2013 reported an operating margin down 2.3% on the third quarter, due to an increase in operating costs (+4%) and substantial stability in revenues (+0.7%). Income before tax from continuing operations was down, reaching negative levels as a result of the significant increase in net adjustments to loans (+84.1%).

The balance sheet figures at the end of December 2013 showed loans to customers of 209,626 million euro, down 6.4% on the previous year-end essentially as a result of the decrease in loans to business customers, which reduced their use of loans due to the negative economic context, and to individuals. Direct deposits from banking business, amounting to 194,316 million euro, was down 4.5%, due to the downward trend in securities issued associated with the maturity of retail bonds, which more than offset the increase in amounts due to customers, especially to individuals and private banking customers that subscribed savings deposits. Direct deposits from insurance business, amounting to 75,062 million euro, recorded an increase (+11%), primarily due to growth in technical reserves, which considerably offset the decrease in the financial liabilities of the insurance segment designated at fair value. Indirect customer deposits reached 252,757 million euro, up by 6% from the end of December 2012, driven by the good performance of assets under management, specifically of mutual funds and life insurance policies, which more than offset the outflows from assets under administration attributable to the repositioning of customer assets into forms of professional asset management.

The Division absorbed 48% of Group capital, which is slightly lower than in 2012. The capital, amounting to 10,526 million euro, fell in absolute terms (4.3%) due to the containment of assets at risk correlated with the reduction in loans in the retail, small business and business segments.

Business	Traditional lending and deposit collection operations in Italy and associated financial services
Mission	To serve household, personal, small business, private banking and small and medium enterprise customers, creating value through: – widespread local coverage – a focus on the specific qualities of local markets – exploitation of the brands of banks and the centrality of the roles of the officers responsible for the Regional Governance Centres, Area Governance Centres, Banks and Branches as points of reference for the Group at local level – exploitation of the companies specialised in medium-term lending, consumer credit and pensions and insurance, reporting to the Business Unit
Organisational structure	
Marketing Department	Manages the Retail market, composed of the Households (individual customers with financial assets up to 100,000 euro) and Personal (individual customers with financial assets between 100,000 euro and 1 million euro) segments, the Small Business market (businesses/companies with a turnover under 2.5 million euro and group loan facilities under 1 million euro) and the SME market (companies with group turnover between 2.5 and 350 million euro)
Intesa Sanpaolo Private Banking	Devoted to private customers whose financial assets exceed 1 million euro.
Product companies	Specialised in medium-term credit (Mediocredito Italiano), consumer credit (Intesa Sanpaolo Personal Finance), factoring (Mediofactoring) and leasing (Leasint and Centro Leasing), the management of electronic payments (Setefi) and trust services (Sirefid)
Banca Prossima	Serves non-profit organisations
Insurance and Pension companies	Specialised in offering pension and personal and asset protection services
Distribution structure	Approximately 4,600 branches, including Retail and Business branches, distributed broadly throughout Italy. The territorial structure is divided into 7 Regional Governance Centres that coordinate 28 Areas/Network Banks, designed to guarantee optimum territorial coverage and standardised sizing in terms of numbers of branches and resources assigned

The operations involving the scope and/or organisational structure of the Division in 2013 are summarised below.

As part of a strategy to reorganise the brands, which envisages brand standardisation at the local level and simplification of the operational units, the merger by incorporation of Banca dell'Adriatico into Cassa di Risparmio di Ascoli Piceno was completed in April, resulting in the new "Banca dell'Adriatico", the only entity of the Intesa Sanpaolo Group along the Adriatic, with about 220 branches concentrated in the Marche, Abruzzo and Molise regions. In parallel, following the organisational restructuring of the Emilia Romagna, Marche, Abruzzo and Molise Direzione Regionale, the Territorial Areas were reduced from 29 to 28.

With a view to redefining the organisational structure and areas of responsibility of the Intesa Sanpaolo Group, the Banca dei Territori Division expanded its scope to companies with group turnover from 150 to 350 million euro, previously included under the Corporate and Investment Banking Division, as well as to the product companies Leasint, Centro Leasing, Mediofactoring and Centro Factoring. As a result of the merger by incorporation of Centro Factoring into Mediofactoring, Group operations in this segment have been concentrated into a single company since 31 December 2013.
In July the breakdown of the Division's central structures was also reviewed, reducing the number of staff and combining the three Marketing Departments (Retail, Small Business and Business) into a single Marketing Department.

Among the events after the close of the year, on 1 January 2014 Mediocredito Italiano incorporated the Group's leasing companies, Leasint and Centro Leasing, and the leasing segment of Neos Finance, creating a new integrated hub for Business Finance.

Marketing Department – *Retail Market*

Investment

In 2013, the diversification of customer portfolios continued according to the rationale underlying the need-based approach (Spending, Reserves, Investment and Pension) and the Recommended Portfolios.
The new process dedicated to Pensions was also launched which, thanks to the use of an innovative life cycle management approach, offers customers the line best suited to their pension planning timeframe.
Major changes in the range of investment products, constructed considering both the market scenario and the rationale behind the Recommended Portfolios, related to the launch of:

- "Eurizon Cedola Doc Aprile 2019", an Italian registered fund which, through investment in European bond instruments with residual maturity in line with the duration of the investment cycle, aims at achieving a positive absolute return, over an investment horizon of six years, with the distribution of an annual coupon;
- four Italian registered flexible bond funds of the line "Eurizon Cedola Attiva" and "Eurizon Cedola Attiva Più" with maturity in May 2018 and June 2018, which aim to optimise return over a five-year investment horizon within the context of the risk level defined for each fund;
- "Metto da Parte", a class I policy of Intesa Sanpaolo Vita with recurring premiums, with a guarantee for the capital and a guaranteed minimum return in the event of decease, which allows customers to build capital through an accessible investment plan with payments starting from 100 euro per month;
- "Base Sicura", a class I policy offered by Intesa Sanpaolo Vita with an investment horizon of at least five years, aimed at customers who are seeking growth of their investment over time, thanks to separate management, with a guarantee for the capital and a guaranteed minimum return in the event of liquidation;
- "Orizzonte7Anni2013", a class I policy offered by Intesa Sanpaolo Vita with an investment horizon of at least seven years, aimed at customers who are interested in an investment characterised by safety and an expected return in line with governmental bond markets and a guaranteed minimum return at expiry or in the event of decease;
- "Risparmio 2.0", a class I policy offered by Intesa Sanpaolo Vita, with guarantee for the capital and disbursement of periodic coupons, dedicated to customers interested in investing in asset management products, who are not insured under index-linked policies or holders of Group asset management products, who are interested in accessing professional asset management;
- "Penso a Te", a class I policy offered by Intesa Sanpaolo Vita with a minimum duration of five years, aimed at customers who wish to designate a certain amount of capital to a loved one, at a specific target date selected by them based on the beneficiary's age, for an important project such as university, the purchase of a home or car, or the launch of a profession;
- "Signor Cliente", a class I policy offered by Intesa Sanpaolo Vita with guarantee for the capital and a guaranteed minimum return, reserved for insured parties under index-linked policies of Intesa Sanpaolo Vita maturing after 1 July 2011;
- "ISPL Power", a unit-linked policy offered by Intesa Sanpaolo Life with an investment horizon of seven years, aimed at customers with financial/insurance needs interested in investing in a product with a high degree of management flexibility and benefiting from advantages relating to insurance/succession;
- fifteen Italian registered mutual funds with a set duration of five years in the "Eurizon Gestione Attiva Classica", "Eurizon Gestione Attiva Dinamica" and "Eurizon Gestione Attiva Opportunità" lines, with maturity in April, June, July, October and December 2018, which aim to maximise the return on investment based on the time period, through flexible management within the level of risk set for each fund;
- six new sub-funds of the Luxembourg fund "Investment Solutions by Epsilon", named "Valore Cedola x 5 02/2013", "Valore Cedola x 5 04/2013" and "Valore Cedola x 5 06/2013", "Valore Cedola x 5 07/2013", "Valore Cedola x 5 10/2013" and "Valore Cedola x 5 12/2013"which aim to achieve a positive expected return over the recommended investment horizon of five years and distribute an annual coupon;
- "Epsilon Flexible Forex Coupon Settembre 2018", "Epsilon Flexible Forex Coupon Dicembre 2018" and "Epsilon Flexible Forex Coupon Febbraio 2019", Italian funds which, through dynamic investment in bond financial instruments and, to a minimum extent, equity financial instruments denominated in currencies other than the euro, optimise returns over a time period of slightly more than five years, observing a risk budget, and distribute a semi-annual coupon;
- "GP Linea Sistema Valore" and "GP Linea Sistema Valore Più", new portfolio management lines which, through a flexible approach in choosing the weightings of the various components of the portfolio, aim to achieve the best profitability in line with market performance and with the level of risk associated with the line;
- six Italian registered funds in the "Eurizon Cedola Attiva Top" line, maturing in May, June, July, October and December 2020 and April 2021, which aim to optimise returns over a time period of seven years, and distribute an annual coupon, through flexible investments, with equity exposure of at least 30%, in the European and US markets, hedging foreign exchange risk and selecting securities from companies generating significant, sustainable cash flows.
- Group bonds, the range of which is updated on a monthly basis, in line with the market scenario and development, and certificates on "Digitale" and "Express" structures, which have met with particular appreciation from customers.

Protection	The range of protection products was expanded to include the new policy "ProteggiConMe", offered by Intesa Sanpaolo Assicura and aimed at satisfying the lifestyle protection needs of families faced with unforeseen events (unemployment, temporary disability, hospitalisation and permanent disability) that may compromise their ability to meet essential expenses. The range of the "ProteggiMutuo" and "ProteggiPrestito" policies was also updated. A new temporary life insurance policy from Intesa Sanpaolo Vita, "Mi Curo dei Miei", was also launched on the market, providing protection of the nuclear family, in the event the insured dies before the other family members.
Cards	By virtue of an agreement entered into with TotalErg, exclusive discounts and benefits are provided to holders of the Group's payment cards.
Services	Group branches began to offer the "Express to Family" service, which allows money to be transferred to Albania, Egypt, Romania, Serbia and Ukraine through the international banks belonging to the Intesa Sanpaolo Group at advantageous costs.
Mobile POS	Working with Setefi and Vodafone, Intesa Sanpaolo has developed a complete solution to facilitate the acceptance of non-cash payments, using a next generation Vodafone smartphone or tablet and the innovative "Move and Pay Business" mobile POS from Setefi, which allows customers to accept mobile payments, also outside points of sale, transforming the POS into a mobile tool.
Mobile banking	The range of mobile banking applications was expanded to include the application "La tua banca per iPhone", which allows all of the Group's customers to access a selection of information channels and useful services, in addition to allowing those who have signed the Internet, mobile and telephone services contract and activated the Internet channel to access a series of banking, information and transaction services, including via their iPhones or Android-based smartphones or tablets.
E-commerce	As part of a strategy aimed at strengthening the Group's e-commerce offer, Intesa Sanpaolo has joined the MyBank platform, a pan-European solution backed by ABE Clearing in order to make shopping on e-commerce sites safer. Through MyBank, customers can make online payments on merchant websites using their own internet banking service.
Banca Estesa Project and Out-of-branch Offerings	With the aim of dedicating increasingly close attention to customer service and expectations, in 2013 the Intesa Sanpaolo Group launched the Banca Estesa project, in order to make services and advice available to customers during longer hours, not only via direct channels, but also at branches. Over 500 of the Group's branches were involved during the year in the extension of operations to the evening, Saturday and lunch break time brackets, adjusting business hours to modern lifestyles. The proposed new model will revolutionise the way customers access banking services, permitting merchants, professionals and, more generally, small-business customers and salaried employees to visit the bank according to a schedule more compatible with their entrepreneurial or professional activities. In parallel to the extension of branch business hours, the Bank developed its Out-of-branch Offerings, through which managers can reach customers at their homes or workplaces. During the year, training was completed for over 700 Personal managers who passed the exam for entry into the register and signed their contracts.
Web	Intesa Sanpaolo has innovated its web presence, to increase the opportunities to interact with the public and offer services and support 24-7, using physical and virtual channels as complements to each other. Specifically, the Intesa Sanpaolo website and those of the other Group banks were redesigned, to make the pages simple and customisable, new functionalities were added to the Facebook page and the "Customer Service" available through this channel was expanded, and areas were activated on LinkedIn and YouTube to publicise the Group's activities, announce initiatives and promote the recruitment of personnel.
Mortgages	The suspension of repayments of mortgages/loans applied to inhabitants of the Emilia Romagna region and the provinces of Mantua and Rovigo hit by the earthquake in May 2012 was extended to 31 December 2013. The extension is the result of the renewal of the Agreement by the Emilia Romagna branch of the Italian Banking Association and consumer and business associations to consolidate and rationalise the measures already implemented by banks in these areas. Intesa Sanpaolo has launched a plan for homes, in favour of households and the real estate market, involving a two-pronged approach in the first few months of 2014: to lighten the burden on households that are paying a mortgage and, through the "Rata Leggera" initiative, may request that payments of the principal be suspended for one year, without any ancillary costs, on one hand and to support customers that are construction businesses, boosting new home purchases in selected sites, spread throughout Italy, bringing together businesses and individual customers, on the other.

Loans	The range of personal loans was expanded by the launch of the new "Prestito Multiplo", a simple, flexible financial solution capable of meeting the needs of various customer segments. The innovations introduced through the "instalment deferral" and "instalment change" options aim to foster access to credit by broadening age limits, while also rendering the burden of repayment sustainable over time. All Group banks are also providing the "Servizio Garanzia Affitto", consisting of a bank guarantee issued by the bank to the landlords on behalf of the tenants, in place of a security deposit. In the last quarter of the year the new marketing process was launched, which customises the range of personal loans based on customer needs, leveraging the knowledge gained about customers over time and supported by a pre-set range which provides reliable, quick service to respond to loan applications.
Microcredit	To support households undergoing temporary financial and social difficulties, Banca dell'Adriatico, working with the Municipality of Ascoli Piceno, Caritas, Associazione Vobis and Banca Prossima have launched the "Prestito della Speranza", a microcredit initiative promoted by the Italian Episcopal Conference, which offers a concrete alternative solution for those who can no longer obtain credit through pledges.

Marketing Department – *Small Business Market*

Loans	The new "Finanziamento Sviluppo Business", reserved for small enterprises and professionals in the Small Business segment, became available in 2013. The loan, which may be granted for a minimum amount of 20,000 euro, with a fixed duration of twelve months and maximum pre-amortisation period of six months, may be paired with a guarantee from Fondo Centrale Garanzia (Central Guarantee Fund) and is subject to a commercial constraint: a commitment by the customer to increase the average uses of self-liquidating lines of credit granted by the Bank by an agreed amount over the life of the contract in order to benefit from the favourable conditions envisaged by the product. In order to stimulate demand for credit by companies in the segment, the use of credit instruments backed by public subsidies has been promoted: subsidised funding (IV Convenzione CDP, EIB, ABI Italy Investments Line); guarantee pursuant to Law 662/96, which, starting from May, can be combined with all of the major forms of short-term credit; facilitated credit measures at the regional level (for example, co-financing with the regional entities). A "proactive credit" initiative was also launched across the country, aimed at developing short-term loans with high-potential counterparties and consisting of an innovative credit process (AIFIn Award for Financial Innovation 2012) that allows relationship managers to meet with target customers backed by a pre-approved maximum credit limit and pre-authorised minimum rate conditions, thereby improving the timeliness and quality of service to customers. The "Tandem" product, a loan repaid in instalments and aimed at companies that purchase goods or services from suppliers that have an agreement with or are approved by the bank, was restyled and provides advantages for both parties, as it allows subdivision of the relative cost: the vendor of the good or service obtains a tool to support sales and immediate collections, eliminating the risk of counterparty insolvency, while the purchaser obtains a loan at advantageous conditions, thanks to the interest contribution by the vendor. To support agricultural companies, small craftsmen companies and merchants that were damaged due to the whirlwinds that hit the Upper and Middle Polesine areas, the Intesa Sanpaolo Group, through Cassa di Risparmio del Veneto, made available a maximum amount of 20 million euro at advantageous conditions, offering the possibility of obtaining advances on insurance indemnities. Loans of up to 60 months are also offered at special conditions, which may also include a grace period of up to 18 months, to allow crops, specifically fruit crops, to return to their normal production cycle. Lastly, the possibility of applying the moratorium of the Italian Banking Association to outstanding loans is also granted, with the resulting extension of the maturities of credit for farming activities for a maximum of 120 days. For agricultural companies located in the provinces of Cremona, Mantua and Brescia, which suffered series damages from the bad weather at the end of July, Intesa Sanpaolo allocated a maximum amount of 30 million euro and specific financing instruments to cover the loss of crops and harvests and restore damaged structures, with a term of up to 15 years in the event of significant structural damages, and to provide advances of up to 12 months for insurance indemnities for damages incurred. To support companies, farmers, small craftsmen companies and merchants and households in the provinces of Udine and Pordenone that suffered damages due to the whirlwinds and bad weather at the beginning of September, Cassa di Risparmio del Friuli Venezia Giulia made available a maximum amount of 5 million euro for loans at advantageous conditions.

Loans	Banca di Credito Sardo launched a series of initiatives to support households and businesses in Sardegna that suffered damages from the flooding of last November. Specifically, a maximum amount of 30 million euro was allocated for medium/long-term loans at facilitated conditions to restore damaged structures (homes, stores, offices, trade laboratories, manufacturing and agricultural facilities) as well as the tangible assets housed in these structures. A 12-month moratorium on loan instalments was also granted in favour of the businesses and households damaged by the flood. To support companies and households damaged by the extraordinary snowstorm which hit the Belluno area in December, through Cassa di Risparmio del Veneto, the Intesa Sanpaolo Group provided a maximum amount of 10 million euro for loans at advantageous conditions, with the option to obtain advances on trade receivables and possible insurance reimbursements, as well as loans with terms of up to 5 years, which may include a grace period of up to 18 months. Intesa Sanpaolo signed the Agreement reached by the Italian Banking Association and trade associations which identifies measures to support small and medium enterprises (SMEs). The purpose of the Agreement is to ensure that adequate financial resources are available to SMEs which, though having difficulties in terms of liquidity, have a good outlook for growth and business continuity. The Italian Banking Association 2013 Credit Agreement once again proposes measures to suspend and extent timeframes of loans equivalent to those set out in the New Measures for Credit to SMEs in 2012. Suspension is also provided for mortgages which already benefited from the equivalent suspension under the Joint Notice of 3 August 2009 and subsequent extensions. The extension of mortgage terms, on the contrary, could only apply to loans which have not yet benefited from an equivalent extension. For businesses that implement capital strengthening measures, the Agreement envisages the disbursement of loans in amounts proportionate to the increase in equity carried out by the businesses. With the goal of contributing to the development of the local economy, supporting new business projects and offering local businesses tools to gain back a competitive edge, taking action on productivity and employment, Fondazione Cassa di Risparmio di Spoleto promoted the S.V.E.T. project (Local Economic Development), participated in by Casse di Risparmio dell'Umbria. Under this project, a fund of 4 million euro has been established for the bank to disburse loans at advantageous rates, with terms of at least 3 years and amounts totalling between 10,000 euro and 50,000 euro to SMEs and tradesmen of Spoleto and the other municipalities in Umbria which have been operating for at least two years.
Acquisition initiatives	The Intesa Sanpaolo Group's intention to be the leading bank for companies established no more than three years ago was confirmed by the "A tutto Business! Start up", which provides 15 free months of the account. Furthermore, to support acquisition activities, "A tutto Business" initiatives that include special conditions on the "Business Insieme" account combined with subsidies on short-term loans, and the promotions on Setefi POS, even more convenient if in the presence of the "Anticipo Transato POS" credit facilities, have been implemented.
Microcredit	Intesa Sanpaolo, Banca Prossima and the San Patrignano Community have promoted a microcredit programme to facilitate entry into the job market by youth who have completed their stay in the Community. Thanks to a guarantee fund of 1 million euro established by the San Patrignano Foundation and assigned to Banca Prossima, Intesa Sanpaolo has allocated 3 million euro to grant subsidised loans of up to 25,000 euro and repayable over five years, in favour of residents of the Community who want to start up businesses.
Agreements	In the context of its collaboration with Banca ITB, Intesa Sanpaolo launched to pool their respective qualities and develop innovative services aimed at the tobacconist segment, signed a new implementation agreement with Banca ITB, supplementing the 2011 framework agreement, with the aim of fostering access to credit by tobacconists who are both customers of Banca ITB and holders of current accounts for ordinary operations with a Group bank. Intesa Sanpaolo has signed an agreement with Confartigianato Imprese Piemonte and Confartigianato Fidi Piemonte to facilitate entry of member companies into foreign markets, providing them with the opportunity to receive initial support from the two advisory desks created with the agreement at the headquarters of the two associations.

Marketing Department – *Business Market*

Agreements

In 2013 a new agreement was signed with Confindustria Piccola Industria, the fourth since 2009, with the aim of reinforcing the relationship and dialogue between companies and the bank and of stimulating and sustaining demand for credit by small and medium enterprises through the use of credit facilities that render access to credit simpler and more profitable. The collaborative arrangements renew the credit line of 10 billion euro, of which 200 million euro is dedicated to new entrepreneurial projects, confirming the strategic areas for supporting the competitiveness of Italian companies already identified in the 2011 agreement: internationalisation, innovation and research, dimensional growth, in part by organising companies in business networks and other forms of collaboration, energy efficiency and environmental sustainability.
In the context of the agreement, the chapter dedicated to new "high-quality" entrepreneurship is based on the development of the project "AdottUp", an initiative aimed at identifying the best entrepreneurial ideas, making them into sustainable businesses through specific training programmes and support from consolidated companies that provide them tutorship and help them grow.
During the year, the national agreement was rolled out across the country through Confindustria's regional associations: in Piemonte, Lazio and Liguria, with the allocation by Intesa Sanpaolo of amounts of 1.1 billion euro, 700 million euro and 200 million euro, respectively; in Tuscany, through Banca CR Firenze and Cassa di Risparmio di Pistoia e della Lucchesia, with an amount of 1 billion euro; in Veneto, through Cassa di Risparmio del Veneto and Cassa di Risparmio di Venezia, with an allocation of 1.3 billion euro; in Umbria, through Casse di Risparmio dell'Umbria, with an allocation of 1 billion euro; in Abruzzo, through Banca dell'Adriatico, with an amount of 600 million euro; in Emilia Romagna, through Carisbo, Cariromagna and Banca Monte Parma, with an amount of 1.4 billion euro; in Valle d'Aosta with an amount of 200 million euro; and in Basilicata with an amount of 100 million euro.

In 2013 an agreement was signed with RetImpresa, Confindustria's Confederal Agency, established to create and develop Business Networks throughout the country in order to develop the competitiveness of Italian companies, pooling technical skills, organisational abilities, roots in local areas and specific resources.
The focus of the agreement, which also involves Mediocredito Italiano, is as follows:
- a dedicated offer, comprised of financial instruments and specialist support, capable of facilitating access to credit for companies that are members of Confindustria that take part in a Business Network, with specific regard to loans with funding from the European Investment Bank (EIB) backed by risk mitigation tools such as the SME Guarantee Fund (pursuant to Law 662/96), the Italian National Innovation Fund (FNI) and guarantees from SACE and credit guarantee consortia;
- training, to launch joint training programmes on Business Network issues;
- dissemination, in order to spread awareness of the Business Network concept in the business world, by organising joint events, conventions, workshops and all other actions useful to increasing companies' awareness of the characteristics and advantages of these types of networks.

In 2013, as part of the agreement signed with Federturismo, Intesa Sanpaolo, with the contribution of SRM – Studi e Ricerche per il Mezzogiorno, and the participation of the top management of the regional governance centres in the twenty preliminary meetings organised in each region, contributed to the creation of the white book "Turismo, una rinascita competitiva: la visione delle imprese" (Tourism, a competitive rebirth: the vision of companies), the first survey on Italian tourism that collects and analyses all of the factors that hinder the competitiveness and attractiveness of our regions and indicates the possible solutions to revive and trigger growth along the entire tourism supply chain, also in view of the upcoming Expo 2015.

Thanks to an agreement recently signed with Federalberghi Toscana through Banca CR Firenze, the Intesa Sanpaolo Group has provided hospitality companies in Tuscany with access to a special fund of 100 million euro for financing devoted to redeveloping businesses and bringing hospitality facilities into compliance with new prevention and safety regulations.

The Intesa Sanpaolo Group presented the project "Sustainable tourism", launched together with DNV Business Assurance and the Como Hotel Association with the aim of creating an energy-environmental-territorial evaluation model that can be extended to many other tourism attractions across the country in the future. This collaboration is the result of the awareness that energy efficiency and attention to the environment and to the territory are crucial factors for the competitiveness of companies, in terms of both cost containment as well as for promotion and attractiveness purposes with respect to an increasingly large segment of customers sensitive to environmental issues.

Intesa Sanpaolo has renewed the partnership with Fondimpresa, the leading inter-professional fund for ongoing training, with over 140,000 participating companies. The agreement includes two special financial conditions, simultaneous and which can be combined, in favour of companies that are part of Fondimpresa by banks of the Group: "Anticipo Contributi", a temporary credit line with maximum duration of 15 months, designed to finance the expenses for activities envisaged by training programmes already authorised by Fondimpresa, disbursing in advance the contributions allocated on the Training Account of each company up to 80% of the amount, at favourable economic conditions, and "Finanziamento Gestione Business", a personalised credit line with maximum duration of 18 months, designed to finance working capital for short-term requirements related to training initiatives.

Agreements	As part of the expansion of the "Open Horizons" project, aimed at providing advisory and banking services to assist Italian companies in foreign countries where the Bank is not present directly and/or integrating the range of services offered by the Intesa Sanpaolo structures in some countries, an agreement was signed with Brazilian bank Bradesco that allows Italian companies interested in expanding their commercial and/or productive activities in Brazil also to use services provided by Bradesco. An agreement was signed between EIF - European Investment Fund and Banco di Napoli, which regulates the so-called "Jeremie (Joint European resources for micro to medium enterprises) Calabria" Project, involving the community resources of the European Regional Development Fund (ERDF). The bank may disburse a co-financing loan totalling 52.5 million euro, contributed to by the EIF, participating in 40% of the credit risk with funding at zero interest, designated for SMEs of the Calabria region to finance investments and working capital requirements with transactions having a duration of up to 10 years.
Loans	The Intesa Sanpaolo Group promoted to SMEs awareness of and the simplified process for types of funding that provide simpler access to credit at better terms and conditions, such as the SME Guarantee Fund (Law 662/96) and the SME credit line with funding from the CDP. The Bank selected and contacted the SMEs that it assessed, a priori, as being bancable and having access to credit lines at facilitated conditions and guarantees. Support continued to be provided to SMEs through measures capable of providing "financial room to breathe" to businesses, by maintaining the operating instruments set out by "Nuove misure per il credito alle PMI" (new measures for credit to SMEs) in 2012 (suspension of repayments, extension of loan maturities, loans for share capital increases, credit lines for investment projects in Italy, factoring of receivables due from the PA) and by participating in the "Accordo ABI per il Credito 2013" (Italian Banking Association 2013 Credit Agreement). As confirmation of the focus on new business, the range of loans was expanded with "Finanziamento Neoimpresa", a new line of medium to long-term loans for new or recently established companies that aids in sustaining the financial requirements involved in business start-up and development plans, offering particularly favourable conditions with use of the Guarantee fund pursuant to Law 662/96, also in the form of counter-guarantee via the credit guarantee consortia. The loan covers any material or immaterial investment cost that can be depreciated/amortised and any related working capital needs, provided they are connected to the core business of the new company, up to a maximum percentage of 70% and duration up to 10 years. The Intesa Sanpaolo Group, in synergy with the European Investment Bank, has made a total amount of 661 million euro available, also through Mediocredito Italiano and Leasint, for medium/long-term loans to support Italian enterprises, with the goal of combating the effects of the economic crisis and contributing to the launch of recovery. Specifically, in relation to this financing, the following sectors have been identified for action: SMEs (400 million euro), renewable energies (100 million euro), energy efficiency for schools in the province of Milan (65 million euro), environment (60 million euro), loans to university students (20 million euro) and Parma social housing (16 million euro).

Intesa Sanpaolo Private Banking

In 2013, **Intesa Sanpaolo Private Banking** operations developed according to the following strategic guidelines: innovating commercial offerings, developing customers and strengthening the oversight of commercial operations. Implementation of the for-pay advisory services continued successfully, for both top-level customers (Private Advisory) as well as mid-level customers (Advisory). In 2013 the service was highly appreciated as it optimises the risk/return ratio of investments, and 1,500 new customers signed up for the service, with 3.1 billion euro in new assets, reaching 4.5 billion euro in assets under advisory contracts at the end of the year. Development of the assets management business also continued during the year, which, as a result of the 2012 and 2013 returns and a more favourable market scenario, achieved excellent results in terms of net inflows to funds and portfolio management schemes (over 3 billion euro). Placements of the Group's certificates and bonds were also significant, reaching 3 billion euro. Assets managed also showed significant growth, rising to around 80 billion euro, as a result of the effective commercial action by the network, the results achieved by asset management and advisory products and the "synergy" agreements in place with the Banca dei Territori Division. The positive commercial results have resulted in growth of revenues and asset profitability (Return on Assets) compared to 2012, despite the further decline in market rates. Cost-containment measures have improved the "cost/income" and "cost to serve", which were already at the lowest levels in Europe. With regard to the optimisation of the distribution structure and service model, the process of integrating the Group's private banking networks was completed with the transfer to Intesa Sanpaolo Private Banking of the private segments of CR Umbria and CR Pistoia e Lucchesia, effective from 23 September 2013.
Intesa Sanpaolo Private Banking earned income before tax from continuing operations of 320 million euro in 2013, up by 38.2% compared to 2012, mainly as a result of the good performance of revenues (+19.8%), as well as of cost savings (-4.9%).

Product companies

In 2013 **Mediocredito Italiano** disbursed loans totalling 2,574 million euro, down 2.2% compared to the previous year. Operations of the Specialised Desks, which continuously strengthen their expertise, as a result of new tools supporting preliminary assessment of loan applications, contributed 25% of the amount disbursed (654 million euro). Loans relating to the Energy area

comprised the majority (33% of the total disbursed by the Desks), but fell compared to 2012 due to the gradual depletion of the incentives granted through the Gestore Servizi Energetici (GSE).
The continued focus of the Mediocredito Italiano network on value creation was also confirmed during the year. As a result of the strengthening of specialist expertise, it was possible, firstly, to optimise pricing negotiation with customers, leading to significant increases in average spreads and up-front fees. In addition, products with low capital absorption were developed, with the use of government guarantees (Fondo di Garanzia (Guarantee Fund) for SMEs pursuant to Law 662/96, Fondo Nazionale per l'Innovazione (Italian National Innovation Fund) and SACE Agreement with disbursements of approximately 1,040 million euro in the year.
Lastly, in the area of financing for initiatives relating to research and development projects, as well as activity pertaining to governmental grants, activity on the Nova + product continued with disbursements of approximately 370 million euro.
Mediocredito's operating margin amounted to 250 million euro, up compared to 205 million euro in 2012 (+22.2%), due to good performance of revenues (+16.3%) and a reduction in operating costs (-10.5%). After posting higher adjustments to loans, amounting to 348 million euro, double compared to those in the previous year, the company achieved a loss before tax from continuing operations of -100 million euro, compared with income before tax of 31 million euro in 2012.

In 2013, consumer credit activities were conducted through **Intesa Sanpaolo Personal Finance** (formerly Moneta) and **Neos Finance**. The integration of the two companies took effect from 1 April 2013, involving the partial demerger of the consumer credit, assignment of one-fifth of salary, pension, and delegated payment business of Neos Finance to Intesa Sanpaolo Personal Finance, with only the leasing segment remaining in Neos Finance. Subsequently, on 14 June, the merger by incorporation of Neos Finance into Centro Leasing was resolved, which was finalised on 1 January 2014. This operation is part of the overall reorganisation of the Intesa Sanpaolo Group's Leasing Hub, with the resulting merger of Centro Leasing into Intesa Sanpaolo and subsequent demerger of the leasing business line in favour of Leasint. The activities of Neos Finance, which from the beginning of 2013 no longer include marketing of the leasing product, revolves around management of the existing portfolio, with particular attention to the trend in non-performing loans and to the adequacy of regulatory capital.
In 2013, Intesa Sanpaolo Personal Finance disbursed new loans totalling 3,269 million euro, up 10.7% compared to the previous year (special-purpose loans +10.5%; car loans +9.9%; personal loans +1.4%; assignment of one-fifth of salary +42.7%). In the year, a marketing initiative was undertaken in collaboration with Banca dei Territori aimed at supporting the disbursement of loans and support was provided for the R.Est.A. initiative aimed at countering early repayment. With the goal of favouring proactive contact between managers and customers and improving the likelihood that loan applications will be approved, the model for commercial offering based on new customer profiling, targeting and service logics was further refined. In the extra-captive channel, various marketing campaigns were conducted for the car loan, photovoltaic loan, home improvement loan, personal loan and assignment of one-fifth of salary products. A partnership was also launched with the Banca dei Territori network to offer a single product to retired customers under agreements with INPS – former INPDAP – former ENPALS (assignment of one-fifth of pension).
Following the merger between Intesa Sanpaolo Personal Finance and Neos Finance, the figures for 2012 provided as a comparison were reconstructed by combining the income statements of the two companies. The aggregated operating margin came to 223 million euro compared to 203 million euro in 2012 (+9.6%). The growth is mainly attributable to the development of revenues (+5.3%) and, particularly, net interest income (+15.9%) and the reduction in operating costs (-4%). After posting higher adjustments to loans (+7.6%), the company achieved income before tax from continuing operations of 22 million euro compared to 28 million euro in 2012 (-22.2%).

Setefi specialises in managing electronic payment systems, and is registered in the Payment Institutes Registry kept by the Bank of Italy. The company is an independent business unit for acquiring and a hub for concentrating all activities relating to cards and POS. Setefi also carries out processing for payment cards on behalf of the banks in the Intesa Sanpaolo Group and, though total volumes are marginal, also issuing of own payment cards, typically relating to fidelity cards.
Almost all of the 13.2 million euro cards managed by Setefi as at 31 December 2013 are cards issued directly by the Parent Company and the Group banks (+8% compared to 2012). The number of POS at the end of 2013 amounted to approximately 290,000. The total number of transactions handled (transactions on Setefi POS and transactions of cards issued by Group banks on other POS) increased by around 12% on 2012 (from 639 million transactions at the end of December 2012 to 717 million at the end of 2013) and the total amount transacted was up around 9% (from 49.6 billion euro as at 31 December 2012 to 53.8 billion euro as at 31 December 2013). Setefi's actions aimed at further development in 2013 placed a priority on the sectors of e-commerce, Mobile POS and Mobile Payments. Specific attention was focused on selective international expansion on the most attractive European markets (a growth driver which could reach its full potential over the medium/long-term) and developing customers in the domestic market, leveraging the Group's branches and its direct sales force, and developing additional innovative services and customer loyalty initiatives. The main initiatives implemented during the year included the participation in the French circuit Cartes Bancaires as a Principal Member, as well as the initiatives for the roll-out of "Mobile POS". Setefi is the first company in Italy to activate a solution for using a smartphone and/or tablet with a device that accepts payments by cards on both international circuits and the domestic PagoBancomat circuit (contactless and NFC payments). In December 2013 over 15,000 devices were made available at Intesa Sanpaolo branches, fully overhauling the sales model for the acquiring service (also allowing customers to directly pick up the POS at the branches). In this area, in December 2013 a commercial agreement was finalised with Intesa Sanpaolo and Vodafone, through a co-marketing initiative. The company's initiatives also include the development of the Mobile Payments platform (which, by associating a smartphone with a payment card and a telephone SIM, allows users to pay for their purchases using their mobile phones), carried out with the leading telecommunications companies, as well as the development of integrated services for e-commerce, including the new acquiring-couponing platform. Setefi provides merchants and the Bank with the couponing platform as well as the Moneta Web portal, offering, through its POS network, an exclusive service to manage coupons at the time of use. Additional wallets were developed for secure online payments (including Masterpass and Paypal) and acquiring activities in new countries continued. In September, Setefi began operating also in Austria and Germany. The company was already present in Switzerland, Spain and France and has already obtained authorisation to operate in the United Kingdom, Greece, Portugal, the Netherlands and the Principality of Monaco. Lastly, along with Intesa Sanpaolo, Setefi offered the "My Bank" service, a European solution promoted by EBA Clearing which allows buyers to make online payments securely through the payment authorisation environment with which they are familiar from their own

Internet Banking site; the necessary adjustments were made to obtain PCI_DSS certification, a security standard for the protection of cardholders' data; the activities were finalised for the transfer from Intesa Sanpaolo to Setefi of the Bancomat/Pagobanomat card authorisation system, both through ATM and through POS and additional agreements were finalised with companies in the Petrol sector for the acceptance of payment using cards at indoor POS and/or unattended external stands.
In 2013 Setefi recorded a significant increase in operating margin, which rose to 231 million euro (+14% compared to 2012), as a result of the aforementioned increase in operations in terms of handling of credit cards issued, volumes transacted and number of POS installed. Income before tax from continuing operations totalled 231 million euro, up 13.8% on 2012.

In 2013, **Mediofactoring** reported a turnover of 55.8 billion euro, a 4.1% decrease on 2012, retaining its position as the number-one domestic factoring provider by turnover, with a market share of 32.5%. Compared to 31 December 2012, outstanding receivables, equal to 14.8 billion euro, posted a decrease (-4.1%) and period-end loans amounted to 12.8 billion euro, down 3.2%. This performance is attributable to lower tensions on the financial markets in 2013, resulting in a greater opportunity to procure funding, specifically for customers of international scope.
The positive performance of operations was confirmed by the average volumes of loans, amounting to 9.8 billion euro, up 0.8 billion euro compared to 2012 (+8.7%).
During 2013 the merger by incorporation of Centro Factoring into Mediofactoring was finalised, with legal effect on 31 December 2013 and accounting and tax effect on 1 January 2013. The Factoring Hub project has objectives of cost synergies, improved risk control and more effective production focus. The merger into Banca dei Territori also involves the transformation of advances on invoices into factoring activities with target customers identified in the area of businesses. Specifically, a pilot phase was completed with regard to the Piemonte, Liguria and Valle D'Aosta Direzione Regionale, which involves all branches throughout these areas. The initiative will be completed for the other Direzioni during 2014.
In terms of income statement figures, the operating margin of Mediofactoring for 2013, amounting to 298 million euro, was up 8.7% compared to 2012 as a result of the increase in operating income (+7.1%), driven by net interest income which benefited from the positive performance of average volumes. Income before tax from continuing operations amounted to 218 million euro, up 12.4% compared to 2012.

At the end of 2013, Intesa Sanpaolo was the number-two leasing provider in the Italian market with a share of 11%.
Following the definition of the strategic guidelines for the **Leasing Hub** for 2013, commercial activity focused on controlled, selective development aimed at increasing profitability. This goal was pursued through a focus on captive channels and top-rated customers, on one hand, and through the discontinuation of business and the branch network of Centro Leasing, on the other.
In 2013 the Leasing Hub entered into 6,487 new contracts, for a total amount of 1.6 billion euro, down by over 40% compared to 2012. This decrease is due to the disposal of the branch network and the policy of selectiveness in choosing customers (Investment Grade customers account for around 80% of the total, compared to 57% in the previous year). In terms of income statement figures, the Leasing Hub closed 2013 with a loss before tax from continuing operations of 566 million euro, compared to -143 million euro in 2012, owing to the increase in net adjustments to loans (+460 million euro compared to 2012), which more than offset the increase in revenues (+5.9%) and lower operating costs (-11.5%).

SIREFID, which specialises in trust services for business leaders and private investors, held assets under administration of 7.5 billion euro as at 31 December 2013, equal to 24,080 mandates.

Banca Prossima

During 2013, **Banca Prossima**, which operates in the non-profit sector with 65 local branches and 160 specialists distributed across the country, continued to acquire new customers for the Group. As at 31 December 2013, the bank had over 26,500 customers (around 69% of which new to the Group). Financial assets amounted to 4.8 billion euro, of which 3.4 billion euro in indirect customer deposits and 1.4 billion euro in direct customer deposits. At the same date, lending operations had achieved an approved amount of 1.8 billion euro (of which 1.2 billion euro had been used). In 2013 the company reported revenues of 45 million euro (+19.3% on 2012), achieving an operating margin of 17 million euro, up compared to the previous year (+15.7%). Income before tax from continuing operations, amounting to 5.4 million euro, decreased by 40.2% on 2012, owing to high adjustments to loans, which came to 11 million euro (+5.8 million euro).
In 2013 Banca Prossima's initiatives mainly focused on developing new products and services to better meet the specific needs of non-denominational and religious non-profit organisations. In particular: "Prossima IMU" (financial solutions aimed at facilitating the payment of IMU property tax); the "Serie Speciale Banca Prossima" initiative (first bond in the series issued by the Group, whose total inflows of over 40 million euro are earmarked for the disbursement of loans at subsidised rates to non-profit organisations, through Banca Prossima); the "Obiettivo Equilibrio" and "Obiettivo Ripresa" initiatives (medium/long-term financing solutions which respectively allow non-profit organisations to rebalance their operations and support growth, also through the option of personalising the loan repayment plan); the launch, in partnership with specialist firms, of new services for consulting, support and backing for growth, development and energy upgrading of non-profit organisations; the participation in projects promoted in synergy with the Parent Company, such as two protocols signed by the Italian Banking Association (ABI) and associations representing companies with the objective of supporting cooperatives and social enterprises in factoring receivables from the Public Administration ("PA Receivables" line) and in funding investment projects ("Italy Investments" line), in addition to the Fourth Italian Banking Association - Cassa Depositi e Prestiti Agreement to facilitate access to credit at advantageous conditions for non-profit organisations with characteristics of SMEs through the use of dedicated funding.
In addition to the restructuring of the offering and the service model for religious organisations, the bank participated in the "Costruire l'impresa per il sociale" (Building socially-oriented business) tender by the Vodafone Foundation, aimed at facilitating the granting of loans to non-profit organisations and developing innovative and socially useful projects, through a guarantee fund. Banca Prossima was selected as the reference bank for this programme. The promotional-communications and support activities for customers and the bank's sales network continued, for the purpose of increasing awareness and use of the Terzo Valore solution, Banca Prossima's portal which can be used by non-profit organisations to obtain loans from individuals at reduced costs.

Insurance and Pension companies

Intesa Sanpaolo Vita, the Intesa Sanpaolo Group's insurance company, offers an extensive range of products and services covering insurance investment, family protection and supplementary pensions, and makes use of a widespread distribution structure based on numerous channels: branches of Group banks which offer the entire range of products, Intesa Sanpaolo Personal Finance branches for insurance products covering personal loans, consumer credit and assignment of one-fifth of salary.
The Intesa Sanpaolo Vita insurance group includes: **Intesa Sanpaolo Assicura**, which operates in the non-life business, and incorporated Bentos Assicurazioni at the end of December 2013; **Intesa Sanpaolo Life**, a company incorporated under Irish law, operating under the free provision of services in the life business; EurizonVita (Beijing) Business Advisory, a company incorporated under Chinese law, which performs instrumental activities relating to the minority investment held by Intesa Sanpaolo Vita in Union Life Insurance Limited Company (which will be sold in the next few months, based on an agreement signed in January 2014); and Intesa Sanpaolo Smart Care, dedicated to the marketing and sale of hardware and software and the supply of electronic support services.
In 2013 Intesa Sanpaolo Vita reported income from insurance business of 707 million euro, down slightly (-0.8%) on 2012, mainly due to the decrease in the technical margin, which more than offset the increase in the financial component. At the end of December 2013 the portfolio of policies came to 73,470 million euro, up on an annual basis (+8.6%). In 2013, gross life premiums underwritten for both insurance products and policies with investment content amounted to 13,946 million euro, compared to 7,200 million euro in the previous year. New life business amounted to 13,673 million euro in premiums underwritten (6,883 million euro in 2012).

As at 31 December 2013 the assets managed by **Intesa Sanpaolo Previdenza** came to 1,925 million euro, of which 1,629 million euro consisted of open-ended pension funds established by the company (+30.4% compared to the end of December 2012 mainly owing to the acquisition of the "CRF Previdenza" open-ended pension fund) and 296 million euro of closed-end funds (up by 6.5% on an annual basis). Net inflows for 2013 were positive for both types of funds (amounting to a total of 100 million euro). At the end of December 2013, Intesa Sanpaolo Previdenza had about 311,000 pension positions under management, of which 133,000 attributable to administration mandates granted by third parties.

Corporate and Investment Banking

(millions of euro)

Income statement	2013	2012	Changes amount	Changes %
Net interest income	1,863	1,796	67	3.7
Dividends and profits (losses) on investments carried at equity	6	8	-2	-25.0
Net fee and commission income	815	824	-9	-1.1
Profits (Losses) on trading	675	965	-290	-30.1
Income from insurance business	-	-	-	-
Other operating income (expenses)	1	-3	4	
Operating income	**3,360**	**3,590**	**-230**	**-6.4**
Personnel expenses	-294	-332	-38	-11.4
Other administrative expenses	-510	-505	5	1.0
Adjustments to property, equipment and intangible assets	-3	-3	-	-
Operating costs	**-807**	**-840**	**-33**	**-3.9**
Operating margin	**2,553**	**2,750**	**-197**	**-7.2**
Net provisions for risks and charges	-10	-17	-7	-41.2
Net adjustments to loans	-718	-516	202	39.1
Net impairment losses on other assets	-92	-96	-4	-4.2
Profits (Losses) on investments held to maturity and on other investments	-15	-15	-	-
Income (Loss) before tax from continuing operations	**1,718**	**2,106**	**-388**	**-18.4**
Taxes on income from continuing operations	-649	-650	-1	-0.2
Charges (net of tax) for integration and exit incentives	-4	-3	1	33.3
Effect of purchase price allocation (net of tax)	-	-	-	-
Impairment (net of tax) of goodwill and other intangible assets	-1,134	-	1,134	-
Income (Loss) after tax from discontinued operations	-	-	-	-
Minority interests	-	-	-	-
Net income (loss)	**-69**	**1,453**	**-1,522**	

(millions of euro)

	31.12.2013	31.12.2012	Changes amount	Changes %
Loans to customers	90,907	102,982	-12,075	-11.7
Direct deposits from banking business [(a)]	113,956	107,372	6,584	6.1
Risk-weighted assets	89,690	105,595	-15,905	-15.1
Absorbed capital	6,278	7,392	-1,114	-15.1

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

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

In order to respond to the changed, more competitive domestic and international economic scenario as effectively as possible, the Corporate and Investment Banking Division adopted a new sector-based service model designed on the basis of the assignment of companies to specific sectors (by industry and market). Through the Global Industries and Corporate Italia Departments, and, in the context of the International Department, the Foreign Corporates Service, the new organisational model aims to achieve unified management of Italian and international customers while differentiating the service and organisational model according to macro-segmentation, potential spending on financial services and the objective of strong international development of Italian and international customers.
As mentioned above, Intesa Sanpaolo’s Management Board approved certain organisational changes that modified the Division’s structure and scope of operations. For further information, see the description relating to Banca dei Territori. Moreover, to achieve additional efficiency and guarantee the utmost focus on the various business scopes, the Public Finance and Infrastructure Department was integrated into the Corporate Italia Department, which took on the name Corporate and Public Finance Department.

In 2013, the Division recorded operating income of 3,360 million euro (representing 21% of the Group's consolidated total), down by 6.4% compared to 2012.
In detail, net interest income, equal to 1,863 million euro, recorded growth (+3.7%) attributable to the positive development in the mark-up and to the expansion of average direct deposits volumes, which confirm marketing policies aimed at maximising corporate deposits, as well as to the higher net investment result recorded in the capital markets segment of Banca IMI and the banks in the International Department. Net fee and commission income, amounting to 815 million euro, dropped by 1.1%: the decrease in fee and commission income in the investment banking segment was only partly mitigated by the positive performance of fee and commission income from transaction banking which benefited from trade services operations and, to a lesser extent, by fee and commission income from commercial banking. Profits on trading, equal to 675 million euro, declined by 30.1%, due to the drop in capital market activity. Operating costs amounted to 807 million euro, down by 3.9% compared to the previous year, due to lower personnel expenses. As a result of the trend in revenues and costs described above, the operating margin, amounting to 2,553 million euro, recorded a 7.2% decrease. Conversely, income before tax from continuing operations, amounting to 1,718 million euro, reported a decrease of 18.4%, mainly owing to higher adjustments to loans resulting from impairment of structured finance positions. The cost of credit of Corporate and Investment Banking, calculated as the ratio of adjustments to loans and stock of loans to customers, amounted to 0.8% during 2013. In greater detail, adjustments during the year by the Network Banks with respect to Corporate amounted to 452 million euro (compared to loans of 66,199 million euro), broken down as follows: Intesa Sanpaolo 393 million euro, Banco di Napoli 7 million euro, Banca dell'Adriatico 1 million euro, CR Veneto 20 million euro, CR Venezia 4 million euro, Carisbo 19 million euro, CR Romagna 3 million euro and Banca CR Firenze 5 million euro. Lastly, net income, which was penalised by significant impairment of goodwill and other intangible assets caused by the difficult macroeconomic situation, was negative at -69 million euro. Excluding the effect of impairment of intangible assets, the Division closed the year with a net income of 1,065 million euro.

In quarterly terms, the fourth quarter of 2013 showed a decrease in operating income (-4.2%) compared to the third quarter, mainly attributable to the negative performance of net fee and commission income (-17%). The drop in revenues, along with the increase in operating costs (+2.9%), resulted in a 6.8% decrease in operating margin. The significant increase in net adjustments to loans and other assets impacted the income before tax from continuing operations, which came to 10 million euro.

The Division's intermediated volumes decreased compared to the end of December 2012 (-2.6%). In detail, direct deposits from banking business, amounting to 113,956 million euro, increased by 6.1%, mainly due to specific commercial operations aimed at increasing Italian and international corporate deposits, as well as increased dealings in repurchase agreements by Banca IMI. Loans to customers, amounting to 90,907 million euro, decreased by 11.7%, resulting from the lesser use of cash by Italian and international corporate customers, particularly Global Industries, only partly offset by the development of reverse repurchase agreement transactions with institutional operators and financial intermediaries by Banca IMI.

The Division absorbed 28.5% of the Group capital, down compared to 2012. The value of capital absorbed, amounting to 6,278 million euro, was down (-15.1%), mainly owing to lower credit risks linked to the reduction in loans of global industries and corporate Italia counterparties, as well as due to the reduction in market risk linked to structured finance and capital markets operations.

Business	Corporate, Investment Banking and Public Finance, in Italy and abroad
Mission	To act as a global partner in supporting companies and financial institutions in achieving balanced, sustainable growth, including at the international level, through a specialised network of branches, representation offices and subsidiaries that engage in corporate banking operations To foster collaboration between the public and private sectors with the aim of supporting the creation of infrastructure and the modernisation of the public administration by pursuing international growth opportunities in countries of strategic interest to the Group
Organisational structure	
Global Industries Department	The Department is responsible for managing relations with the 200 corporates (of which 50 are Italian and 150 international) with global reach, which operate in six key industries with high growth potential (oil and gas, power and utilities, automotive, infrastructures, telecom and media and luxury and consumer goods)
Corporate and Public Finance	The Department is responsible for servicing approximately 700 Italian large and medium corporates, by means of a global and integrated offer of products and services overseen by all the Divisions and Group product companies. It also serves central governments, public entities, local authorities, universities, public utilities, general contractors and public and private healthcare providers.
International Department	The Department is responsible for managing relations with corporates with a foreign-based parent company that are not part of the Global Industries segment, as well as with international Public Finance customers. Through its network of international branches, representative offices and foreign subsidiaries focused on corporate banking, this Department provides specialist assistance in support of the internationalisation of Italian corporates and the development of exports, the management and development of relations with financial institution counterparties on emerging markets, the promotion and development of cash management instruments and trade services
Global Banking & Transaction Department	The Department is responsible for relations with Financial Institutions, management of transactional services related to payment systems, trade and export finance products and services, custody and settlement of Italian securities (local custody)
Merchant Banking Department	The Department operates in the private-equity segment, including through its subsidiaries by acquiring investments in the venture capital, notably medium-/long-term investments (of an institutional and development nature with a business logic), of private equity companies and specialist funds (restructuring, mezzanine, venture capital)
Structured Finance	The scope of the Division includes the structured finance activity carried out by Banca IMI
Proprietary Trading	The Service is responsible for management of the proprietary portfolio and/or risk through direct access to markets or indirect access, via relevant internal functions, in order to carry out trading, arbitrage and long/short positions on capital markets products, cash and derivatives
Investment Banking, Capital Market and primary market	The scope of the Division also includes the M&A and advisory, capital markets and primary markets (equity and debt capital market) performed by Banca IMI
Distribution structure	In Italy, the Corporate and Investment Banking Division draws on a total of 60 branches dedicated to corporate customers and public customers. At the international level, it operates in 29 countries in support of the cross-border operations of its customers through a specialised network of branches, representative offices and subsidiaries that engage in corporate banking activity

Global Industries, Corporate and Public Finance Departments

During 2013, in order to promote development and support the internationalisation project, the Global Industries Department launched a screening service for its customers, aimed at identifying the Group's presence in countries where customers operate. Its objective is to increase relations with Top Clients, supporting, in addition to their core business in the reference country, their business outsourced abroad as well. In this respect, an assessment is under way of the suitability of opening current accounts and carrying out transactions at the local subsidiaries of said customers, as well as a cross-selling campaign which involves the offer of factoring, trade and export finance, transaction banking and structured export finance products. The Department therefore becomes a key partner for customers, promoting the adoption of international best practices across the entire Group network, also via closer collaboration with the local branches and representative offices. Lastly, during the year, constant focus on developing relations with international large corporate customers continued, also by increasing dialogue and the offering of investment banking products.

In 2013, the Corporate and Public Finance Department changed its scope of target corporate customers, focusing on customers with consolidated turnover exceeding 350 million euro. Based on the importance and strategic nature of customers managed, it was deemed suitable to define a relationship structure based on a sector specialisation approach which, in addition to knowledge of the customer, enhances specific expertise in the specific sectors and the related particular regulatory and planning characteristics. In order to maintain ongoing monitoring of customers, the Department supported customer growth on international markets by developing transactional products and services (cash management, trade and export finance and structured export finance) and internationalisation initiatives, and meeting financial needs, also through synergies with product companies and with Banca IMI. With regard to the latter, extraordinary structured finance and capital markets transactions were carried out, with a specific focus on securitisations and the debt capital market.
During 2013, the "Start-Up Initiative" continued, through which the Group supports the development of Italian and international technology companies, as a sponsor able to coordinate energies and efforts to support micro-businesses that create innovation, by encouraging investment and aggregation actions while reducing the costs and timing of research and development processes. The Technology Opportunity Proposal (T.O.P.) project for customers (primarily Italian multinationals and international corporations) was also finalised by offering a dedicated service for each customer and opportunities for investment and/or industrial agreements with growing companies that meet needs for technological innovation demonstrated by customers. The operations of the Fondazione Ricerca e Imprenditorialità, established in September 2010, continued. This Foundation aims at bringing together the three main components of technological innovation: scientific research, industry and banking. The operations of the Foundation aim to: promote research-driven businesses; select innovative small businesses that deserve to be supported in their growth, so that they reach a level of development that attracts operators and investors; promote knowledge among high-tech SMEs to favour their integration in high-innovation chains of business; develop synergies and partnerships with public entities and other Italian and foreign public or private organisations, in order to enhance and support the growth of innovative businesses. Lastly, in order to promote the development of a culture of innovation and change, partnership continued with Singularity University, one of the most advanced research centres for new technologies, established in Silicon Valley with the support of NASA and Google and which, thanks to the potential offered by technologies with exponential growth, aims to solve the big challenges awaiting humanity (water, food, climate change, sustainability, etc.). The partnership consists of an exchange of knowledge via the participation of a number of the Division's top managers in the executive programmes held in Silicon Valley, along with joint events organised in Italy.

For Public Finance customers, careful risk monitoring continued in 2013, with specific focus on optimum asset allocation and credit quality monitoring.
To promote the development of large domestic infrastructures, the Department, in collaboration with Banca IMI, continued its activity on large motorway projects, including: the Pedemontana Lombarda motorway; the BreBeMi (Brescia-Bergamo-Milano motorway), entering into a long-term loan agreement with a pool of institutional lenders to build Italy's first large motorway infrastructure using solely private self-financing, according to a project financing scheme; the Brescia-Verona-Vicenza-Padova motorway, for which the pool loan required for completion of the South section of the Valdastico motorway was renewed; the Milano East outer ringroad, entering into a loan from a pool of banks for the construction of the motorway works to connect Agrate to Melegnano. Support for the Pizzarotti Group and Astaldi Group was also renewed.
In the area of healthcare services, universities and scientific research, the construction of the new Garbagnate and Monselice hospitals and parking lots were financed according to the project financing approach. With the aim of fostering the efficiency of the Healthcare System of the Region of Lazio, the credit limit was renewed for the without recourse factoring of receivables claimed by contracted healthcare facilities from the Local Healthcare Authorities and the factoring of receivables for goods and services claimed by suppliers of Hospitals in the Region. Furthermore, new credit lines were allocated to support operations of the Liguria and Tuscany regions, together with Mediofactoring.
In the area of improvement of public services and utilities, initiatives in the multiutility sector included: financing for Linea Group Holding, a company based in Lombardy and owned by the municipalities of Cremona, Rovato, Lodi, Pavia, Crema and others, with the aim of reinforcing the company's financial structure and supporting its investment plan; consolidation of the bridge loan granted to the company Multiservizi di Ancona; and support to the municipality-owned companies AMIU and Aster, operating, respectively, in the sectors of waste and urban maintenance in the municipality of Genoa. In the water service sector, with the role of lead manager of a pool of banks, with Banca IMI as agent, a loan was granted to Acquedotto Pugliese, a government-owned company that manages the Integrated Water Service in the region and is the number two Italian operator in the sector, to support its investments. Moreover, through Mediofactoring the sale without recourse of VAT receivables was finalised with SMAT – Società Metropolitana Acque Torino. Also worthy of note was the transaction undertaken with Banca IMI for the placement of the HERA bond and financing for debt restructuring granted to ENAV. In the alternative, low-environmental-impact energy sector, financing was provided for the construction of a photovoltaic plant in the municipality of Satriano di Lucania and two plants in the municipality of Pieve di Coriano, province of Mantova.
In order to support the financial balance of the public sector, disbursements continued for the funding of the long-term investment expenses of various local authorities. Support continued to be provided for the company Cartolarizzazione Città di Torino for the securitisation of the Municipality's property. Without recourse factoring continued of receivables claimed by suppliers of the Public Administration, governed by specific agreements signed with a number of local entities throughout Italy. This was also the context for the renewal of the agreement with Roma Capitale for the without recourse factoring of receivables claimed from the Municipality by cooperatives that provide personal and community services, such as associations that support the disabled and elderly, day-care centres and park maintenance services.
Lastly, services continued to be provided in support of the activity of major social-security agencies, such as INPS and INAIL, the service responsible for the payment of salaries for participants in Italian international missions and financial assistance for Poste Italiane.
Urban and local development projects included the granting of a loan to Arexpo to purchase the areas and to cover the infrastructure costs of the site to be used for Expo 2015. The bank held the role of lead manager in the pool of banks that participated in the loan, collaborating with Banca IMI, which took on the role of agent.
The freight terminal and port logistics sector was particularly lively: in particular, support was provided to the Livorno freight terminal; disbursements to the Port Authorities of Naples, Salerno, Venice, Carrara and Piombino continued, with the aim of undertaking infrastructure projects; financing was approved for the Port Authority of Genoa to expand the port and construct the

seaward expansion; changes were made to the existing loans to the Port Authority of La Spezia in order to allow redevelopment of the port's seabed.
In terms of social policies, a loan was granted to Comex, vehicle company of Agenzia Territoriale per la Casa di Torino, in order to build a centralised cogeneration plant and the relative heating system in the local buildings owned by the Agency itself. A finance lease was also used to purchase new buses for the public service provided by the company CIT of Novi Ligure. Furthermore, an additional credit line was granted for the construction of the Bolzano waste-to-energy plant and a bond issue was subscribed in favour of Patrimonio del Trentino - a company fully-owned by the Province of Trento - intended to complete the Trento "Science Museum".
In the area of streamlining and innovating banking services for the management of current operations, assistance was provided to GTT-Gruppo Torinese Trasporti to introduce an innovative electronic ticketing system. With this system, using a smart card with a microchip, users can access any public transport in the region, improving the accessibility of transport services (local public transport, parking lots, bikesharing, carsharing) to citizens, preventing evasion and fraud, reducing operating costs and contributing to increasing customer loyalty to the sustainable mobility systems implemented in the Piedmont area.

International Department

The International Department directly covers 29 countries through 13 wholesale branches, 17 representative offices, 2 subsidiary banks and one advisory firm. In 2013, as confirmation of the Group's growing commitment to supporting companies that operate or intend to operate on international markets, international development operations continued with the aim of increasing attention to and coverage of relations with Italian and international customers and further expanding service content while also improving quality. The initiatives launched during the year included: introducing a new service model for Foreign Corporates customers and concurrently creating a team of Origination Managers dedicated to that segment; strengthening the specialised product desks operating as part of the international network; continuing international rollout of the new remote banking internet platform that supports the management of customers' cash and trade flows at global level; and simplifying cross-border processes among the Group's various units. The inclusion of international customers in the Public Finance segment was followed by active management of the portfolio to optimise risk monitoring in the international arena. The expansion plan also continued through investments on the fastest-growing and most attractive international markets. Specifically, in 2013 the Warsaw branch and the representative office in Sydney were opened, the necessary authorisations were received for the start up of a new branch in Istanbul and the process continued for establishing a subsidiary with a licence to operate as a "Banco Multiplo" (retail bank and investment bank authorised to also operate on the foreign exchange market) with headquarters in Sao Paolo, Brazil, according to the development plan for the international network previously approved. The completion of both projects, planned by the end of 2014, will contribute significantly to strengthening coverage in countries where the Bank currently operates through representative offices, in addition to supporting the development of customers in areas of strategic interest.
The Department is responsible for:
- **Société Européenne de Banque**, which recorded income before tax from continuing operations of 171 million euro in 2013, up (+25.4%) on 2012, attributable to the growth in revenues (+11.6%), driven by the positive performance in profits on trading and net interest income, the reduction in operating costs (-10.9%) and lower adjustments to loans (-82.3%);
- **Intesa Sanpaolo Bank Ireland**, which recorded income before tax from continuing operations of 60 million euro, up 22.4% on the previous year, mainly due to growth in operating income (+2.2%), which more than offset the increase in costs (+3.3%), and due to recoveries on loans.

Global Banking & Transaction Department

In 2013, the Global Banking & Transaction Department changed the structure of its organisational units involved in managing relationships with financial institutions customers and coverage of products in the area of Transaction Banking. The structures Foreign & Italian Banks and Asset Management & Insurance (formerly Western FIG) were created, to oversee relationships with the area's customers and the development, management and origination of complex transactions. The Transaction Banking segment was renamed Cash and Local Custody, changing its mission to increase its focus, from origination to execution, on cash management services for all corporate and financial institutions customers and on local custody services. The Eastern FIG & Trade Finance segment was renamed Trade Finance and Correspondent Banking, supplementing the trade line, from products to origination, on corporate customers.

In 2013, the Foreign & Italian Banks segment remained highly selective in relation to risk, taking positions on high quality counterparts, low risk assets or transactions backed by excellent quality guarantees. The reallocation to loans of this type has supported the financial system while maintaining good profitability and a low risk profile. The placement of transactional services on banking customers continued, both in Italy and abroad, especially in the cash area. As regards investment banking products and services, through Banca IMI the Bank successfully achieved a position as a major player in the bond market, confirming its leadership in the Italian banking sector and achieving significant success also internationally. Specifically, note the contingent capital transactions of UBS, covered bonds and LT2 of Société Générale and LT2 of Credit Suisse, covered bonds of HSBC France and senior unsecured notes of RBI, the senior issues for UBI and Veneto Banca and, in the equity area, participation in Barclays' capital increase as sub-underwriter. In the area of advisory services, the Bank is involved in several strategic operations relating to the consolidation of the Italian financial sector. In capital markets, several collateralised loan transactions were concluded with leading Italian institutions and significant transactions were concluded with international customers, specifically with German, Spanish and French counterparties, and the placement of products for retail and private customers with leading Italian financial institutions continued. In the area of securitisation, the Bank was involved in two major transactions with Italian financial groups, as regards non-performing loans it is acting as advisor for several Italian customers in the process of assigning a portfolio of doubtful loans and, lastly, as financial advisor and underwriter, it concluded the first assignment of doubtful loans, with and without guarantees, by 22 cooperative banks to a specialised investor.

In the Asset Management & Insurance segment, the gradual return to market optimism in 2013 favoured a gradual increase in volumes on the bond and equity markets, enabling the Group to achieve excellent results, specifically owing to its strong, deeply rooted presence on the market of Italian government securities, which are once again considered attractive, especially by international institutional investors. This resulted in additional development of relations with international insurance companies as targets for growth of capital markets and transactional services operations in 2014. In Italy, as a result of the interest triggered by the Intesa Sanpaolo Vita issue it was possible to conclude an additional private placement with another national group. Focus continued on positioning in the market of international asset managers, such as Carlyle, Avoca and Hyfin, which are playing an important role in bank deleveraging in Europe, specifically as buyers of illiquid assets. In the real estate sector the Bank used a highly conservative approach to risk in continuing to support customers in redefining and managing existing transactions and exploring new sectors of the real estate market. In 2013 new operations to support social housing construction were implemented, also through a partnership with the European Investment Bank which, through the Group, funded social housing in Italy for the first time. In the near-banking sector, in addition to confirming its position in mature segments (leasing, factoring) the Bank conquered important positions in CQS and non-performing loans, and concluded transactions with leading market operators such as Pitagora, which was a partner in an important securitisation in 2013, Dynamica Retail, NPL and Agos Ducato.

In the Trade Finance and Correspondent Banking segment, in 2013 trade export finance remained primarily focused on supporting customers' export operations. In that view, a project is currently being implemented which involves a number of meetings with corporate customers, customers of Banca dei Territori and the International Subsidiary Banks, particularly with the subsidiaries in Eastern Europe, for the purpose of increasing volumes. Specific attention was focused on extending the assumption of commercial risk to numerous countries in Sub-Saharan Africa. In this area, new, larger credit lines were opened for African counterparties in Kenya, Ghana, Nigeria, Ethiopia and Angola and several countries on the southern borders of the Mediterranean and in the Middle East were monitored. Lastly, the development of cross-selling within the Group continues to be a priority, closing the first deal with a Polish bank. In the Structured Export Finance segment, the strategy of favouring Italian operations continued, specifically operations backed by SACE, participating in the Export workgroup as well as the Select Committee of the Italian Banking Association (ABI), with Cassa Depositi e Prestiti and SACE, which resulted in the signing of a new "Export Banca" 2013 agreement to govern the activities supporting the internationalisation of Italian companies. Numerous deals were closed, including: the construction of facilities in Belarus and India, and shipping finance and aircraft financing transactions. The structuring of the Etileno XXI, Fincantieri/Viking and Facco transactions also continued, as well as the finalisation of export credit transactions with Saipem and Ansaldo Energia, which will be finalised in 2014. The foundations were also laid for development of operations in the small business sector, obtaining the mandate to organise corporate buyer credit in China. Lastly, in the area of support to exports, around 40 without recourse discount transactions were finalised, with transfer of policy and confirmation of letters of credit, with or without post financing. For Structured Trade Financing operations unrelated to SACE or other export credit agencies, in 2013 the selective operations in pre-export facilities were consolidated in the oil sector for Eastern European, Russian and Angolan counterparties, and the first operation with a French counterparty in the borrowing-base credit line sector was finalised. The Bank also continued to participate in funding cocoa crops in the Republic of Ghana. Lastly, in the area of marketing strategies, a commercial development plan was launched to boost origination activities, promoting Structured Export Credit products managed by the Bank.

Cash and Local Custody operations were focused on developing transactional products and services, consolidating domestic leadership and strengthening the Bank's international presence. Marketing activities continued to promote dedicated products, such as the migration to SEPA and the SetWeb portal on Inbiz. In the near-banking sector, the number of customers using sophisticated products for issuing and reporting on cheques and transfers in the nationwide system increased; in the domestic banking system, new banks were obtained as customers for clearing services and the first PSP for collections and payments was successfully launched, intermediated by Intesa Sanpaolo; in the international banks sector, the rationalisation and streamlining of synergies with the International Subsidiary Banks Division continued. Lastly, a Liquidity Management project was set up, to be implemented in 2014, for the development of dedicated services for company treasurers for the purpose of expanding and completing the cash management offering and providing innovative services that are unique on the market. In the area of securities services, the commercial initiatives were aimed at acquiring new business through agreements with two international banks, and the second stage of the project to acquire the portfolio of an important captive customer was launched. The global custody project continued, in partnership with State Street, with the objective of marketing custody services for international securities to third party intermediaries and to domestic banks, which resulted in the activation of the onboarding of the first two customers. The Bank continued to work closely with Banca IMI to acquire execution/custody mandates and to participate in international markets and the related post trading services. New relationships were started for third party pledge holder services, also for securitisations to support Structured Finance and Capital Markets operations. Lastly, meetings were held for the purpose of acquiring new medium-sized domestic customers, focusing on infrastructural changes and business scenarios which result from the upcoming Target2 Securities in the next few years. In relation to the latter, the programme has officially been launched to govern the process of change and capture the opportunities linked to the activation of the new technological platform for European securities settlement with the ECB. During the year, the masterplan for the programme was drawn up, defining the target technology architecture and the economic effort. Lastly, in the area of network management, i.e., the oversight of Intesa Sanpaolo's sub-depositaries, with a view to reducing management costs and repricing services provided to internal and external customers, the analysis continued and numerous due diligence procedures are under way for countries identified as top priority. As part of this project, the agent bank used for the Canada, Australia and New Zealand markets was changed.

Merchant Banking Department

As part of the redefinition of the organisational structure of the Intesa Sanpaolo Group, Institutional Investments, which were previously under the Merchant Banking Department, were placed under the powers and duties of the Chief Governance Officer. The investments being transferred amounted to 1.2 billion euro as at 31 December 2013.
Net of that item, at the end of December 2013, the portfolio held by the Merchant Banking Department, directly and through subsidiaries, amounted to 1.4 billion euro, of which 0.8 billion euro was invested in companies and 0.6 billion euro in private equity funds.
Operations in 2013 involved several disposals, including Prada, Ariston Thermo and Goglio, which resulted in total capital gains of 117 million euro.
In the area of new investments, the Bank participated in the tender offer for the entire capital of Camfin, conducted, alongside its majority shareholders, with Unicredit and the Clessidra Fund, through a new vehicle Lauro 61, with an investment of 115 million euro.
Private equity fund management, carried out by the subsidiary IMI Fondi Chiusi SGR, continued investing in venture and seed capital funds. The Atlante Ventures fund also carried out its first disinvestment.

Structured Finance

During 2013 Banca IMI structured various financing transactions in collaboration with the relation business units of the Corporate and Investment Banking and Banca dei Territori Divisions, in support of Group customers, specifically including: the BreBeMi operation, which was named the best European Infrastructure Deal by the PFI-Awards 2013 and was mentioned by Euromoney as best project finance deal of the year in EMEA & Africa for 2013. The operation, focused on the transport infrastructure of the Lombardy Region, reached an amount of 1.8 billion euro from a pool of lenders composed of CDP, Intesa Sanpaolo, Unicredit, MPS, Centrobanca and Credito Bergamasco, in addition to the EIB, with funding totalling 700 million euro, and SACE.
Other significant interventions include: the refinancing of the outstanding debt of the Arqiva Group, leading operator in telecommunications towers in the United Kingdom; facilities for PPF Arena 2 BV, a financial vehicle established under Dutch law by PPF Group NV for the purpose of acquiring Telefonica Czech Republic; the facilities for Slovakia’s Emergency Oil Stock Agency, to finance the purchase of strategic reserves by the Slovak Republic; and the credit lines granted to a vehicle headed by KKR to finance part of the acquisition of Slovenia Broadband Sarl, a company operating in the Telecom and Media sector in Serbia and the Balkan countries. Facilities were also disbursed to F2i/Ardian for the acquisition of 14.8% of the share capital of Enel Rete Gas and to AES Torino, a subsidiary of Iren and SNAM, to finance the outstanding debt falling due. In addition to the above, in the Public & Social Infrastructure sector, the “Tangenziale Esterna” outer ringroad project was finalised on 20 December, and financing was provided to Garbagnate Salute for the construction of the new Garbagnate hospital and the management of non-core services, to Euganea Sanità for the design, construction and management of non-core services of the new single hospital centre for acute care of the Local Health and Social Care Facility 17 Monselice-Este, to Farpower for the construction of a wind farm in the province of Foggia, and to Eurowind Ascoli 1 and Calabria Solar for renewable energy development initiatives.

In Leverage & Acquisition Finance, Banca IMI contributed to the structuring of a series of financing transactions, including the takeover bid launched by Salini on the share capital of Impregilo, the mandatory takeover bid launched by Fincantieri on STX OSV Holdings Limited (Singapore), a firm specialised in designing and building vessels used in the exploration and production of offshore gas and oil and, lastly, the acquisition of Doc Generici, a leading Italian operator in generic pharmaceuticals, by the private equity fund Charterhouse. Facilities were also granted in various sectors, from biotechnology to food, from mobile phone accessories to large scale retail.

In the real estate segment, Banca IMI continued intense origination activity aimed at structuring credit facilities in support of investments in the sector of reference by offering a full range of financial products dedicated to real estate and providing specialised advice for the real estate segment. In relation to the structuring of financing, mention should be made of the disbursement in support of the real estate fund promoted by the Province of Rome and managed by BNP REIM SGR and facilities for academic construction, large scale retail and civil construction. On an international scale, a loan was finalised, with the Bank acting as a arranger, to Tribeca White Street LLC to support the acquisition and redevelopment of a property in Manhattan. As regards financial advisory services, the support to the Cordea Savills Group for the disposal of 100% of the units of the Boccaccio real estate fund, managed by Aedes BPM SGR, which holds a portfolio of high quality properties, and to RCS MediaGroup in the disposal of the property complex located in Milan to Blackstone Real Estate Partners Europe IV were finalised.

With regard to Corporate Solutions activities, loan transactions were successfully structured, including: support to the international development of the Calzedonia and Giovanni Rana Groups; the financing for HMSHost (former Autogrill Group) and Astaldi; Forward Start Facilities for Enel and Telecom; Revolving Credit Facilities for Fiat Industrial, A2A, Fiat Auto, Edison and Sigma Tau Finanziaria; the new medium/long-term loan to World Duty Free Group SAU (Autogrill Group); the loans to the publishing sector for Telco and, lastly, the multicurrency loan to The Nuance Group.

In the Loan Agency segment, our ability to compete against leading international players on the domestic market carrying out the duties of an impartial player was confirmed, protecting the numerous parties to deals, in compliance with internal regulations and those of the Bank of Italy, also in cross-border transactions, obtaining the appreciation of financial counterparties as well as customers. During the year, Banca IMI expanded its business scope both in terms of coverage of customers (by also targeting customers in the public segment) and by systematically acting as an agent in debt restructuring plans in major transactions.

Lastly, in the syndicated loans segment, the bank acted as global coordinator, bookrunner and mandated lead arranger, alternatively, for Telecom Italia, Enel, Fiat Industrial, Fiat, Arnoldo Mondadori Editore, STX OSV Holding Limited, Salini, Doc Generici and Cellular Line. At the international level, it participated as bookrunner or mandated lead arranger in the transactions originated by Telefónica, Bacardi, Carrefour, Iberdrola, Gas Natural Fenosa, Vale SA, Ternium SA, NextEra Energy and HJ Heinz Company.

Proprietary Trading

In 2013, Proprietary Trading reported a positive contribution to the income statement, in terms of revenues, showing growth compared to 2012.
In detail, structured credit products benefited from the contribution on funded and unfunded positions (European/US ABS/CDO) and on the monoline structures of New York, which recorded significant improvement in terms of valuation of the credit risk adjustment. Comparison with the previous year showed a slight drop in terms of impact on the income statement. During the year, this segment continued to reduce its exposure to risk positions classified in both the trading book and, above all, in the loan portfolio. As at 31 December 2013, the risk exposure to structured credit products, European/US funded and unfunded ABSs/CDOs, amounted to 2 billion euro, down compared to 2.2 billion euro as at 31 December 2012.
Even the Hedge Fund portfolio made a positive contribution to the trading revenues in 2013, specifically due to positive development of the financial sector and the US commercial and residential real estate sector. Long positions taken on specific debt restructuring transactions in industrial and consumer sectors also provided a positive contribution. On the whole, the contribution to the income statement increased on 2012. The Hedge Funds portfolio totalled 744 million euro at the end of December 2013, slightly up compared to 696 million euro at the end of 2012, due to changes resulting from new acquisitions and disposals and from exchange rate valuations.

Investment Banking, Capital Market and primary market

During 2013 Banca IMI acted as bookrunner for over 80 transactions (50 for Italian issuers), ranking among the top positions in Italy in the debt capital market both for the total value of issues (15.4 billion euro over twelve months) and for the number of transactions. For Financial Institutions customers, in the domestic market Banca IMI acted as bookrunner for the bonds issued by Intesa Sanpaolo, for the eurobonds issued by Banco Popolare, Veneto Banca, UBI Banca, Banca Popolare di Vicenza and Unicredit and for the Tier 2 bond of Intesa Sanpaolo Vita. Internationally, it acted as bookrunner for the issues of Intesa Sanpaolo Bank Ireland, BNP Paribas, Raiffeisen Bank International, BPCE SFH, Société Générale and HSBC Vita and for the Tier 2 issue of UBS, and acted as lead manager for the Tier 2 issue of Société Générale. In the liability management segment, the bank was dealer manager for Intesa Sanpaolo's two transactions (exchange offer and tender offer) and acted as sole dealer manager in the tender offer of Mediobanca. For Corporate customers, it acted as bookrunner for the issues of Finmeccanica, Linea Group Holding, A2A, Fincantieri, Mediaset, Hera, ENI, Acea, Amplifon, Italcementi, Indesit, EI Towers, Snam and Fiat and, of particular importance, for the hybrid issues of Enel and Telecom Italia. In the high-yield segment, the bank distinguished itself with the Snai, Astaldi, Marcolin, Salini Impregilo, Gamenet, Sisal, Wind, TeamSystem, Cerved Technologies and IVS issues. Confirmation of the success with international customers is provided by the role of bookrunner for Eutelsat, Iberdrola, RWE, Gas Natural Fenosa, Deutsche Bahn, Air Products, GE Capital, Kering, Alstom, Bacardi, Coca-Cola, Abertis Infrastructuras, Unibail-Rodamco, Heineken, Auchan, Telefonica, EDF and RCI Banque, and by the role performed in the cash tender offer of senior unsecured bonds of Iberdrola. Lastly, for issuers in the sovereign, supranational & agencies segment, Banca IMI confirmed its leadership in the placement of Italian government securities (the new 15-year BTP and the BTP Italia) and, in collaboration with VUB Banka, it distributed the new 5-year benchmark by the Slovak Republic. In the government-related corporates segment, the bank acted as bookrunner in the issues of Poste Italiane and Ferrovie dello Stato Italiane, transactions which were highly successful and represented the return of these issuers to the capital market with benchmark securities, and as co-lead manager in 11 issues of the European Financial Stability Facility (EFSF) and in two issues of the European Stability Mechanism (ESM).

In the equity capital market segment, Banca IMI maintained its usual coverage of the market, with the goal of holding a position of leadership on the domestic market and growing its presence in Europe and the USA. In 2013 the bank was in charge of placement of the tender offer and was joint bookrunner for the institutional offer as part of the Moncler IPO on 30% of the share capital, and acted as joint bookrunner or co-bookrunner for placements of bonds convertible into shares of Beni Stabili, Astaldi and Buzzi Unicem. The Bank also acted as joint lead manager for the placement of the bond being converted into newly issued Telecom Italia shares. In the area of share capital increases and accelerated bookbuilding, Banca IMI participated in the share capital increases of RCS MediaGroup and Maire Tecnimont and took part in the transactions carried out by Mandarin Capital for the disposal of 7.57% of share capital and by IMA and Intesa Sanpaolo for the disposal of approximately 1.3% of the capital of Assicurazioni Generali, respectively. The bank also acted as sole bookrunner for the transaction carried out by the Bombassei family to dispose of approximately 3% of the share capital of Brembo. In the takeover bid/delisting segment, as financial advisor and intermediary responsible for coordinating subscriptions, the Bank oversaw the takeover bids launched by Salini on Impregilo, by Lauro Sessantuno on Camfin, by Libero Acquisition on Dada, by Hera on Acegas-Aps and by Pai on Marcolin. In the AIM market, it successfully headed the listing of ordinary shares of Italia Independent. Internationally, the bank acted as guarantor in the capital increase of Barclays Plc and as co-manager in the secondary placement of Thermo Fisher shares and the IPO of Cheniere Energy Partners LP Holdings. At the end of December 2013, Banca IMI was acting as specialist or corporate broker for around 45 companies listed on the Italian market, thus continuing its leadership in this market segment.

In its M&A Advisory activity, Banca IMI advised: Fincantieri in the acquisition of STX OSV, a company listed on the Singapore Stock Exchange and global leading manufacturer of supporting equipment for the extraction and production of oil and natural gas (one of the largest cross-border transactions by an Italian company in recent years); the Salini Group in the voluntary takeover bid on the entirety of the ordinary shares of Impregilo and in the subsequent merger between the two companies; Lauro Sessantuno in the shareholding reorganisation of Camfin; Autogrill in the spin-off and listing of World Duty Free, one of the leading global operators in airport retail, present in 20 countries; Atlantia in its merger with Gemina; Luxottica in the acquisition of 36% of Salmoiraghi & Viganò; Granarolo in the sale of CSL to the Clerici Sacco Group; Saras in the analysis o the fairness of the price of the voluntary takeover bid launched by Rosneft on 7.3% of the company; A2A in the sale of 5 Mini Hydro plants;

Maire Tecnimont in the sale of investments of the Infrastructure & Civil Engineering division and Emerisque Brands in the acquisition of Industries Sportswear Company from Moncler. With regard to Financial Sponsor customers, Banca IMI acted as advisor for: Bain Capital and Clessidra in the sale of Cerved to CVC; Charterhouse Capital Partners in the acquisition of Doc Generici; Cinven in the sale of the aviation business of the Avio Group to General Electric; Carlyle Group in the acquisition of Marelli Motori; Rhone Capital in the aggregation of the Marco Polo Expert Group with Unieuro and Ardian Capital and Consilium SGR in the sale of Rollon to IGI SGR and Chequers Capital. Lastly, for Financial Institutions customers, Banca IMI acted as financial advisor of Veneto Banca for the issue of its first convertible bond with soft mandatory characteristics, completed by an unlisted Italian bank.

International Subsidiary Banks

(millions of euro)

Income statement	2013	2012	Changes	
			amount	%
Net interest income	1,555	1,642	-87	-5.3
Dividends and profits (losses) on investments carried at equity	32	28	4	14.3
Net fee and commission income	550	539	11	2.0
Profits (Losses) on trading	110	60	50	83.3
Income from insurance business	-	-	-	-
Other operating income (expenses)	-82	-86	-4	-4.7
Operating income	**2,165**	**2,183**	**-18**	**-0.8**
Personnel expenses	-584	-586	-2	-0.3
Other administrative expenses	-452	-433	19	4.4
Adjustments to property, equipment and intangible assets	-120	-131	-11	-8.4
Operating costs	**-1,156**	**-1,150**	**6**	**0.5**
Operating margin	**1,009**	**1,033**	**-24**	**-2.3**
Net provisions for risks and charges	-48	-4	44	
Net adjustments to loans	-796	-909	-113	-12.4
Net impairment losses on other assets	-135	-117	18	15.4
Profits (Losses) on investments held to maturity and on other investments	-11	2	-13	
Income (Loss) before tax from continuing operations	**19**	**5**	**14**	
Taxes on income from continuing operations	-177	-192	-15	-7.8
Charges (net of tax) for integration and exit incentives	-	-2	-2	
Effect of purchase price allocation (net of tax)	-	-	-	-
Impairment (net of tax) of goodwill and other intangible assets	-722	-	722	-
Income (Loss) after tax from discontinued operations	-	-	-	-
Minority interests	-	-	-	-
Net income (loss)	**-880**	**-189**	**691**	

(millions of euro)

	31.12.2013	31.12.2012	Changes	
			amount	%
Loans to customers	27,249	29,312	-2,063	-7.0
Direct deposits from banking business	30,462	31,163	-701	-2.2
Risk-weighted assets	27,923	31,271	-3,348	-10.7
Absorbed capital	1,955	2,189	-234	-10.7

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

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

It should be noted that the figures presented in the table and commented upon below exclude the results of VUB Asset Management, PBZ Invest and CIB IFM, the three asset management companies, located in Slovakia, Croatia and Hungary, respectively, which have been included in the scope of Eurizon Capital.
The comparative figures have been restated on a consistent basis by applying the adjustments required to reflect the effects of this change in scope retroactively.
In January 2014 an agreement was signed for the sale of 100% of the capital of the Ukraine subsidiary Pravex-Bank.
The transaction will be completed in the next few months, after obtaining the required authorisations.

In 2013, the Division's operating income was down slightly (-0.8%) on the previous year, to 2,165 million euro. A detailed analysis shows that net interest income came to 1,555 million euro, a decrease compared to 1,642 million euro in 2012 (-5.3%), mainly due to the trends reported by Bank of Alexandria (-24 million euro), Banca Intesa - Russia (-23 million euro), Privredna Banka Zagreb (-22 million euro), CIB Bank (-19 million euro) and Pravex Bank (-12 million euro), only partly absorbed by the increase recorded by VUB (+21 million euro). Net fee and commission income, amounting to 550 million euro, grew by 2%. Profits on trading, amounting to 110 million euro, almost doubled due to the larger contributions from VUB Banka (+36 million euro) and CIB Bank (+17 million euro).

Operating costs, amounting to 1,156 million euro, were substantially in line with 2012 (+0.5%). As a result of the above revenue and cost trends, the operating margin came to 1,009 million euro, down 2.3%. Conversely, income before tax from continuing operations, amounting to 19 million euro, was up compared to 5 million euro in the previous year, benefiting from the lower adjustments to loans (-113 million euro). The Division closed 2013 with a net loss of -880 million euro, affected by the considerable impairment of goodwill and other intangible assets caused by the difficult macroeconomic scenario (-158 million euro excluding the effect of impairment of intangible assets).

On a quarterly basis, the fourth quarter of 2013 reported an operating margin down 6.6% on the third quarter, due to higher operating costs (+7.8%), while revenues were substantially stable (+0.6%). As a result of the significant increase in net adjustments to loans and other assets, income before tax from continuing operations reported a loss.

The Division's intermediated volumes decreased compared to the end of December 2012 (-4.6%) owing to the decrease in loans to customers (-7%) and, to a lesser extent, to the reduction in direct deposits from the banking business (-2.2%), where the sharpest decline was in amounts due to customers, due to lower deposits in the retail segment and an unfavourable exchange rate effect for certain currencies.

Capital absorbed, which represents 9% of the Group's total, fell compared to 2012, coming to 1,955 million euro.

Business	It is responsible for the Group's operations on the international markets through commercial bank subsidiaries and associates
Mission	Guidance, coordination and support for international subsidiaries, which engage primarily in retail banking operations. The Division is responsible for setting the Group's strategic development guidelines in terms of its direct presence on international markets, involving systematic exploration and analysis of new growth opportunities on markets already served and new markets, the coordination of international subsidiary banks' operations and the management of the relationships between international subsidiary banks and the Parent Company's central units and the branches and other foreign offices of the Corporate and Investment Banking Division
Organisational structure	
South-Eastern Europe	Presence in Albania, Bosnia-Herzegovina, Croatia, Romania and Serbia
Central-Eastern Europe	Presence in Slovakia, Slovenia and Hungary
Commonwealth of Independent States & South Mediterranean	Presence in Egypt, the Russian Federation and Ukraine
Other companies	ISP Card, which supports banks in the Division in the payment services segment
Distribution structure	1,442 branches in 12 countries

South-Eastern Europe

In 2013 the operating income of the **Privredna Banka Zagreb** Group amounted to 427 million euro (-5.3% compared to the previous year), mainly due to the decrease in net interest income and profits on trading. Operating costs fell slightly to 194 million euro (-1.2%), primarily attributable to administrative expenses. The operating margin came to 233 million euro, down 8.4% on 2012. Income before tax from continuing operations, amounting to 121 million euro, showed a decrease of 28.5%.

Banca Intesa Beograd, including Intesa Leasing Beograd, posted an operating margin of 148 million euro, up 1.3% compared to 2012. Operating income decreased slightly (-0.4%) due to the performance of net fee and commission income and other operating expenses. Operating costs decreased by 3.1%, with savings spread through all items. Income before tax from continuing operations amounted to 83 million euro, compared to 92 million euro in the previous year (-10.2%).

Intesa Sanpaolo Banka Bosna i Hercegovina ended 2013 with an operating margin of 15 million euro, down 4.7% on 2012. This performance is attributable to the reduction in net interest income as well as the increase in operating costs. Income before tax from continuing operations totalled 7.6 million euro, down 14.5%.

Intesa Sanpaolo Bank Albania reported an operating margin of 30 million euro, down 4.5% on 2012, due to a decrease in revenues (-2.6%) and a slight increase in operating costs (+1.6%). Income before tax from continuing operations amounted to 8.7 million euro, up by 34%, compared to the previous year, benefiting from the lack of adjustments to other assets.

The companies operating in Romania (**Intesa Sanpaolo Bank Romania** and ISP Leasing Romania) recorded a total operating margin of 16 million euro, up 21.6% on the previous year. This performance was due to a decrease in operating costs (-8.8%), attributable to administrative and personnel expenses, accompanied by stable revenues. The companies reported a loss before tax from continuing operations of 37 million euro, compared with the loss of 25 million euro in 2012, mainly due to higher adjustments to loans (+51.7%).

Central-Eastern Europe

Banka Koper, including Finor Leasing, reported operating income of 79 million euro, down 9.7% on 2012 due to the decline in all the main income components. Operating costs largely remained stable. With adjustments to loans essentially unchanged, income before tax from continuing operations amounted to 3.4 million euro, down compared to the previous year (-65.6%).

The **VUB Banka** Group achieved an operating margin of 269 million euro, up 19.9% compared to 2012, due to an increase in operating income (+12.2%), mainly attributable to profits on trading and net interest income. Operating costs were up (+4.1%). Income before tax from continuing operations, amounting to 180 million euro, improved by 21.8% on the previous year, with stable adjustments to loans.

The increasing pressure on the Hungarian banking system, as a result of the serious economic difficulties of the country, heavily affected the performance of this subsidiary bank, causing negative impacts on spreads, the cost of funding and the quality of the loan portfolio. The **CIB Bank Group** showed operating income of 291 million euro, up 6.7% on 2012. This performance was primarily attributable to the increase in net fee and commission income (+20.1%) and the greater contribution from profits on trading. Operating costs rose by 8.8% as a result of the increase in administrative expenses. Adjustments to loans decreased by 21.9%, while adjustments to other assets came to 119 million euro (+37.7%). Income before tax from continuing operations showed a negative balance of 387 million euro, compared with a loss of 443 million recorded in the previous year.

Commonwealth of Independent States & South Mediterranean

Banca Intesa - Russia reported income before tax from continuing operations of 5.4 million euro, compared with 38 million euro in 2012. Operating income decreased (-14.2%), due to the decline in net interest income (-17.7%), which more than offset the growth in profits on trading (+20%). Operating costs were down by 4.4%. Net adjustments to loans, amounting to 31 million euro, more than doubled compared to the previous year.

The operating margin of **Pravex Bank** in 2013 was a negative 6.9 million euro, down compared to +1.8 million euro in 2012, mainly due to a decrease in operating income (-24.9%) across all main components. Operating costs were down by 9.3% compared to the previous year, due to savings in all cost captions. After net adjustments to loans of 20 million euro (compared to 94 million euro in 2012), Pravex Bank reported a net loss before taxes from continuing operations of -27 million euro, compared to -98 million euro in the previous year.

Bank of Alexandria reported an operating margin of 136 million euro, down by 11.6% on 2012. Operating income, at 278 million euro, decreased (-8.7%) mainly as a result of lower net interest income (-9.3%). Operating costs reported a decrease (-5.7%) especially following the decline in personnel expenses and amortisation and depreciation. Following net adjustments to loans of 37 million euro, down 28.6% on the previous year, income before tax from continuing operations amounted to 99 million euro, substantially in line with 2012.

Other companies

In 2013 the operating income of **ISP Card** amounted to 37 million euro (+4.5% compared to the previous year), mainly due to the increase in net fee and commission income (+4.4%). Operating costs showed an increase mainly attributable to personnel expenses, amounting to 34 million euro (+7.2%). This resulted in income before tax from continuing operations of 3.4 million euro, compared with 4.3 million euro in 2012.

Eurizon Capital

(millions of euro)

Income statement	2013	2012	Changes amount	Changes %
Net interest income	1	2	-1	-50.0
Dividends and profits (losses) on investments carried at equity	14	11	3	27.3
Net fee and commission income	370	285	85	29.8
Profits (Losses) on trading	3	3	-	-
Income from insurance business	-	-	-	-
Other operating income (expenses)	1	1	-	-
Operating income	**389**	**302**	**87**	**28.8**
Personnel expenses	-51	-55	-4	-7.3
Other administrative expenses	-59	-62	-3	-4.8
Adjustments to property, equipment and intangible assets	-1	-1	-	-
Operating costs	**-111**	**-118**	**-7**	**-5.9**
Operating margin	**278**	**184**	**94**	**51.1**
Net provisions for risks and charges	14	-4	18	
Net adjustments to loans	-	-	-	-
Net impairment losses on other assets	-	-	-	-
Profits (Losses) on investments held to maturity and on other investments	-	-	-	-
Income (Loss) before tax from continuing operations	**292**	**180**	**112**	**62.2**
Taxes on income from continuing operations	-87	-37	50	
Charges (net of tax) for integration and exit incentives	-	-	-	-
Effect of purchase price allocation (net of tax)	-38	-38	-	-
Impairment (net of tax) of goodwill and other intangible assets	-	-	-	-
Income (Loss) after tax from discontinued operations	-	-	-	-
Minority interests	-7	-5	2	40
Net income (loss)	**160**	**100**	**60**	**60.0**

(millions of euro)

	31.12.2013	31.12.2012	Changes amount	Changes %
Assets under management	163,838	145,382	18,456	12.7
Risk-weighted assets	409	540	-131	-24.3
Absorbed capital	35	44	-9	-20.5

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

In 2013, as part of the project to establish a regional asset management hub in the Eastern European market, in a joint venture with the International Subsidiary Banks Division, work began on planned activities for the creation of the hub and the acquisition of control by the Luxembourg-based Eurizon Capital S.A. of the three companies involved in the rationalisation transaction, located in Slovakia (VUB Asset Management), Croatia (PBZ Invest) and Hungary (CIB IFM).
In further detail, on 14 January 2013 the subsidiary Eurizon Capital SA acquired 100% of CIB IFM (a Hungarian company). On 31 January 2013 the shareholders' meeting of VUB Asset Management (VUB AM) approved a capital increase reserved for Eurizon Capital SA and Privredna Banka Zagreb (PBZ), subscribed by the two companies in March by means of the contribution of 100% of CIB IFM (in the case of Eurizon Capital SA) and PBZ Invest (in the case of PBZ). The transaction was finalised with the issue and delivery of the new shares of the beneficiary of the contribution on 16 April 2013. Lastly, with the aim of acquiring control of the asset management hub, on 19 April 2013 Eurizon Capital SA acquired an additional 21.56% interest in VUB AM from PBZ, bringing its total interest to 50.12%.
The figures shown in the table and commented on below were reconstructed on a consistent basis, adjusting historical figures as appropriate to reflect the effects of these changes in scope retroactively.

Overall, total assets managed by Eurizon Capital at the end of December 2013 came to 163.8 billion euro (net of duplications), up by 12.7% in the twelve months as a result of net inflows and positive financial market performance. In 2013, net inflows came to 12.5 billion euro, driven by strong performance of Italian mutual funds, captive insurance products in relation to placement of class I policies, retail portfolio management schemes and foreign Luxembourg-based funds and SICAVs. Eurizon Capital's share of assets under management was 14.5% as at 31 December 2013 (gross of duplications and including individual asset management within Intesa Sanpaolo Private Banking's portfolio), from 14.4% at the end of December 2012.

Operating income for 2013, amounting to 389 million euro, grew by 28.8% compared to the previous year, benefiting from the favourable performance of net fee and commission income (+29.8%). This performance is primarily attributable to overperformance commissions received, as well as the development of average assets under management, which considerably exceeded the 2012 level, and the better product mix, which yielded significant inflows to higher-margin mutual funds. Operating costs decreased (-5.9%) as a result of targeted cost containment measures, specifically on personnel and administrative expenses, also in relation to the new VAT regime envisaged by the "Stability Law for 2013" concerning the separation of assets relating to portfolio management. As a result of the above revenue and cost trends, the operating margin came to 278 million euro, up 51.1% compared to the previous year. Eurizon Capital closed 2013 with a net income of 160 million euro (+60%).

On a quarterly basis, the fourth quarter of 2013 showed income before tax from continuing operations almost double that of the third quarter, due to an increase in operating income (+67.2%) and a sharp rise in net fee and commission income, which more than offset the growth in operating costs.

Capital absorbed amounted to 35 million euro, down on the amount for 2012.

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

The key events regarding products placed and managed by companies of the group during 2013 are outlined below.

Following termination of the investment cycle of the "Eurizon Focus Garantito III Trimestre 2007" fund, the investment policy changed, along with the classification, from "guaranteed" to "protected", and its name was changed to "Eurizon Strategia Protetta I Trimestre 2013", with the launch of a new offer period.
Two mergers of Italian funds were also carried out, aimed at increasing the efficiency of the management service through rationalisation of the range of products offered and resulting from the planned termination of the investment cycle of each fund involved in the merger and of the related "Guarantee". In detail, the merger by incorporation of the "Eurizon Focus Garantito IV Trimestre 2007" fund into the aforementioned "Eurizon Strategia Protetta I Trimestre 2013" fund took place in March, while the merger of the "Eurizon Focus Garantito settembre 2012-dicembre 2012-marzo 2013" funds into the "Eurizon Strategia Flessibile 15" fund became effective from the end of May.
In terms of Luxembourg funds, the merger by incorporation of "Eurizon Focus Riserva Doc – Obbligazioni Corporate 12/2012", "Eurizon Opportunità - Bond Selection 2012-1" and "Eurizon Opportunità - Bond Selection 2013-1" into the newly established "Eurizon Opportunità – Obbligazioni Flessibile" sub-fund was effective.
Lastly, in terms of the hedge offer, the merger of the "Eurizon Medium Volatility" and "Eurizon Total Return" funds into the "Eurizon Low Volatility" fund was approved and effective from 1 August.
In terms of new business, six editions (maturity April, June, July, October and December 2018 and April 2019) of the "Gestione Attiva" series were launched during 2013, comprising a set of three Italian funds (Classica, Dinamica and Opportunità) that aim to optimise yield according to a predefined risk level and fund term.
Furthermore, the placement was initiated for the new "Cedola Attiva" range of mutual funds. This involves two flexible funds (Attiva and Attiva Più), mainly bond, with specific risk level and centralised asset allocation in which management aims to optimise the fund yield, over a term of slightly more than 5 years. The "Cedola Attiva" series is accompanied by "Eurizon Cedola Attiva Top", a product characterised by flexible management of the equity component on the European and American equity markets,

based on a "contrarian" approach, namely on investment principles that may go in the opposite direction of market sentiment. In 2013 five new editions of "Cedola Attiva" (maturity May and June 2018, October and December 2020 and April 2021) and one edition of "Eurizon Cedola Attiva Top" maturing in July 2020 were launched.

During the year, a new range of Italian funds, "Guida Attiva", was activated, created specifically for non-captive retail underwriters that adopt a multimanager approach and participate in the markets in a flexible manner with significant portfolio diversification. The management aims at optimising the return on the basis of a set level of risk and the duration of the fund (slightly more than 5 years). During the year, three editions of the fund were placed, maturing in October 2018, December 2018 and April 2019.

During the year, the subsidiary **Epsilon** launched the placement of a new range of Italian mutual funds named "Epsilon Flexible Forex Coupon", a family of flexible funds with predominant bond and currency exposure, observing a risk budget, with a term of around five years. The manager adopts a flexible strategy in monetary instruments, bonds, marginal investment in shares and currencies other than the euro. The three editions launched in 2013 mature in September 2018, December 2018 and February 2019.

Within the Luxembourg "Investment Solutions by Epsilon" multi-segment fund, new windows were opened in the "Forex Coupon" (1 segment), "Valore Cedola x 5" (6 segments) and "Global Coupon" (1 segment) sub-fund families.

The product line targeting the private segment was expanded with the launch of a new sub-fund ("Private Style Equity") within the "Eurizon Multimanager Stars Fund". The segment completes the "Private Style" product range, which makes it possible for customers to use a single product to access a selection of the best third party funds in the selected investment categories.

The product creation process also involved expansion of the offer within the Eurizon Investment SICAV, promoted by Eurizon Capital SA, through the launch of three new segments exclusively targeting institutional investors.

After obtaining the status of Qualified Foreign Institutional Investor (QFII), **Eurizon Capital SA** activated two "Open-Ended China Fund" sub-funds in the newly established "Eurizon Specialised Investment Fund", which provides access to domestic Chinese securities.

Finally, in the asset management area, "G.P. linea Sistema Valore" and "G.P. linea Sistema Valore Più" were launched. These are two new portfolio management lines that, depending on market performance and on the associated risk level, aim to preserve the value of capital invested over the medium term and achieve, through exposure to the equity market of 15% and 35% respectively, a moderate revaluation of the investment.

Banca Fideuram

(millions of euro)

Income statement	2013	2012	Changes	
			amount	%
Net interest income	147	140	7	5.0
Dividends and profits (losses) on investments carried at equity	-	-	-	-
Net fee and commission income	662	574	88	15.3
Profits (Losses) on trading	17	14	3	21.4
Income from insurance business	78	110	-32	-29.1
Other operating income (expenses)	-9	-2	7	
Operating income	**895**	**836**	**59**	**7.1**
Personnel expenses	-126	-141	-15	-10.6
Other administrative expenses	-181	-192	-11	-5.7
Adjustments to property, equipment and intangible assets	-15	-15	-	-
Operating costs	**-322**	**-348**	**-26**	**-7.5**
Operating margin	**573**	**488**	**85**	**17.4**
Net provisions for risks and charges	-74	-90	-16	-17.8
Net adjustments to loans	-6	-3	3	
Net impairment losses on other assets	-4	-12	-8	-66.7
Profits (Losses) on investments held to maturity and on other investments	-2	-15	-13	-86.7
Income (Loss) before tax from continuing operations	**487**	**368**	**119**	**32.3**
Taxes on income from continuing operations	-150	-119	31	26.1
Charges (net of tax) for integration and exit incentives	-1	-1	-	-
Effect of purchase price allocation (net of tax)	-89	-88	1	1.1
Impairment (net of tax) of goodwill and other intangible assets	-29	-	29	-
Income (Loss) after tax from discontinued operations	-	-	-	-
Minority interests	-	-	-	-
Net income (loss)	**218**	**160**	**58**	**36.3**

(millions of euro)

	31.12.2013	31.12.2012	Changes	
			amount	%
Assets under management	66,096	59,157	6,939	11.7
Direct deposits from banking business	7,256	6,673	583	8.7
Direct deposits from insurance business and technical reserves	18,431	14,169	4,262	30.1
Risk-weighted assets	5,283	4,300	983	22.9
Absorbed capital	655	546	109	20.0

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

Assets under management and assets under administration of the Banca Fideuram Group at the end of December 2013 amounted to 83.7 billion euro (of which 66.1 billion euro in assets under management and 17.6 billion euro in assets under administration), up 5.5% on an annual basis. This trend is attributable to the positive performance in terms of net inflows and the strong performance of the asset market.

In detail, assets under management, which represent more than three quarters of the aggregate, were up 11.7% compared to the balance at the end of 2012, thanks to the positive development of the life insurance and mutual funds segment. Assets under administration, on the contrary, reported a decrease compared to the amount as at 31 December 2012 (-12.7%), confirming the process of conversion into assets under management which began in 2013. The Banca Fideuram Group's distribution networks achieved net inflows of 2.5 billion euro in 2013, marking an improvement of 149 million euro compared to the previous year. The breakdown by aggregate shows an excellent performance of assets under management, which showed sharp growth in all sub-segments compared to 2012 (+2.8 billion euro). Net outflows from assets under management came to 3.1 billion euro, compared to outflows of 0.4 billion euro in the previous year.

Direct deposits from banking business amounted to 7,256 million euro, up by 8.7% in the twelve months, primarily as a result of deposits in a current account of ordinary and institutional customers.

Direct deposits from insurance business, amounting to 18,431 million euro, increased significantly (+30.1%), essentially attributable to the trend in financial liabilities of the insurance segment designated at fair value.

The number of private bankers came to 5,104 as at 31 December 2013, at higher levels than the end of 2012 (5,082).

The operating margin for 2013 came to 573 million euro, up 17.4% compared to 2012, driven by the growth in operating income (+7.1%) and a significant fall in operating costs (-7.5%).
The performance of revenues is attributable to net fee and commission income of 662 million euro, up 15.3%. In particular, recurring fee and commission income, i.e. fee and commission income correlated with assets under management, which represents the most important component of fee and commission income, rose compared to the previous year, owing to the growth in average assets under management. Front-end net fee and commission income, associated with the placement of securities, funds and insurance policies and the receipt and transmission of orders, which represents around 8% of net fee and commission income, reported a balance substantially in line with 2012: the downturn in fee and commission income on banking services and securities was almost fully offset by higher fee and commission income on the placement of asset management products. Performance fees, almost fully recognised on an annual basis, amounted to around 25 million euro, an increase due o the positive performance of asset management products compared to their benchmarks. Fee and commission expense, essentially related to incentives for the network for attracting new money, reported an increase due to greater incentives to the network of private bankers for positive results achieved in the period in terms of net assets under management and to commercial initiatives to support growth. The interest margin also showed positive performance (+5%), partly influenced by non-recurring income. Looking at the quarterly performance, there has been a positive trend since the beginning of 2013, primarily owing to the combined effect of the reduction in the cost of funding and the reinvestment of liquidity deriving from redeemed securities in bonds with higher profitability. Among other income components, there was a decrease in income from insurance business attributable to Fideuram Vita, which dropped from 110 million euro to 78 million euro (-29.1%). This outcome is due to worsening of the net investment result, mainly attributable to the various events impacting the fair value measurement of the investment portfolio of the separate management portion and of the free capital. Provisions for risks and charges decreased by 17.8% due to the discontinuation of a network retention plan at the end of 2012. Income before tax from continuing operations amounted to 487 million euro, up 32.3%, benefiting from the reduction in adjustments to other assets (-66.7%) and lower losses on investments held to maturity. Lastly, after recognition of the effect of purchase price allocation (89 million euro) and impairment of goodwill and other intangible assets of 29 million euro, Banca Fideuram closed 2013 with a net income of 218 million euro, up 36.3% compared to 2012 (247 million euro excluding the effect of impairment of intangible assets).
The capital absorbed by Banca Fideuram amounted to 655 million euro, up on the previous year.

Business	Asset-gathering activity through financial advisors networks at the service of customers with medium/high savings potential
Mission	To aid customers with informed management of their assets, beginning with a thorough analysis of their true needs and risk profile. To advise on financial and pension issues with the aid of highly qualified professionals in a fully transparent manner and in full compliance with the rules
Distribution structure	97 branches in Italy with 5,104 private bankers

Development of new products in 2013 continued for the purpose of enhancing the offering in line with the background environment and the specific needs of customers, both by leveraging the Group's internal expertise, and consolidating and expanding partnerships with third-party asset managers.

With regard to the Bank's funds, in 2013 numerous changes were introduced to Fonditalia (FOI), involving the funds and funds of funds, as well as new classes with hedging of the exchange rate risk and new income distribution classes. In detail, multi-asset sub-funds with global geographic coverage were introduced, with specific characteristics including opportunities linked to the recovery of the economic cycle ("FOI Diversified Real Asset"), the ability to generate returns ("FOI Global Income", "FOI Equity Global High Dividend"), controlled participation in the equity markets ("FOI Global Convertibles", "FOI Flexible Risk Parity") and investment in emerging markets with high growth rates ("FOI Emerging Markets Local Currency Bond"). The investment policies of a number of government bond segments were also reviewed in order to offer greater management flexibility ("FOI Euro Bond" and "Fonditalia Euro Bond Defensive").
Within the scope of Fideuram Multibrand (third-party funds distributed à la carte), the ongoing development of the existing range continued, primarily consisting of the addition of new sub-funds to existing UCIs and the launch of new investment plans. Lastly, a new private equity programme dedicated to private customers was launched in collaboration with Idea Capital SGR.
With regard to asset management, three new investment lines were introduced in "Fideuram Omnia": two lines propose a number of investment opportunities previously offered in the Bank's funds, differentiated based on management principles ("Active Beta Income" and "Active Beta Real Asset"); the third line offers flexible management with significant customisation (Eligo Fondi), allowing customers to actively participate in the creation of the management portfolio. An additional accessory service known as "regular coupon" was also introduced, permitting customers to activate, with the utmost flexibility, a series of withdrawals from one or more management lines, defining the portion of assets to withdraw and the relative frequency.
As to insurance, the offering was enhanced with asset protection solutions developed in collaboration with Fideuram Vita. In particular, new versions of the unit-linked policy "Fideuram Vita Insieme" were introduced, with expansion of the investment options ("Fideuram Vita Insieme Private", "Fideuram Vita Insieme Facile" and "Fideuram Vita Insieme Premium 4+4"), the Class I offer was developed, with new placement of "Fideuram Vita Garanzia e Valore", the traditional single-premium lifelong policy with minimum guaranteed yield of 1.8%, and the temporary death policy "Fideuram Vita Attiva", characterised by an increase in the maximum capital insured, was reviewed.

With regard to initiatives for assets under administration, Banca Fideuram participated in numerous issues implemented by the Intesa Sanpaolo Group (19 fixed-rate and blended rate placements on the primary market with minimum and maximum duration of 5 and 6 years). The Bank also participated in the consortium for the initial public offering of ordinary shares of Moncler and took part in the placement of BTP Italia issues launched by the Ministry for the Economy and Finance through the traditional channel as well as through Fideuram Online.
As regards the offering of banking products, in 2013, initiatives continued aimed at promoting the use of banking services and the acquisition of new customers.
The for-pay personalised advanced advisory service, known as Sei, introduced in 2009 alongside the basic advisory service, has been subscribed by over 54,000 customers in its 4 years of operation (+14,000 compared to the end of 2012), amounting to approximately 21.7 billion euro in assets under administration (+5.6 billion euro compared to 31 December 2012).

Corporate Centre

The Corporate Centre is responsible for direction, coordination and control of the whole Group, as well as for Treasury and ALM.

The Corporate Centre Departments (essentially the Treasury Department) generated an operating loss of 1,648 million euro in 2013, compared to operating income of 122 million euro in the previous year. This performance was primarily due to the marked deterioration of net interest income, partly owing to lower money-market returns as well as the cost of high levels of liquidity correlated to the need to maintain the Group's structural balance at suitable levels, and profits (losses) on trading, which in 2012 had benefited from greater non-recurring income deriving from the buy-back of own securities and the sale of the interest in the London Stock Exchange. Following the posting of new stakes in the capital of the Bank of Italy, the net loss amounted to 25 million euro.

Treasury services

The Treasury Department includes treasury services in euro and foreign currencies, and the integrated management of liquidity requirements/surpluses, financial risks and settlement risks. Also in 2013 Intesa Sanpaolo confirmed its role of "critical participant" as a system-wide bank, keeping its market shares for payments on the Eurosystem Target2 platform steady. The rules for the direct access to the new securities settlement system of the Eurosystem were defined during the year, with a migration window scheduled from June 2015 to September 2016. The system will enable direct connection to T2S. The Bank's effort also continued in the activities pertaining to three project areas (Cantiere Business, IT and Operations), involving the Treasury Department in defining business requirements and identifying the best application solution for liquidity management. Regarding collateralised markets, the operating procedures for the launch of the Eurosystem project were defined, relating to the use of cross-border triparty services for management and movement of the securities used as collateral in credit transactions in the Eurosystem for holders of a pool account with the Bank of Italy.

In the first half of 2013, the money market was characterised by the post-electoral stalemate and the subsequent recovery coinciding with the ECB rate cuts in May. In the second half of the year, the level of short-term rates remained substantially stable, reflecting the interest rate cuts on main refinancing transactions by the European Central Bank, the Fed's move to reduce purchases of treasuries and mortgage-backed securities and the excess liquidity in the Eurosystem. In this scenario, Intesa Sanpaolo restructured its liquidity profile in terms of exposure to the ECB, fully repaying the second VLTRO (Very Long Term Refinancing Operations) auction and taking positions on the 3-month short-term auction and on the weekly MRO (Main Refinancing Operations). This move will provide the Bank with greater flexibility in liquidity management, which will remain focused on prudence and on maintaining suitable pricing policies of interbank and securities funding instruments.

In the securities portfolio, the general reduction in credit risk and market spreads favoured a resizing of the total amount of the portfolio. The positions in government securities with shorter maturities were replaced with longer positions with more generous interest margins. By exploiting the steepening of the curve, the impact on the income statement was optimised and the global risk of the portfolio was contained.
The covered bond portfolio was also managed with a dynamic approach, replacing short-term positions with securities mainly purchased on the primary market, with longer maturities and more profitable spreads. The purchases were mainly concentrated on French and core country issuers, to allow for greater diversification of risks.

Medium/long-term funding recorded a slowdown in deposits with typical instruments of the segment.
In the domestic market in 2013, the total amount of Group securities placed through its own and third-party networks came to around 18 billion euro. Among placed securities, there was a prevalence of plain vanilla securities (58.8%), while the weight of structured bonds (mainly structured interest rate securities tied to indices) amounted to 41.2%. A breakdown by average maturity shows a concentration of 5- and 6-year maturities (with a weight of 52.7%), whilst 46.5% is represented by 2-, 3- and 4-year securities and 0.8% by 7- and 10-year securities.
On international markets, unsecured institutional funding transactions were completed for a total of over 10.8 billion euro through the issue of senior and subordinated bonds placed on both the Euromarket and the US market and loans from German institutional investors. Specifically, in the fourth quarter, two fixed-rate securities were issued in euro for 1 billion euro each, and one floating-rate security for 1.5 billion euro, respectively with 6-, 10- and 2-year maturities. A fixed-rate security with 6-year maturity was also placed for 1.25 billion euro.
In 2013 two new Liability Management transactions were finalised. The first is a buyback of senior notes; the second is an exchange of outstanding Upper Tier 2 and Lower Tier 2 subordinated notes with new, fixed-rate Tier 2 notes with 10-year maturity. As a consequence of the above transactions, the Group recorded a positive contribution, including the positive impact of the unwinding of interest rate derivatives, of approximately 200 million euro in pre-tax income. Two new fixed-rate covered bonds (CB) were placed on the institutional market for a total of 1.75 billion euro and the 7th and 8th floating-rate series were placed on the public market for 4.2 billion euro, with maturities of 2 to 3 years. The two sets of transactions, listed on the Luxembourg Stock Exchange obtained ratings of A2 and A3 from Moody's, respectively. In the area of Eurosystem refinancing transactions, as part of the multi-originator programme, the Parent Company subscribed the 5th and 6th floating-rate series in amounts of 1.5 billion euro and 800 million euro, respectively, with 2- and 7-year maturities.

In the area of medium/long-term funding, through the procedure named A.Ba.Co. (Collateralised Bank Assets), bank loans disbursed to non-financial companies can be used to secure loan transactions with the Bank of Italy. This procedure is implemented in compliance with the Bank of Italy regulations "Eurosystem Monetary Policy Instruments - Guide for Operators". Allocated assets, which grew in the first nine months of the year, decreased by around 960 million euro in the last quarter. At the end of 2013, the gross outstanding amount lodged as pledge by the Group was 7.8 billion euro.

Active Value Management (AVM)

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

Business continuity

During 2013 the specific assigned function continued to update and test business continuity solutions, strengthening the procedures in place through specific measures.
In particular, the extension of the specific application for managing Business Continuity Management (BCM) data of the individual companies at Group level continued; periodic maintenance was guaranteed for the solutions which, in addition to ensuring that the Group can implement the Business Continuity Plan over time and compliance with the Supervisory Instructions, contributes to increasing the level of resilience and evolution of the solution identified therein, in line with the simplification strategy adopted by the Group.
The extension of the business continuity model specifically focused on the Group's international scope, with the aim of raising the level of business continuity procedures of the branches and international subsidiaries. In particular, checks were conducted at the London and New York branches, at the Hungarian bank CIB and specific IT tools available to the Group were extended to all Banks.
The Group personnel abroad were also inserted in the emergency plans of the crisis unit of the Ministry of Foreign Affairs, based on agreements entered into for the management and monitoring of crises involving countries where Group companies are located.
Crisis management mechanisms were extensively used on various occasions, in collaboration with the competent company structures: in the international crises in Egypt and the Ukraine, as a result of the extreme weather events in Italy, and for the social protests in Italy held near Group offices. In this area, the Emergency Management Portal was developed and tested. This new IT tool is the governance centre for crises and the communications tool for all parties involved.
During the year accurate tests of business continuity procedures of the Group's Italian and international companies were carried out. Specifically, the annual test of business continuity technological solutions (disaster recovery) of the Target systems was performed. Checks were also conducted of the business continuity procedures and the main market access infrastructure and interconnections between that infrastructure and Group systems. All the scheduled checks were also conducted to ensure that the systems of buildings that host systemic processes, critical processes and/or IT centres meet applicable reliability requirements.
Lastly, the first Group Recovery Plan was developed, in compliance with the recommendations issued by the European Banking Authority - EBA pursuant to articles 16 and 15 of EU Regulation no. 1093/2012. The plan was approved in December.

IT security level monitoring was consolidated and strengthened during the year.
Specifically, the creation of a centralised platform for fraud prevention was started, and solutions were analysed for protection from malware at customer workstations. With regard to alternative storage, a specific project was launched to dematerialise the negotiation of cheques and the scope of digital storage of documentation generated by teller transactions was further extended.

Information technology systems

Also in 2013 Intesa Sanpaolo Group Services – the consortium company which centralises the structures providing IT, operational, real estate, organisational services and other auxiliary services supporting Group business – developed significant project tasks to support Group Business and Governance functions, and played a primary role in company efficiency, streamlining, rationalisation and innovation initiatives.
The most important projects realised were aimed at optimising the operating model, developing products and services, improving customer relationships and cross-selling, as well as achieving compliance with new regulatory developments.

For the Banca dei Territori Division, the most important projects met the needs of rationalising and upgrading the Network, to support out-of-branch offerings and the flexibility of branch opening hours. The ever-increasing focus on the importance of customer relationships resulted in the development and additional upgrading of marketing promotions, the Internet and Mobile channels and the instruments supporting the service provided by relationship managers. Furthermore, activities were implemented to centralise the management of terms and conditions and to further improve transparency in loan management processes. The preparatory activities were carried out for obtaining the PCI (Payment Card Industry) certification, a global standard for security and integrity of Group payment card data.
Support was also provided to the consolidation of the consumer credit segment, which resulted in the creation of Intesa Sanpaolo Personal Finance, and activities were launched for participation in EXPO 2015, for which Intesa Sanpaolo is a partner.

As regards the Corporate and Investment Banking Division, the ICT Systems Department was involved in completing the revision of the entire application architecture of Banca IMI, in order to support operations on capital markets and ensure a quick time-to-market in delivering new solutions. In this view, the architecture is being expanded by next generation front-office systems for Investment Management in Equity and Forex areas, and the use of risk-weighted assets (RWA) for calculating decision-making authorities is being extended. The activities supporting international operations of the Division also continued, with the activities in preparation of opening the new Istanbul branch and measures aimed at improving efficiency in all international branches. New components were created for the commercial analysis system as well as the fundamental components of the new advanced pricing system for transactional products for Corporate customers, which can now also avail of the new functionality of the InBiz platform, with improved infrastructure. Lastly, for the C.I.B. Division, the components set out in the plan for participation in the securities settlement platform of the ECB, set to launch in June 2015, have been developed.

Important work was also done in order to align with applicable regulations. In this regard, it is important to note FATCA, (Foreign Account Tax Compliance Act, an act aimed at combating tax evasion) and the Dodd-Frank Act, which governs operations in derivatives, for the US, and, in Europe, the EMIR (European Market Infrastructure Regulation). Also at European level, measures were implemented as a result of Basel 2 and 3 regulations, the Italian and French Tobin Tax, provisions of the Bank of Italy for supervisory reports and reports to the Italian Revenue Agency, banking transparency, provisions of the Italian Data Protection Authority and, lastly, participation in the SEPA project of the ECB. The Payment HUB project was continued, which is included in the Group Transaction Banking programme aimed at creating a new platform that participates in SEPA payment processes and generates and routes domestic and international payment orders (and correlated information) for all Group banks.

Renewed commitment was made to simplifying both the services provided externally and the internal operating model (production process and related controls, operational management and administrative processes) continued in order to reduce costs and increase efficiency. The initiatives to improve the operating model involved both applications, through the re-engineering of numerous important applications, and infrastructures, with the technology upgrading of telecommunications systems and services, the rationalisation of the printer pool and the Stability of Open Systems (SSO) programme.
The ICT Systems Department's commitment to simplifying services provided externally took shape in numerous activities, such as activating a dedicated securitisation instrument, providing support for optimising space in properties used by resources throughout the country and interventions on lending. Activities aimed at facilitating and simplifying the sharing and dissemination of the information required for day-to-day operations, upgrading monitoring and increasing the efficiency of the main operating processes of the Head Office Departments continued.
The commitment to innovation was confirmed, both in order to upgrade existing technological architecture and to create new Business opportunities. In 2013 numerous projects were launched to improve efficiency in and develop infrastructures. "Move and Pay", Intesa Sanpaolo's brand to promote the use and spread of P2P(peer-to-peer) transactions for money transfers and near field payments, was upgraded further, making the product ready to match the mass dissemination of mobile phone SIM equipped with NFC (Near Field Communication) technology, expected in 2014. Also for mobile devices, new applications were issued for iPhone and Android, and the M-site was published, which manages all the apps produced so far on a single internet site.
Dematerialisation initiatives were also significant. The most important initiative concerned cheques, and is part of a specific project promoted by the Italian Banking Association - ABI, to enable and promote the use of images of cheques instead of the hard copy credit instruments. Another important dematerialisation project is working on the gradual elimination of paper used for investment product contracts.

As regards extraordinary operations, all the activities supporting the merger by incorporation of Banca Infrastrutture Innovazione e Sviluppo into the Corporate Division of the Parent Company and of Cassa di Risparmio di Ascoli Piceno into Banca dell'Adriatico were carried out, as well as those for the spin-off of the Leasing business line to Leasint. For the latter, support activities were also carried out for the merger with Mediocredito Italiano to create the SME Finance hub. Lastly, in order to definitively complete the activities relating to the sale of the Securities Services business to State Street Bank Corporation, the project for the disposal of outsourced services was launched, and is planned to be completed in 2014.

GEOGRAPHICAL AREAS

(millions of euro)

	Italy	Europe	Rest of the World	Total
Operating income				
2013	12,965	2,805	525	16,295
2012	14,344	2,980	557	17,881
% change [(a)]	-9.6	-5.9	-5.7	-8.9
Loans to customers				
31.12.2013	300,990	36,096	6,905	343,991
31.12.2012	329,845	37,795	8,985	376,625
% change [(b)]	-8.7	-4.5	-23.1	-8.7
Direct deposits from banking business				
31.12.2013	318,777	46,641	6,615	372,033
31.12.2012	325,971	48,203	6,179	380,353
% change [(b)]	-2.2	-3.2	7.1	-2.2

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

[(a)] The change expresses the ratio between 2013 and 2012.

[(b)] The change expresses the ratio between 31.12.2013 and 31.12.2012.

With regard to subdivision by geographical areas, the activities of the Intesa Sanpaolo Group are mostly concentrated in the domestic market. Italy accounted for 80% of revenues, 87% of loans to customers and 86% of direct deposits from banking business. Abroad, the Group has a significant presence in Central and South-Eastern Europe (Croatia, Slovenia, Slovakia, Serbia, Hungary, Bosnia and Herzegovina, Albania, Romania and Ukraine), in the Russian Federation and in the Mediterranean area (Egypt).
As regards the performance of operations in 2013, there was a decrease in overall bank funding volumes in Italy lower than in the other European countries, while loans to customers showed a sharper decline in Italy. The same trend was also recorded in operating income, which fell more sharply in Italy than in Europe and the rest of the world.

Corporate governance and remuneration policies

Corporate Governance and remuneration policies

Corporate Governance

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

Shareholder base

According to records in the Shareholders' Register and the most recent available information, as at 20 February 2014 shareholders with stakes exceeding 2% – threshold that, if exceeded, requires communication to both the company and Consob, pursuant to Italian legislation (Art. 120 of the Consolidated Law on Finance "TUF") – are as follows.

Shareholder	Ordinary shares (*)	% held on ordinary share capital
Compagnia di San Paolo	1,506,372,075	9.713%
Blackrock Inc [1]	775,978,889	5.004%
Fondazione Cariplo	767,029,267	4.946%
Fondazione C.R. di Padova e Rovigo	700,092,011	4.514%
Ente C.R. Firenze	514,655,221	3.319%
Assicurazioni Generali	407,792,743	2.629%
Fondazione C.R. in Bologna	313,656,442	2.022%

(*) held directly or indirectly.

(1) held as assets under management.

Compared to the situation reported as at 31 December 2013, note that on 14 February 2014 Harbor International Fund disclosed that its shareholding had fallen to below the significant threshold of 2%. Lastly, on 20 February 2014 BlackRock Inc. reported that the number of shares held had increased, by way of asset management, to above the significant threshold of 5% as indicated in the table.

The dual model

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

The Shareholders' Meeting

The Shareholders' Meeting is the body deemed to represent all Shareholders and its resolutions, passed in accordance with the law and the Articles of Association, are binding on all Shareholders, irrespective of their attendance or dissent. In the dual management and control model adopted by Intesa Sanpaolo, the Shareholders' Meeting is, amongst other things, expected to resolve upon:
– the appointment, removal and remuneration of members of the Supervisory Board, including Board Members vested with special duties;
– the responsibilities of members of the Supervisory Board and, without prejudice to the concurrent duties of the Supervisory Board, of members of the Management Board;
– the allocation of net income;
– appointment and revocation of the independent auditors;
– the approval of financial statements unless approved by the Supervisory Board;
– the approval of remuneration policies for Management Board Members and financial instrument-based plans, in keeping with the provisions of law and regulations in force;
– transactions reserved by the law to resolution of the Extraordinary Shareholders' Meeting.

The Supervisory Board

The Supervisory Board is composed of a minimum of 15 and a maximum of 21 members, including non-shareholders, appointed by the Shareholders' Meeting, who remain in office for three financial years.
Intesa Sanpaolo's Ordinary Shareholders' Meeting, held on 22 April 2013, determined the number of members of the Supervisory Board and, pursuant to Article 23 of the Articles of Association, appointed the Supervisory Board for 2013-2015, electing Giovanni Bazoli as Chairman and Gianfranco Carbonato and Mario Bertolissi as Deputy Chairpersons.
Pursuant to the Articles of Association, election of the board took place on the basis of lists of candidates with the integrity, professional and independence requisites envisaged by law and by the Articles of Association, presented by Shareholders holding at least 0.5% of the ordinary share capital.
The Supervisory Board performs steering, strategic supervision and control duties. Therefore, in addition to the supervisory functions of the board of statutory auditors under the traditional management and control model, it is also charged with certain duties traditionally attributed to the Shareholders' Meeting, such as the appointment and removal of Management Board members, actions against members of the Management Board and approval of the financial statements.
The Supervisory Board established the following Committees from among its members:
– the Control Committee, which proposes, advises and investigates on matters regarding internal control, risk management and the IT accounting system. The Committee also performs the duties and tasks of a Surveillance Body pursuant to Italian Legislative Decree 231/2001 on the administrative responsibility of companies, supervising operations and compliance with the Organisational, Management and Control Model adopted by the Bank;
– the Nomination Committee, which is responsible for advising, selecting and proposing appointments to the Management Board and one or more General Managers;
– the Remuneration Committee, which is responsible for proposing and advising on remuneration, in accordance with law, the Articles of Association and supervisory regulations;
– the Strategy Committee, responsible for supporting the Supervisory Board and Chairman in examining proposals received from the Management Board on general programmes and strategic guidelines, business and/or financial plans, and strategic transactions;
– the Financial Statements Committee, which supports the Supervisory Board and Chairman in studying issues relating to preparation of the Parent Company's and consolidated financial statements, making, amongst other things, recommendations regarding approval of the financial statements and independently requesting, on behalf of the Supervisory Board, additional information and clarification to the management bodies;
– the Related Party Transactions Committee, which - in accordance with the current Group Regulation on the subject - is responsible for transactions with related parties of Intesa Sanpaolo and associated entities of the Group (except those pertaining to remuneration, which fall within the purview of the specific Committee), expressing a prior reasoned opinion when requested.

The Management Board

In accordance with the Articles of Association, the Management Board is composed of a minimum of 7 and a maximum of 11 members, including non-shareholders, appointed on Nomination Committee recommendations by the Supervisory Board, which determines their number at the time of appointment.
On 9 May 2013 the Supervisory Board determined the number of members as 10, appointed Gian Maria Gros-Pietro as Chairman, Marcello Sala as Executive Senior Deputy Chairperson and Giovanni Costa as Executive Deputy Chairperson, and recommended to the Management Board that Enrico Tommaso Cucchiani be appointed as Managing Director and CEO (which the Management Board arranged at its meeting of 9 May 2013).
Following the resignation of Enrico Tommaso Cucchiani as Managing Director and CEO, at its meeting on 29 September 2013 the Supervisory Board integrated the Management Board by appointing Francesco Micheli as Board Member for the remainder of the year and for 2014 and 2015. On that same date, as recommended by the Supervisory Board, the Management Board appointed Carlo Messina as Managing Director and CEO.
The Management Board remains in office for three financial years, until the date of the Supervisory Board meeting called to approve the 2015 financial statements.
The Management Board has sole responsibility for management of the Bank in compliance with general, programme-related and strategic guidelines approved by the Supervisory Board, with which it cooperates, to the extent of its own duties, in performing the strategic supervisory role. For this purpose, the Board resolves on all transactions – relating to both ordinary and extraordinary administration – necessary, useful or appropriate in achieving the corporate purpose.

Head Office Departments

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

Chief Operating Officer (COO)

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

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

Chief Financial Officer (CFO)

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

Chief Lending Officer (CLO)

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

Chief Risk Officer (CRO)

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

Chief Governance Officer (CGO)
The CGO is responsible for:
- ensuring assistance and advice to the corporate bodies of the Parent Company and to Top Management in terms of proper implementation of corporate law and for the supervisory regulatory profiles at Group level;
- providing assistance in all corporate transactions involving the Parent Company and Group companies;
- handling the obligations connected to the corporate governance of all Group companies, Management Board operations and the Shareholders' meeting;
- ensuring that the Group's interests are safeguarded in all specifically assigned subsidiaries;
- handling the Group's Corporate Relations, promoting and steering relations with Public Administration, with Control and Supervisory Authorities, with trade and other associations and with international bodies.

The following are not part of the aforementioned governance areas:

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

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

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

Remuneration policies

The issue of remuneration of listed companies and financial intermediaries has been gaining growing attention by international bodies and regulators, aiming to guide issuers and intermediaries towards the adoption of remuneration systems that are consistent with the principles - intensified following the economic and financial crisis - governing the process for drawing up and approving the remuneration policies, their compensation structure and their transparency.
In particular, according to these principles, remuneration systems must take into account current and future risks and the level of capitalisation of each intermediary, and guarantee remuneration based on results actually achieved. With effect from 2011, Italian Authorities defined a set of key rules, also in accordance with the relative community regulations adopted on this issue.
By regulation dated 30 March 2011, the Bank of Italy issued new Provisions dictating harmonised rules and regulations to govern the remuneration policies, systems and practices in banks, in terms of the relative process of drawing up and control, compensation structure and disclosure obligations. The Supervisory Authority further intensified monitoring of this last issue by including remuneration systems and practices among the information to be disclosed under Pillar 3 reporting, pursuant to Title IV of Circular 263 dated 27 December 2006.
Moreover, ISVAP (now IVASS), with regulation no. 39 of 9 June 2011, dictated the principles regarding the decision-making processes, structure and disclosure obligations of the remuneration policies of insurance companies.
In its resolution no. 18049 of 23 December 2011, Consob regulated implementation of the provisions contained in Article 123-ter of the Consolidated Law on Finance, which require issuers to draw up and publicly disclose a report on remuneration.
Finally, several important updates have been introduced on the self-governance level as well. After being initially modified (March 2010) in the part regarding remuneration, the Corporate Governance Code underwent a complete overhaul that resulted in the publication of a new edition in December 2011.
In fact, the Bank of Italy subsequently revisited the topic of remuneration policies with two communications dated 2 March 2012 and 13 March 2013, highlighting in general the opportunity for banks to define a strategy that is consistent with the objective of preserving, with a view to the future, the equilibrium of the company's position, as well as maintaining the conditions of capital adequacy and prudent management of liquidity risk. In November 2012, the Supervisory Authority, in implementation of the guidelines of the European Banking Authority (EBA) calling for a comparative analysis at the European level, launched a thorough process of collecting information concerning the remuneration of all employees, in which it dedicated particular attention to the amount of variable remuneration of "key personnel" and resources known as "high-earners" whose total annual remuneration is at least 1 million euro.

Lastly, in December 2013 the Supervisory Authority launched a consultation on the amendments it intends to make to the aforementioned Provisions issued on 30 March 2011, with a view to implementing the provisions of the CRD IV Directive.
At the time of preparation of this Report, the consultation has ended and the issue of new provisions, which the system shall comply with as prescribed, is pending, without prejudice to the fact that the policies currently in force anticipate, and already implement, part of the recommendations indicated in the consultation paper (the introduction of a cap on variable remuneration equal to 100% of fixed remuneration, with the only exception being for company control functions and the manager responsible for preparing the company's financial reports, the cap for which remains 33%).

Consequently, based on the provisions of the aforementioned Article 123-ter of the Consolidated Law on Finance, a specific Report on Remuneration is drawn up and published together with the Report on Corporate Governance and Ownership Structures. This Report also takes into account the obligations of disclosure to the Shareholders' Meeting, in accordance with the supervisory provisions issued by the Bank of Italy. Furthermore, as part of Basel 2 Pillar 3, extensive qualitative and quantitative information has been provided in Table 15, recently introduced into the document by the Bank of Italy.
Intesa Sanpaolo has always focused extensively on the issue of remuneration, observance of the relative regulations and utmost transparency on the market. The above information updates and integrates the methods followed until now, gathering into a single, well-organised and structured document and, in a specific Pillar 3 chapter, all of the qualitative and quantitative information which, before 2011, depending on their type, was contained in the Report on Corporate Governance and Ownership Structures, in the Supervisory Board's report submitted to the Meeting, pursuant to Article 153 of the Consolidated Law on Finance, and in the financial statement documentation.
Both documents are available at www.group.intesasanpaolo.com. See these documents for a complete and detailed analysis of the remuneration and incentive systems and practices and for the relative quantitative information.

Procedures for adoption and implementation of the remuneration policies

At Intesa Sanpaolo, company that adopts the dual management and control system, the remuneration policies are partly resolved by the Shareholders' Meeting and partly by the Supervisory Board, with involvement of the Management Board in matters regarding the employee remuneration policies.
More specifically, in accordance with Article 2364-bis, paragraph 1, no. 2) of the Italian Civil Code and pursuant to the provisions of the Articles of Association, the Shareholders' Meeting is responsible for determining the remuneration amount for Supervisory Board Members appointed by the same and for Members appointed to special offices. The Shareholders' Meeting is also responsible for approving the remuneration policy for Management Board Members and the financial-instrument based remuneration schemes.
The Supervisory Board – in accordance with the remuneration policies resolved by the Shareholders' Meeting and with the support of the Remuneration Committee – is responsible for determining the remuneration for Management Board Members, also in relation to the offices and duties attributed to them (Chairman, Deputy Chairperson, Managing Director, Executive Board Member). The Supervisory Board is also responsible for approving, upon proposal by the Management Board, the remuneration policies for employees, including General Managers and Key Managers, and for other staff not bound to the company by an employment agreement.
The Management Board, in accordance with the Articles of Association, has the exclusive responsibility for making decisions regarding:
– determination of the compensation for General Managers, further to the mandatory opinion of the Supervisory Board;
– determination, further to the mandatory opinion of the Supervisory Board, of the compensation for the Manager responsible for preparing the Company's financial reports;
– the definition, further to the opinion of Supervisory Board, of the remuneration for the managers of internal company control functions, including internal audit, compliance to regulations and risk management, pursuant to the applicable laws or regulations.

The remuneration policies for employees and other staff not bound to the company by an employment agreement are drawn up by the Human Resources Department, which involves the relevant company functions in order to guarantee, among other things, their consistency with the strategic objectives and the level of capitalisation and liquidity of the companies and of the Group, as well as their compliance with the Group's rules, regulations, codes of ethics and standards of conduct.
On an annual basis, the Internal Auditing Department, in accordance with the guidelines of the Supervisory Authority, verifies compliance of the remuneration implementation procedures to the relevant policies, informing the Supervisory Board and the Shareholders' Meeting on the results of the verifications conducted.

Remuneration of the Supervisory Board Members

The Bank's Articles of Association envisage that members of the Supervisory Board be entitled to a fixed remuneration for the services rendered, which is determined for the entire period of their office by the Shareholders' Meeting at the time of their appointment, also taking into account the remuneration due to Board Members appointed to special offices (Chairman, Deputy Chairperson and Secretary of the Board).
Furthermore, in terms of the activities that the Members are called upon to carry out as members of the Committees established within the Supervisory Board pursuant to the Articles of Association, the Shareholders' Meeting has envisaged recognition of an additional remuneration amount for the Committees' Chairmen (which all the officers concerned have waived) and an attendance allowance for each Supervisory Board Member who is part of the Committees, based on actual attendance at each meeting. An attendance allowance based on actual attendance at each meeting of the Management Board is also envisaged for members of the Control Committee, required by the Articles of Association to participate in the meetings of the Management Board.
The fixed remuneration for members of the Supervisory Board were reduced by one third by the Shareholders' Meeting, compared to those approved for the previous term, and reflect the initiative implemented by Board Members in office at that time, who waived 1/3 of the remuneration for their office with effect from 1 July 2012.

Remuneration policy for Management Board Members

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

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

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

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

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

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

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

Employee remuneration is broken down into the following:

a) fixed component, defined based on the contractual agreement, the role held, any responsibilities assigned, and the specific experience and expertise acquired by the employee, including any indemnity;
b) variable component, linked to employee's performance and aligned to the short and long-term results actually achieved, and consisting of:
   - o specific incentive systems, as described further on, that provide for bonuses in line with market standards, as reported by periodic specialist surveys such as the Italian Banking Association's annual salary survey, focusing on personnel of the commercial network;
   - o company bonus, envisaged by the Italian collective labour agreement and designed to reward employees for productivity increases, on the basis of their respective job profiles;
c) any benefits designed to increase employee motivation and loyalty; these may be of a contractual nature (e.g., supplementary pension, health benefits, etc.) or the result of remuneration policy decisions (e.g., company car) and, therefore, have different treatment with respect to different categories of personnel.

In accordance with the regulatory guidelines, the Intesa Sanpaolo Group traditionally adopts a pay mix that is appropriately balanced between the aforementioned components, in order to:

– allow flexible management of labour costs, as the variable portion may significantly decline, even down to zero, depending on the performance actually achieved during the year in question;
– discourage behaviours focused on the achievement of short-term results, particularly if these involve taking on greater risk.

In order to achieve the above objectives, it is standard Group practice to establish ex ante limitations in terms of balanced maximums for variable remuneration, through the definition of specific caps on the increase of bonuses in relation to any over-performance.
From 1 January 2013 this cap on variable remuneration was set at 100% of the fixed remuneration, adopting the requirements of Directive 2013/36/EU ("CRD 4") in advance of a year.
However, in terms of cap compliance between fixed and variable remuneration (1:1), the pay mix was differentiated with respect to the following:

– the various categories of personnel, with particular focus on "Key Personnel" and the "Extended Scope", in order to adequately reflect the level of impact on risk and performance, limiting the weight of the variable component for personnel of the internal control functions;
– professional categories, i.e. by business unit, consistently with the results obtained from specific benchmark analysis of the leading European banking groups that also guarantee observance of the internal equality principle, given the use of common benchmarks for each statistical population;
– key staff members demonstrating high management quality, in order to support meritocracy and retention of these resources.

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

The correlation between remuneration, performance and risk is ensured for all employees through:

– use of a balanced pay mix, as the fixed component is sufficiently high to allow the variable portion, which is never guaranteed, to decline significantly, even down to zero, upon occurrence of the conditions specified below;
– the application of the principle of selectivity, which differentiates the best performances and, in return, assigns significantly higher-than-average bonuses;
– the introduction, on the basis of the "financial sustainability principle", of a structured mechanism for funding the variable component (bonus pool), which correlates the amount to be allocated to incentives for all company segments to the performance of a Group parameter, currently identified as income before tax from continuing operations;
– use of a solidarity mechanism between Group and Division/Business Unit results, according to which the amount of total bonuses paid to the employees of each Business Unit depends in part on the Group's overall performance (reflected in the size of the bonus pool) and in part on the performance of the specific Organisational Unit, measured in terms of the degree of expected contribution to the Group's income before tax from continuing operations;
– the introduction of the "guided discretion principle", which translates into the assignment to the CEO of a limited part of the Group's bonus pool (10%) eligible for allocation, once the threshold has been reached, to departments that have exceeded their access thresholds, as further recognition for the quality and level of performance achieved;
– compliance with the access conditions envisaged in international and national regulations, i.e.:
   - o at Group level, the achievement of capital adequacy and liquidity levels, and in more general terms compliance with the limits envisaged in its own Risk Appetite Framework (RAF);
   - o at individual level, the propriety of conduct (absence of disciplinary measures resulting in one or more days of suspension);
– measurement of performance from multiple perspectives, both quantitative (profitability, growth, productivity, cost of risk/sustainability) and qualitative (strategic actions or projects and managerial qualities), as well as extending to different perimeters (Group/Department/Individual). The following are some examples of indicators for performance drivers:
   - o profitability: Operating income/RWA, Income before Tax from Continuing Operations/Tangible Equity vs. Peers, Portfolio mix (assets under management vs. assets under administration) and Combined ratio (non-life business).
   - o Growth: Operating income, revenues / total assets (asset management);
   - o Productivity: Cost/Income, Recovery on directly managed problem portfolios (top level doubtful and non-performing loans) and Operating Income/FTE;
   - o Cost of risk/sustainability: Adjustments to loans/period-end loans, Concentration risk, balance sheet quality and active risks profile;

– the use of an additional mechanism that measures the residual risk level of each Business Unit (Q-Factor) and that acts as a possible de-multiplier of the bonus achieved in the event of failure to reach the target.

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

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

The termination of service of personnel with state pension or seniority pension rights and/or A.G.O. pension treatment does not result in loss of the right to payment of the entitled amounts, even deferred.
In all other cases, the company has the right to award any amounts, depending on the specific situations, on termination of the employment contract, also through consensual retrenchment agreements providing termination indemnities.
In any event, compliance with the principles of the Group Code of Ethics excludes the option of offering "golden parachutes" to its managers and employees, meaning individual agreements signed ex ante (i.e. prior to termination of the employment contract) that govern remuneration agreed in the event of early termination of employment.
In recent years, the Bank has signed specific agreements with the trade unions with regard to the "solidarity fund", applied to employees of all grades, including executives, which also governs the treatment of sums payable to personnel on termination of service in the event of extraordinary transactions and/or company reorganisations.

Social and environmental responsibility

Social and environmental responsibility

Activities continued in 2013 to promote social and environmental responsibility as a distinctive characteristic of Intesa Sanpaolo. The corporate social responsibility management model (CSR) continued to operate in two implementing environments: the Code of Ethics and the Sustainability Report.
The Code of Ethics states the corporate values and principles of conduct towards stakeholders, and defines the implementing and assessment mechanisms used by the highest governance bodies to ensure that the values are adhered to and firmly embedded in the life of the Bank. The Sustainability Report discloses the outcomes of a CSR management process based on a virtuous circle of stakeholder engagement and listening: defining the improvement objectives, KPI monitoring on the implementation status and, lastly, reporting.

Monitoring of the Code of Ethics implementation is performed using new methods, more consistent with the self-governance model. Starting with the ISO 26000 Guidelines, the international standard on integrating social responsibility into company practices, the departments performed an initial self-assessment under the direction of the CSR Delegates, followed by an independent third-party assessment to study in depth aspects in which the self-assessment indicated potential risks. The areas monitored were all those envisaged by ISO 26000: organisational governance, human rights, labour rights, the environment, fair operating practices, customer issues, involvement and development of the community. The focus in each area was on issues emerging as most significant among the stakeholder engagement and materiality analysis processes.
With regard to the management processes associated with the Sustainability Report, the stakeholder listening and engagement activities formed part of a particularly important event for the Group: preparation of the new Business Plan. In this stage of analysis and strategic decisions, the gathering and understanding also of points of view from outside the Bank were fundamental. For this reason, in addition to the customary listening activities, conducted in strong synergy with the departments responsible for customer satisfaction, relations with consumer associations, investor relations, trade union relations and internal communications, a 2014 Multistakeholder Forum was organised to obtain the points of view of qualified representatives such as opinion leaders, universities, research centres and public institutions. The issues debated contributed to understanding the current changes in the Italian and international socio-economic and environmental scenarios, influencing the Bank's activities and performance in the medium term. The scenario that emerged allowed a focus on significant issues that represent development or risk management opportunities, thereby defining areas for improvement on matters of interest to the Bank, society and the environment. The materiality analysis was also conducted with a view to making disclosure of our commitment more concise, usable and transparent. The Sustainability Report refers to additional information on the website, making numerous hyperlinks available. The appendix contains all the numeric indicator tables illustrating progress made in the three-year period.

During the year the Rules for the Environmental and Energy Policy were updated to cover the new energy certification UNI EN ISO 14064:2012, which defines the principles and requirements for the quantification and reporting of greenhouse gases (GHG) emissions, granted to the sites included in the Environmental and Energy Management System. The updating of these Rules aligned internal regulations to international best practices and improvement measures taken by the Group.
The basic principles underlying our Environmental and Energy Policy remain waste management, gradual improvement of energy efficiency and performance, and the focus on the environmental and social consequences of our decisions. Intesa Sanpaolo confirms its commitment to the ecosystem, biodiversity and risks associated with climate change, not always appropriately included when discussing credit and wealth management issues.

The dissemination of corporate responsibility culture has been the focus of intensive planning by the CSR Unit and the Training Department, which worked together to ensure that the transfer of awareness and the dissemination of values in day-to-day work went hand in hand. This was possible also thanks to the CSR Delegates of the Bank's various departments, particularly with regard to the implementation of the new monitoring and control process for the Code of Ethics. To meet this commitment, training was aimed to explain and implement the "self-assessment" pilot project for departments through four training sessions on the ISO 26000 standard which contains the guidelines on the principles and key issues of corporate social responsibility.
During the year the CSR Unit also met with the Italian CSR Delegates and the International Subsidiary Banks' Delegates at events dedicated to updates and further study of social and environmental issues. The International Subsidiary Banks' Delegates were the lead players in a specific "CSR Drops" training project with the aim of supporting them when operating abroad. After a lengthy course, the Delegates narrated stories based on their own sustainability practices, resulting in four videos to be circulated during 2014, to demonstrate how CSR is truly becoming heritage shared by the entire Group.
For the employees of Intesa Sanpaolo Vita a project was designed, and is still in progress, on the basis of corporate values and responsibility disseminated to help build the identity of an insurance group established from three different companies. The initiative is implemented through stories expressed by the people involved who, in keeping with the Code of Ethics, promote the experience of individuals to the benefit of team spirit and mutual cooperation.
The training course on application of the Equator Principles and dedicated to Parent Company project finance specialists concluded in 2012. In 2013 it was instead made available to colleagues in the Group's International Subsidiary Banks which, in accordance with their operations, first need to adopt the implementing rules for the Equator Principles issued in 2012. Three banks hosted the courses: Banka Koper, Intesa Sanpaolo Bank Romania and CIB Bank.
In 2013 Intesa Sanpaolo gained numerous awards for its activities in the various areas of action: In the environmental field, the Bank received the Green Globe Banking Award, for "green" excellence in the banking sector, in the Direct Environmental Impact category, for its "Filiale a energia quasi 0" (Nearly 0 energy branch) project implemented in Venezia Marghera.

EDIVA ("Etica, Dignità e Valori Associazione Stakeholders Aziende di Credito Onlus"), an association of persons from the academic, banking and voluntary work fields, rewarded the Bank for its listening and dialogue activities with stakeholders. Lastly, the Intesa Sanpaolo Group Pension Fund was voted "2013 Sustainable Investor" at the closing conference during the Sustainable and Responsible Investment Week for its pro-active approach to managing environmental, social and governance issues in its investment or share ownership process.

Relations with stakeholders

Employees

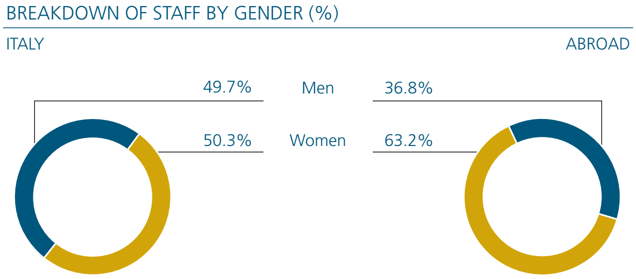
In 2013 – in a complex economic scenario that for the last five years has shown continuing problems affecting Italian and international markets – Intesa Sanpaolo launched initiatives to strengthen its market competitiveness through increasing productivity, cost containment, rationalisation of its organisation by means of an approach aiming at constantly safeguarding internal cohesion, confirming its commitment to seeking and sharing solutions with employee representatives that can limit social consequences.

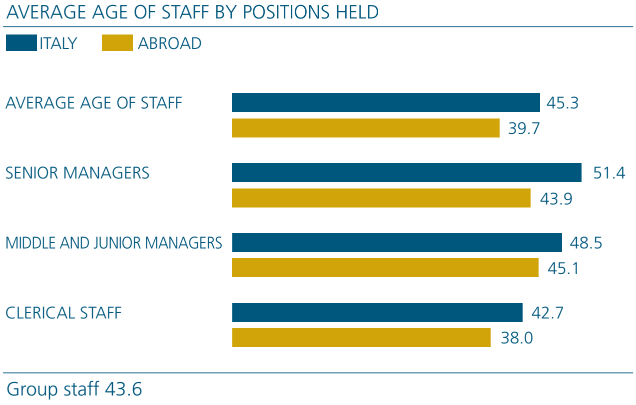
In this scenario, during the year the corporate human resources strategy:

– created value through an industrial relations system capable of maintaining social cohesion and developing innovative, sustainable solutions focused on enhancement of the Group's integrated welfare system for its employees and their families;
– through structured corporate processes, organised merit enhancement initiatives by offering opportunities for involvement in career development projects and paths to motivated and talented employees;
– In line with its long tradition, invested in ongoing training, focusing on important projects in support of corporate strategic decisions.

A determined, efficient action for increasing productivity and the strong commitment of all company members to finding mutually agreeable solutions to cost moderation measures, including measures of a transitory nature, form the basis for a new growth process to restore sustainable profitability levels and to create conditions that protect current and future employment.

Employment and welfare will be the two priority aspects of future measures aiming to motivate and involve employees in terms of flexibility, efficiency and productivity. These measures also aim to develop an organisational model that can create value by embedding the local system into the mainstream, through alternative and proximity channels for customers and innovative products and services.





Staff breakdown by type of contract (%)	Italy	Abroad	Total
Permanent contracts	98.6	91.2	96.4
Employment contracts - permanent	0.2	-	0.2
Apprenticeship contracts	0.6	0.2	0.5
Employment contracts - apprentices	0.4	-	0.3
New recruit contracts	-	-	-
Non-permanent contracts	0.1	8.6	2.6
Temporary workers (in Italy: Supply and Project workers) - (number)	26	192	218

The solutions identified by the Bank and the trade unions in the Group agreement of 11 April 2013 identified measures and tools to structurally reduce costs and manage redundant personnel as a result of corporate streamlining processes and rationalisation of central and back office structures. The understanding envisages exit incentives for employees that already meet the legal requirements for retirement and envisage a public offer encouraging voluntary access to the Solidarity Fund.
An innovative measure was also introduced by which employees with access to the Fund will, in the half-year prior to termination of their employment contracts, see a reduction in working hours ("defensive solidarity") for 12 working days per month out of the 30 normally paid, thereby receiving remuneration higher than what they would receive from immediate subscription to the Solidarity Fund.
Also as a result of the partial achievement of cost objectives identified in the agreement, further discussions took place which led to the Agreement of 2 July 2013. This Agreement established an extension to the period granted for employees' subscription to the Solidarity Fund, the promotion of part-time employment – also covering all the suspended applications – and, above, all, the option for everyone to request the use of reduced working hours/suspension from duty for a maximum of 10 working days. This measure was accepted due to the high number of applications.

The agreements reached on payment of the company bonus confirmed application again in 2013 of the innovative "social" bonus formula that allowed employees to make use of this remuneration in the form of reimbursement of children's school fees, integrated health services and/or supplementary welfare benefits, also in favour of family members. This solution achieved the Bank's cost sustainability in a difficult market context, whilst enhancing corporate welfare and maintaining disbursement levels in line with those of past years, without prejudice to employees' option to access traditional disbursement in cash.
The most important result in the strengthening of corporate identity was the setup, through trade union agreements, of Associazione Lavoratori Intesa Sanpaolo for Group employees and pensioners and their families, merging 24 employee associations established in the Group's various companies. This offers maximisation of benefits, operating synergies and operational expansion, also in terms of services to individuals. The new Association, financed by the Bank and association members, is a new form of complementary welfare as part of the integrated corporate welfare system, that includes activities relating to supplementary pension plans, health services, people care and mobility management.

The aim of strengthening the Group's shared identity and increasing employee awareness of the quality and extent of welfare services provided also led to the presentation to trade unions of the rationalisation project for the supplementary pension plan segment. At present, over 30 Pension Funds are dedicated to Group employees as a result of the continuation of all pre-existing welfare plans in the companies involved in the merger process. The establishment of a single Group Pension Fund represents a strongly-felt need that would not only allow compliance with the guidelines drawn up by the Supervisory Authority, but would also lead to many advantages for the corporate community such as: reduced operational and financial risks, reduced underwriting risks as a result of the migration of at least a portion of subscribers to the funds existing prior to the voluntary capitalisation, economies of scale and scope economies, completion of the Fund's autonomy and independence from the Bank and the standardisation of services.
With regard to health services, after assessing the performance of the launch stage of the Group Health Fund, the Bank informed the trade unions, the founders of the Funds, of the corrective measures necessary to guarantee balance, confirming and structurally reinforcing the transitional changes already adopted for the period 2012-2013 on the governance of services provided to retired subscribers and their families, and extending the mandate of statutory bodies already in office by one year in order to guarantee full analysis of the results for the first three years of business and to guarantee that decisions are made as appropriate for the measures defined by the founders of the Funds.

Recruitments during the year (by type of contract)	Italy	Abroad	Total
Permanent contracts	258	1,195	1,453
of which employment contracts	-	-	-
Apprenticeship contracts	55	47	102
of which employment contracts	-	-	-
Non-permanent contracts	33	1,149	1,182
New recruit contracts	-	9	9

Regarding employment, in 2013 the Group recruited 2,746 persons (346 in Italy and 2,400 abroad). At Group level the number of women reached 54.2% and the investment in the future through the introduction of new resources continued in line with company objectives.

	Turnover rate
Italy	-1.75%
Men	*-2.24%*
Women	*-1.26%*
Abroad	-3.59%
Men	*-4.12%*
Women	*-3.28%*

The Group workforce turnover rate recorded a drop (-2.31%), in line with the structural measures planned.
Again in 2013, the remuneration policies and incentive systems continued to pursue the objective of correlating the total bonus budget available for variable remuneration to the results actually achieved by the Group, adjusted for the extent of short-term and long-term risks actually assumed, and taking into account that an adequate level of capitalisation has to be maintained. This led to the creation of a structured funding mechanism that allows the funding level of all Group incentive systems to be aligned with the actual availability of economic resources. In 2013 the incentive systems were updated on the basis of recommendations from national and European Regulators. In particular, and in advance with respect to Directive 2013/36/EU (CRD 4), the Group introduced a 1:1 cap on variable remuneration as a ratio of fixed remuneration, for the purposes of responsible containment of investments in variable remuneration.
Within the framework outlined above, the connection between individual leveraging and incentive mechanisms to better differentiate variable remuneration on a merit basis has been strengthened, without prejudice to compliance with the principle of symmetry between the incentives assigned and actual results achieved at corporate level. This connection was represented by the introduction of individual performance measurement sheets for managers, which include quantitative objectives in terms of profitability, cost of risk/sustainability, growth and productivity (generally referring to the manager's own department), and qualitative objectives (strategic projects, managerial activities and talent management). The compulsory introduction of at least one cost of risk/sustainability objective, along with the qualitative section referring to project-related initiatives and human resource motivation/development allows managerial activities to be oriented towards a long-term target and human capital development.
In order to ensure that communication of the targets is more transparent and objective, a web-based system has been developed to handle the management incentive system which in future will allow increasing transversal and vertical consistency with the targets assigned.

Training	**Italy**	**Abroad**	**Group**
Total hours of training courses	3,270,443	814,344	4,084,787
Training hours per employee	50.2	29.1	43.8

Alongside its institutional role of transferring knowledge and disseminating values, training has increasingly been called upon to support, and sometimes steer, the change and innovation processes. Therefore, in 2013 training activities focused on a number of important projects in support of the Bank's strategic decisions.
The Banca Estesa Project training offered the opportunity to share new logics improving the customer service quality: extended business hours, integrated multichannel operations and out-of-branch offering. In the Offsite Project, due to continue in 2014, around 1,000 employees were involved (Branch Managers and Personal Managers of Banca dei Territori) with the aim of sharing new aspects of the model and strengthening financial and operational skills associated with out-of-branch offering.
The training also supported the Bank's need for a response to the overall lending situation in the current economic scenario. The "Creare valore con il credito" (create value through credit) training project involved over 11,000 employees from the credit granting process, in a two-day workshop designed to increase employees' skills in steering business customers towards sustainable credit solutions, i.e. suited to individual business needs and consistent with the underlying risks.
The focus on support to businesses was also consolidated with the "Adottup" programme, implemented in partnership with Confindustria PMI, in which the Intesa Sanpaolo "Officine Formative" selects and trains the start-ups and presents them to Confindustria's SMEs for future membership.
With regard to skills enhancement, the first edition of the Level 1 Master's course in Banking and Financial Services Management concluded in November 2013. It was set up in 2010 following an agreement with the University of Turin's Business School for young employees recruited under an apprenticeship contract. The first course certificates were delivered to over 300 apprentices, with a special mention for the authors of the top 30 Project Works produced as their final examination.
The improved access to and use of training, of course, has always been a central issue: the enrichment of all the training channels consequently continued in 2013. In particular, the Miaformazione portal was renewed and the social learning tools enhanced. The "Quaderni di Formazione" (training workbooks) were also introduced, representing an in-depth topic-based tool (technical and managerial) circulated periodically to the desks of all employees in Italy.
"ON Air", which started in 2011 as a pilot project, is the reference platform for the Group's professional management and development which to date has involved employees in the central structures and Banca dei Territori Division. The platform aims to accurately enhance internal professionalism through targeted investment measures regarding the "employability" of human resources now and in the future, with a constant focus on enhancing skills also with respect to new careers. ON Air promotes employees' motivation through a structured process of self-nomination for career development courses which, after a screening and assessment process, are followed by the activation of individual development paths. All of this is designed to constantly monitor and develop human resources according to a Succession Planning process. Self-nomination is therefore the distinguishing feature of ON Air: it is the criterion for the identification of merit and personal motivation towards professional growth, thus ensuring better career development of individuals also in terms of diversity management.

Since 2010 the "Performer" assessment system, applying at Group level and including the international hubs, has been based on the expected profile logic, appraising employees on the basis of their conduct in relation to the complexity and specific nature of their duties, with objectivity and fairness of assessment also through professional self-assessment and an individual development plan based on strengths and investment areas.
In November 2013, "Permano" – an initiative launched in 2009 as part of a series of activities to improve the relationship between private life and working life – was transformed from a project into a process. "Permano" has included into the organisational system an approach of sensitivity and focus on employees that have been absent from the Bank for a long period, facilitating their return. This is based on our Bank's values such as respect for specific cases and care for the individual: fundamental elements of our Code of Ethics.

Many employee involvement and listening activities were performed in 2013, starting with the climate analysis that involved 60,951 professional staff and middle managers, with around 57% participation, 995 managers with a participation of 68% and 23,170 employees of the international subsidiary banks with a participation level of 40.4%. 35 local sessions were held – "Life and work in Intesa Sanpaolo" – attended by more than 400 employees from all company departments involved in the life of the Bank. The "Insieme per il Piano d'impresa" (together for the Business Plan) initiative involved approximately 6,000 employees with sales responsibilities in all of Intesa Sanpaolo's countries of operation, to gather proposals and ideas for Group development through the next Business Plan. The initiative was implemented by means of an online survey and 11 focus groups, 3 of which abroad.

Risk assessment of the health and safety of employees was carefully managed by the Prevention and Protection Department through a special management system in compliance with the most important national standards. Monitoring was constant, performed through site visits of the business units, allowing the "Risk Assessment Document" to be kept up to date and available to all employees.
There was a special focus on the risk of work-related stress, using a method developed in partnership with the Occupational Health Clinic of the University of Milan. Analysis of the indicators did not show a significant presence of work-related stress and identified areas for improvement and control to enhance levels of wellbeing. In quality terms, the result is consistent with the outcomes of health monitoring examinations on employees apparently in good health, with a greater percentage of employees judged to be in good general health (89.1%) and with a disorder/illness frequency lower than that of the general population.

Total accidents throughout the year	**Italy**	**Abroad**	**Total**
Total accidents throughout the year	812	155	967
Accidents inside the company	*211*	*24*	*235*
Accidents outside the company	*601*	*131*	*732*
Percentage of accidents out of the total number of employees	1.2	0.6	1.0

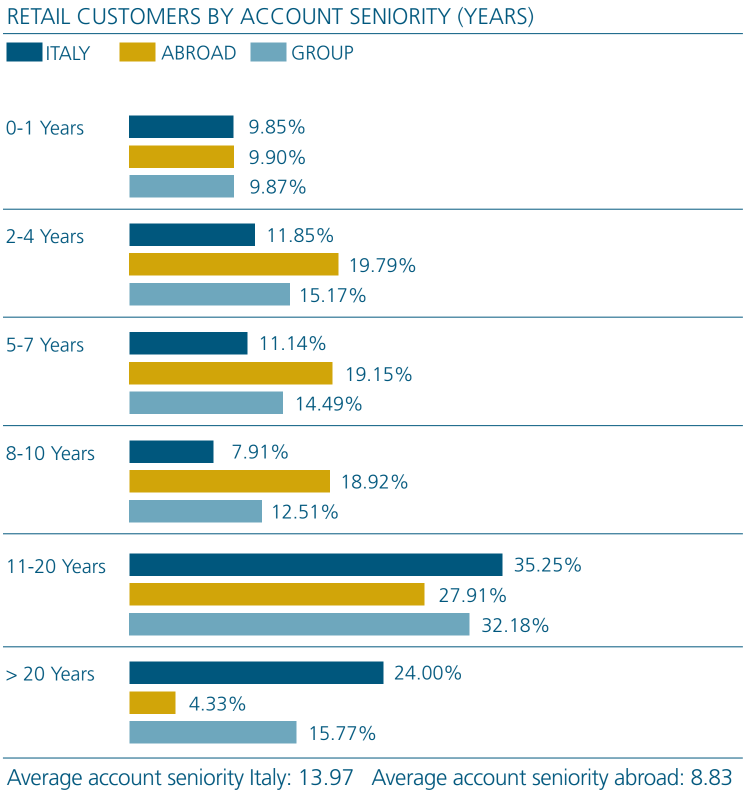
Given the arrangements for extended working hours and shifts, in 2013 specific monitoring was also performed on the adequacy of the health and safety system for branches involved in the "Banca Estesa" project, with updating of the risk assessment which led to an increase in the number of fire officers and first aid officers in all branches involved in the project.
To improve air quality in the working environments, environmental sampling was performed in "typical" branches, the results of which will be used as the basis for improving the ventilation and air filter systems and for drawing up maintenance specifications. For the head office buildings, in partnership with the University of Milan and Insubria, the Bank participated in a European research project - "OFFICAIR: on the reduction of health effects from combined exposure to indoor air pollutants in modern offices" - designed to assess indoor air quality and identify more effective preventive measures.

Post-robbery support activities continued with help from specialists at Milan University, arranged with the voluntary prior consent of interested parties, provided by the company doctor and – in cases considered more critical (given the dynamics of the event) - also by psychologists. With regard to the risk of robbery, during the year all branch managers in the Group were asked to complete a questionnaire, the results of which will also be used to update the assessment of this risk.
The focus on health and safety issues was also constantly backed by specific training and education activities which also involved the management of disabled employees and seismic risk.

In 2013 no corporate liability was confirmed in any of the three case types listed below:
- deaths of permanent staff in the workplace in which corporate liability was confirmed;
- serious accidents in the workplace resulting in serious or very serious injury to permanent staff in which corporate liability was confirmed;
- charges related to occupational diseases from employees or former employees and cases of mobbing in which corporate liability was confirmed.

Customers
The continuing difficulties for the economy and the resulting slowdown in the production cycle have generated hardship and in some cases problems in meeting the primary needs of families and the weaker social groups, such as the elderly, young people and immigrants. In this context, Intesa Sanpaolo has continued to guarantee innovative financial solutions and access to different activities supporting the banking system. With regard to sustainability of the economic conditions of home mortgages, renegotiation options have been made available which, as a result of lower monthly instalments and extension of the term of the residual mortgage, help reduce the impact on the household budget. In 2013 over 36,400 mortgages were renegotiated in Italy, for a residual debt of approximately 1.8 billion euro.

The solutions to suspend instalment payments for customers in temporary difficulty have been made available through ABI's "Household Plan" initiative (around 12,600 applications for suspension have been accepted since the beginning of the initiative; iIn 2013 alone almost 1,600 suspensions were applied for a residual debt of almost 105 million euro) as well as the Ministry of the Economy and Finance initiative "Solidarity Fund for first home mortgages". Since the launch of the latter initiative a total of more than 2,500 mortgages have been suspended. In 2013 alone, 1,600 applications were accepted for a residual debt of around 137 million euro.
Again with regard to home purchases, at the beginning of December 2013 the "Rata Leggera" initiative was launched with the aim of providing support for the recovery of consumption. Households already making regular payments on a first home mortgage are offered the opportunity of lightening the burden of instalments by suspending payment of the principal by one year, at no additional cost. This form of relief frees up household funds for use in other plans or to meet expenses with greater confidence.



To facilitate access to credit for households with a new-born child or a child adopted in 2012, 2013 or 2014, Intesa Sanpaolo adopted the "Prestito Nuovi Nati" (new-born loan) initiative by agreement with the Family Policy Department, which set up a specific guarantee fund for disbursement of loans. In 2013 more than 2,000 applications were accepted for a total value of over 10 million euro.
Support for young people was once again a highly important area in 2013. Intesa Sanpaolo participated in a number of initiatives promoted by the Youth and Civil Service Department of the Prime Minister's Office, such as subscription to a Fund with an initial capital injection of 50 million euro which offers the necessary guarantees to grant first home mortgages to young couples or to single parent families. From 2014, young people under 35 with a non-standard employment contract will have access to the Fund. In 2013, 47 applications were accepted for a total value of over 5 million euro.
The Superflash product also continued in 2013: the umbrella brand 100% dedicated to young people which covers services, special initiatives, dedicated websites and is characterised by a product mix targeting the simplified meeting of young people's requirements in terms of transnational products, lending, investment and welfare plans. It is on this very issue that the Group has also considered it important to dedicate specific subsidised terms for young people, in consideration of their particular welfare-related vulnerability.
For people over 60 the offer of a range of subsidised products has continued, including a new savings book and a named, rechargeable prepaid card that links typical current account services to the customer's payment card functions. 2013 saw the launch of the "Riconoscimento Senior" (senior bonus) programme, which offers benefits in three different sectors: health with special arrangements with clinics and diagnostic centres applying a direct discount on services; services with access to an information platform and guidance on social, welfare and tax-related services at subsidised rates or free of charge, in partnership with the ACLI associations; recreation and hobbies, with opportunities to purchase selected products and services at preferential prices through the Bonus programme.
With the aim of encouraging integration and financial inclusion of non-Italians, Intesa Sanpaolo developed three complementary services, the characteristics and costs of which make the range complete and competitive, allowing money to be sent to any country in the world: Getmoney to Family, which allows money to be sent to the main countries of origin of migrants, through partnership agreements signed with local banks; Express to Family, which allows the transfer of money to Intesa Sanpaolo Group banks in Albania, Egypt, Romania, Serbia and the Ukraine, and Money Transfer Western Union, which through its widespread agent network allows money to be received anywhere in the world. In 2013 over 87,400 transactions were completed for a total of more than 52 million euro.

Once again the environmental emergencies of 2013 saw Intesa Sanpaolo working alongside households and economic operators. Various moratoriums were launched with respect to repayments on mortgages and loans to cover damage caused by the earthquake in the provinces of Massa Carrara and Lucca, the flood in Tuscany, the tornado that hit the upper and middle Polesine areas, the flood in Sardinia and the blizzard in the Belluno area.

Also with regard to businesses, dialogue continued with the SMEs in order that the Bank could work alongside them on a path to overcome the crisis. Intesa Sanpaolo was party to major agreements between associations and institutional organisations.
In March 2013, through the new agreement with Confindustria Piccola Industria (the fourth since 2009) the 10 billion euro credit limit was renewed, of which 200 million euro dedicated to new business projects. The areas covered by the programme support international development, growth in size and quality new business. For the latter, the "Adottup" project was launched in which Intesa Sanpaolo is a strategic partner. This is an innovative project in which SMEs nominate themselves to become start-up incubators, become “tutors” and support their development. In addition to specific support (NeoImpresa, Officine Formative, Start-Up Initiative, Atlante Ventures), Intesa Sanpaolo makes dedicated loan facilities available to both the tutor and the adopted start-up. Between April and October 160 business ideas nominated themselves and were assessed. 65 of these were selected by the Committees (joint Confindustria-Intesa Sanpaolo committees) and contacted to discuss the matter further.
With regard to the loans, in 2013 Intesa Sanpaolo provided support for more than 4,500 new businesses with almost 450 million euro in medium/long-term financing (including the new “NeoImpresa Loan” specifically for start-ups) and over 19,000 new businesses with 578 million euro in new short-term loans.
In September Intesa Sanpaolo also adopted the Agreement signed by ABI and the trade associations, which identifies measures in favour of Small and Medium Enterprises (SMEs). In a recession scenario, the Agreement aims to guarantee the availability of sufficient funds to SMEs which, despite reporting liquidity tensions, in any event indicate positive prospects for development or at least continuity. The Agreement reformulates suspension and extension measures for loans in a similar way to those envisaged in “Nuove Misure per il Credito alle PMI” (New Measures for Credit to SMEs) issued on 28 February 2012 (the agreement expired on 30 September 2013). For both Agreements, in 2013 the transactions suspended numbered more than 12,700 for a total residual debt of over 3 billion euro and around 490 million euro in extended debt. The number of extension applications accepted was over 1,000 for a total residual/deferred debt of more than 337 million euro, whereas 39 recapitalisation loans were granted for a total of 14.4 million euro.

In relation to innovation support, Intesa Sanpaolo’s Start-Up Initiative continues, proceeding along its path of acceleration for growing companies: a structured, ongoing process of research, training, selection and presentation to investors of start-ups with a high technological content, which in four years has seen more than 60 editions, increased the number of countries, technologies and industrial sectors, and developed partnerships worldwide with Berkeley University’s Global Social Venture Competition and in Italy with the Università Cattolica/Altis and the San Michele Valore Impresa association, in partnership with Banca Prossima. Three years after its launch, 39 editions have been held in Italy and there have been 24 international events. Of more than 2,100 start-ups involved, 591 took part in training courses and 454 met with over 5,000 Italian and international investors. For the start-up businesses, these meetings generated over 2,400 statements of interest from potential investors, totalling no less than 65 “success stories” among the businesses involved.
Also well worth mentioning is the Nova+ financing programme which supplements the traditional credit rating analysis with a technical and business assessment of the investment plans, conducted by a Mediocredito Italiano team of engineers specialised in the various product sectors which makes use of partnerships with a number of Italian universities to assess the technological risk of the more complex and ambitious projects. The “Nova+ FNI Disegni” and “Nova+ FNI Brevetti” loan facilities were launched in 2013, offering support for SMEs’ model, design and patent industrialisation projects through loans included in a portfolio of transactions backed by guarantees provided by funds of the Italian National Innovation Fund. The total loans disbursed in 2013 amounted to over 360 million euro for 333 initiatives.
As regards public administration, the commitment to promoting the implementation of large infrastructure works of national interest continued. In parallel with this type of financing, adoption of factoring without recourse to avoid delays in payments from Public Administration for supply services, planning and public works was significant, thereby guaranteeing the necessary cash flow to businesses forced to face a critical situation. Specific agreements were signed with numerous Local Authorities throughout Italy, including the Municipalities of Florence and Varese and the Provincial Governments of Alessandria, Padua, Ravenna, Pesaro-Urbino, Matera and Nuoro. This was also the context for the renewal of the agreement with Roma Capitale for the without recourse factoring of receivables claimed from the Municipality by cooperatives that provide personal and community services, such as associations that support the disabled and elderly, day-care centres and park maintenance services.

Shareholders

In 2013 the Group’s priority objective was to preserve the sustainability of results in a macroeconomic scenario still unstable due to the continuing crisis. Attention was strongly focused on actions aimed at strengthening the capital base and further improving the profile of risk and liquidity, as well as on profitability targets.
During 2013, in a still very difficult economic scenario, communications with the financial community continued to focus on sustainable profitability and the Group’s solidity as a safe point of reference for stakeholders. To guarantee access to all, again in 2013 this information was made available quickly, easily and economically through a number of channels: Internet, conference calls via a toll-free number, brochures and the free distribution of financial statements on request. The Investor Relations section of the website has a well-organised content and thematic updates providing stakeholders with extensive, systematic information. In order to contribute to the creation of long-term sustainable value, regular and frequent meetings were held with the financial community that consolidated lasting relationships based on mutual trust.
Intesa Sanpaolo is included in several sustainability indexes, which are characterised by their assessment of companies not only from an economic performance point of view but also according to environmental, social and governance criteria. In particular, Intesa Sanpaolo’s presence was reconfirmed on the Dow Jones Sustainability Indexes (World and Europe), the FTSE4Good indexes (Global and Europe), the ECPI indexes, the Ethibel Excellence Investment Register and in CDP’s Italy 100 Climate Disclosure Leadership Index. Oekom Research also confirmed that Intesa Sanpaolo achieved the Prime Status for its social and environmental commitment. Intesa Sanpaolo was included in the UN Global Compact 100 Stock Index launched in 2013. In 2014 the magazine Corporate Knights indicated the Bank as the only Italian company among the top 100 most sustainable worldwide and was added to the Standard Ethics indexes (Italian Banks and Italian Index).

Suppliers

In 2013 the overall expenses incurred by the Intesa Sanpaolo Group for purchases totalled over 2.6 billion euro, with breakdown as follows:

BREAKDOWN OF 2013 ADMINISTRATIVE EXPENSES BY CATEGORY

2013 saw the launch of the project for the centralisation of Group Procurement. Designed mainly to standardise the procurement rules and processes and to apply a standard model in Intesa Sanpaolo companies, the project also proposes greater awareness of issues associated with social and environmental responsibility. It is in this context, in fact, that the new Group Procurement Guidelines were issued with their related implementing rules. These integrate social and environmental responsibility criteria across the board and require that all departments involved take them into due consideration during the sourcing process.
The Parent Company's relations with its suppliers followed transparency and fairness principles again in 2013. For this reason, oversight of the Suppliers Portal and continuous enhancement of its functions are particularly important. The portal offers an online bidding system: those who apply are required to register online, where, if invited to take part in a tender, they can follow all the stages of the process in a transparent manner. In fact, through a special section every supplier can interact with the related buyer and view the available documents or the progress of the tender. The constant increase in the number of online tenders has improved communications and raised the level of transparency of the relations.
With regard to payment times monitoring, in 2013 the Portal module dedicated to accounting communications was completed and went into production, allowing suppliers full visibility of their own orders, payments and invoices. It should be emphasised, however, that obligations associated with *Joint Liability of Contractors* has relatively slowed the positive trend. This fact is due mainly to whether or not additional documentation requested to suppliers is available.
Management of the Portal, following its complete renewal in 2011, is now fully operative. The registration requires that, in addition to personal and company details, the supplier also completes the section dedicated to social and environmental responsibility even though the planned implementation of supplier assessment via technical/environmental ratings is not yet complete.
Furthermore, the assessment of bids takes into consideration the general sustainability of the contract. In other words, the selection criteria not only seek the best price for the bank, but also assess the true fairness of the price proposed by the supplier in relation to the activities conducted, excluding bids that are clearly too low and not otherwise justified, which could imply underlying irregular conduct by the service providers, for example avoidance of employee contributions or failure to comply with legal obligations or with safety regulations.
Lastly, still in this stage, candidates have to confirm they have read the Organisational, Management and Control Model (Legislative Decree 231/2001), the Group's Internal Code of Conduct and Intesa Sanpaolo's Code of Ethics: Then if the candidates become our suppliers, the contractual clauses they have to sign include the commitment to comply with the principles of the aforementioned documents, also by their officers/employees/collaborators.
At the end of 2013 approximately 5,300 suppliers were registered on the Portal. Of these, approximately 2,700 completed the registration process. An in-depth analysis of registered suppliers' responses to questions on social and environmental responsibility showed the following: 11% declare publication of a social and environmental report, 3% hold SA 8000 certification, 17% have a code of ethics or policies describing their social commitment, 12% hold environmental certifications and 7% have an environmental policy.

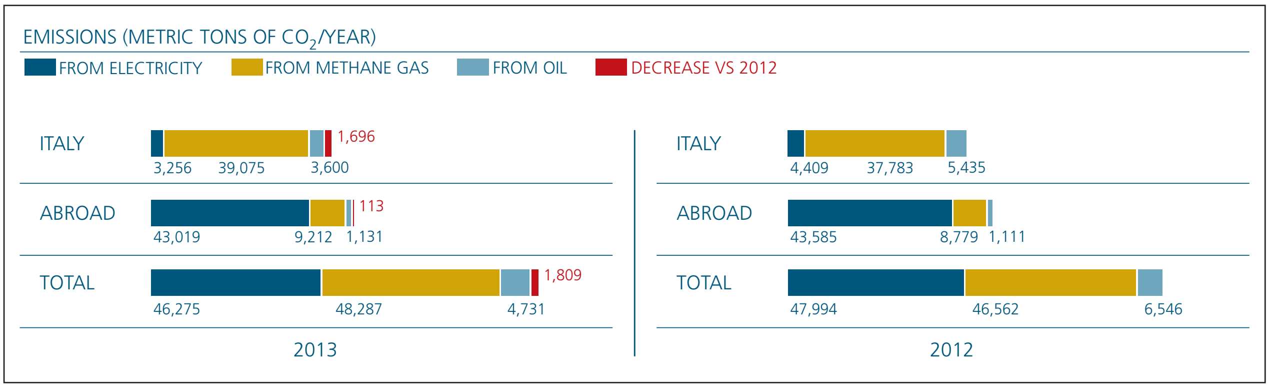
The activities of Intesa Sanpaolo's Prevention and Protection Department refer not only to employee protection but also to the protection of suppliers conducting their activities on Bank premises. The activities consist in sharing current Health and Safety rules with these suppliers, ensuring that their employees operate according to suitable standards and guaranteeing that no risks arise from interference between the activities of the various suppliers and those of Bank staff.
For this purpose the training initiative that began in 2012 continued, with the aim of improving the operations of suppliers working with Intesa Sanpaolo. Information posters were installed in 2013 in the head office buildings accessed by suppliers, bringing their attention to safety rules to be complied with in the Group's working environments. For 2014 a second supplier engagement campaign is planned to stimulate them to access the specially prepared web page and to attend the training course.

Environment

The Intesa Sanpaolo Group has for some time been committed to the prevention, management and reduction of environmental impact generated by either its own activities (direct impact) or that of customers and suppliers (indirect impact), through application of its Environmental and Energy Policy.
The Group's commitment in this sector revolves around the almost exclusive use of renewable source energy, the achievement of energy savings and gradual improvement in terms of energy efficiency, with a subsequent decrease in CO_2 emissions. The monitoring of such activities is performed by a dedicated Environmental Sustainability office, coordinated by the Energy Manager in liaison with the Mobility Manager, who is in turn supported by ten Area Mobility Delegates. With respect to

certification of the Environmental and Energy Management System (SGAE) pursuant to UNI EN ISO 14001:2004 and UNI CEI EN ISO 50001:2011 standards, respectively governing the monitoring of environmental aspects and significant energy use, in 2013 Intesa Sanpaolo added a third certification – for the same area – namely for the quantification and reporting of its greenhouse gases (GHG) emissions in accordance with the international standard UNI EN ISO 14064:2012.
This process not only captures the spirit of constant improvement underlying the System itself, but also confirms the Bank's willingness to remain up to date by constantly seizing upon new opportunities and pursuing the optimisation of its environmental and energy performances. Intesa Sanpaolo was also one of the first Italian companies to obtain the certification for its own GHG emissions, which also makes it a point of reference for other sector operators.
At the end of 2013 the extension of the Environmental and Energy Management System to a group of Banca di Credito Sardo branches was finalised, with the sample population now covering around 200 operational units.
The Group's electricity consumption in 2013 in Italy accounts for over 16% of the banking and insurance sector, recording a strong decrease compared to the previous year.

Energy consumption by source (million kWh)	2013			2012		
	Italy	**Abroad**	**Total**	**Italy**	**Abroad**	**Total**
Heat energy	203	65	268	202	48	250
Electricity	401	105	506	441	109	550
of which from renewable sources	*381*	*3*	*384*	*419*	*-*	*419*
of which from cogeneration	*12*	*-*	*12*	*11*	*-*	*11*
of which from traditional sources	*8*	*102*	*110*	*11*	*109*	*120*



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

Two additional photovoltaic plants were installed in 2013, for a total peak capacity of around 40 kWp (bringing the total installed capacity to 866 kWp): as a result of these installations and the purchase of electricity from renewable sources, in 2013 it is estimated that around 150,000 metric tons of CO_2 emissions were avoided. A further 1,800 metric tons per year of CO_2 emissions were avoided by self-generation of energy from renewable sources through heat pumps.

In Italy the overall savings in electricity consumption - the energy most used in the Group due to the high level of automation and widespread use of heat pumps - amounted to 8.8%, potentially corresponding to around 15,000 metric tons of CO_2 emissions avoided.
Despite the extended working hours of the Flexi Branches, these results were achieved through initiatives aiming to improve overall energy efficiency:
– greater use of energy consumption dataloggers managed via web, which allow the activation of switch on/switch off programming of the lighting and air conditioning systems;
– application of the Building Heat Check-up (CTE) procedure in buildings and branches covered by the SGAE system, which allowed significant savings to be achieved: in the last two winter seasons (2012-13 vs. 2010-11) the application sites achieved an overall heat energy saving of approximately 8-9%;
– remote switch-off of PCs and the gradual replacement of office equipment with more energy-efficient models.

A major contribution to reducing electricity consumption in 2013 also came from the "NO-SERVER Branch" project, which through the disposal of around 5,000 branch servers at the end of 2012 led to an energy saving of over 1,700 MWh, corresponding to approximately 700 metric tons of CO2 equivalent emissions avoided.
In addition, in line with the contents of the internal policy on sustainable branches, renovated or newly built sites were fitted out in accordance with criteria for improving energy efficiency and management. As a result of measures taken in recent years, mainly associated with the replacement of traditional boilers with condensation boilers, heat pumps and high-yield cooling units, and the replacement of windows with low-E glass, the Group was able to claim tax deductions (of around 18 million euro from 2009 to 2013).
Procurement of environment-friendly paper has now reached a high percentage (around 93%) of the total purchased, as also required by the sustainability policy for the purchase and use of paper, with preference given to post-consumption recycled, high-fibre content products followed by a large quantity of certified paper (FSC and/or ECF/TCF).

Intesa Sanpaolo's commitment to replace, wherever possible, printed communications with equivalent electronic reporting has allowed the consolidation of objectives achieved in recent years on reduced paper consumption, with subsequent decrease in CO_2 emissions.
The results in detail are: dematerialisation of various printing stages outsourced to external services (direct debit notices, credit transfer statements, receipts for loan payments by standing order, data sheets for the operational units and back offices) has led to avoiding the use of 670 metric tons of paper (1,290 metric tons of CO_2 equivalent emissions avoided). The ongoing campaign stimulating customers to request online reporting has saved over 427 metric tons of paper, with 820 metric tons of CO_2 equivalent emissions avoided.
The ISPad system used in branches to sign forms for various transactions (deposits, withdrawals, cheque encashment, purchase/sale of foreign currency, individual ordinary credit transfers, fund transfers and the purchase of tickets/subscriptions for events) has led to the dematerialisation of accounting copies for the Bank and its customers to the extent of almost 71 million printouts, the equivalent of around 354 metric tons of paper and approximately 670 metric tons of CO_2 emissions avoided.
In relation to "green" purchases, it should also be mentioned that the Intesa Sanpaolo Group has carried out a number of purchases of office materials according to green criteria: 92.06% recycled pens, 57% recycled pencils featuring NF environment certificates, 100% recycled PVC coin holders and three-stud folders in 100% recycled paperboard.

In 2013 the amount of waste produced in Italy increased by 19% compared to 2012. This increase is mainly attributable to the disposal of massive amounts (hazardous and non-hazardous) of office equipment for which a special preservation order had been in place whilst investigations were completed by the US Government.
The overall costs incurred for environmental protection in Italy remained essentially stable, with slight fluctuations also due to normal physiological changes in the area concerned. Regarding compliance with environmental regulations, there have been no reports of damage to the environment from the Bank's operations or significant fines.

As regards staff training, the "Ambientiamo" platform continued to be available and in 2013 a module was added, dedicated to products offered by the Intesa Sanpaolo Group in support of the development of renewable energies, energy savings and environmental sustainability.
Intesa Sanpaolo takes part each year in many awareness initiatives, for example RAI's Radio2 broadcast "M'illumino di meno", "World Environment Day", "European Renewable Energy Week" and "European Week for Waste Reduction" with communication campaigns that target customers through the use of IT tools available on the ATM machines, the website and at Branches.

The Mobility Management Department is responsible for defining the strategies and guidelines on sustainable mobility, and their coordination at Group level in line with social responsibility and environmental policies. Updated reports on the Home-Work Commuting Plans submitted to the Local Governments of the 11 areas involved (Milano, Napoli, Parma, Roma, Torino, Moncalieri, Vicenza, Padova, Firenze, Venezia and Bologna) illustrated the results and the implementation status of the key initiatives planned for last year, offering tangible proof of the solutions and projects adopted at corporate level on mobility issues. The most important initiatives were: the issue of an online questionnaire on home-work commuting habits that involved all employees working in the 11 cities covered by the Plans; the launch of phase 2 to optimise the model for reporting environmental sustainability indicators for Corporate Mobility in countries outside Italy; the preparation of a handbook for the 10 Mobility Territorial Delegates, aiming to indicate practices and recommendations on all aspects associated with mobility management in the Group's office buildings; inauguration of the "Parco in Banca" structures in Piossasco; the constant monitoring of a Business Travel integrated system that promotes responsible and careful conduct to reduce economic and environmental impact. Among the main projects planned for the current year, the Mobility Management Department particularly proposes completion of the network of arrangements with public transport operators, promotion of the payment by instalments of public transport travel passes through the portal and the enhancement of all available communication channels to promote the sustainable mobility culture, also through greater use of the "Lync" internal videocommunication system.
Through these and other projects, a number of which are particularly innovative, the Group achieved high-level national and international recognition, including the Green Globe Banking Award (Direct Impact category) thanks to the "Filiale a energia quasi 0" (Nearly 0 energy branch) project implemented in Venezia Marghera.
From the study presented by ABI's Renewable Energies Observatory, the sector that made the largest investments in Italy during the crisis was the Green Economy, so much so that from 2007 to 2012 the banking system financed projects for around 25 billion euro, to which the Intesa Sanpaolo Group contributed approximately 10 billion euro.
The offer of loans targeting the corporate, small business and individual customer segments wishing to invest in energy savings and renewable sources continued in 2013.
In terms of personal loans to individuals, in 2013 about 181 "Prestito Multiplo esigenze ecologiche" loans to meet ecological needs were allocated for a total of approximately 9.8 million euro.
With reference to the Small Business and Corporate segments, medium/long-term loans continued in 2013 in support of projects associated with the use of photovoltaic panels, biomass plants, hydroelectric plants and energy efficiency works.
A significant number of loans for plants designed to produce energy from renewable sources were disbursed through Leasint and Centro Leasing, the Intesa Sanpaolo Group companies dedicated to leasing transactions. In 2013, 120 contracts were signed for the "Leasenergy" and "Leasenergy 20-200" products for a total of around 250 million euro. As part of its activities in support of green energy development, Leasint has signed 1,787 lease contracts, contributing to the construction of renewable source energy production plants totalling more than 2.2 Gigawatt.
In the second half of the year a new loan option was made available to environment-friendly customers: the "Mutuo Domus – Case prefabbricate in legno" dedicated to financing the purchase, construction or renovation of pre-fabricated homes in wood.
As the economic management of non-profit organisations is often affected by the high cost of energy, through agreements signed with the main E.S.Co companies operating in Italy, Banca Prossima and the FITS! Foundation have begun to offer non-profit organisations the chance to request an energy audit at limited cost and constant quality monitoring of the efficiency improvement measures taken.

Agriventure, an Intesa Sanpaolo Group company dedicated to the agricultural, agro-food and agro-energy sectors, provides consulting services to businesses in the production chain, from the primary industry to initial transformation. As a result of Agriventure expertise, in 2013 it was possible to hold a major conference in partnership with the Cuneo Chamber of Commerce on the long-term benefits deriving from renewable energies in the area, with a driver effect for the entire national economy.
In identifying new trends and openings, through the Energy Desk, Mediocredito Italiano further consolidated its focus on energy efficiency, participating in work groups to discuss the issue with competent institutional authorities and structuring partnerships on dedicated financial proposals with leading Italian operators.
The Intesa Sanpaolo Start-Up Initiative consolidated its presence in the Cleantech sector with an international roadshow in the United Kingdom, three sector-specific editions (agrifood, construction and transport) and one edition in Italy focusing on technological applications. This last event, organised in partnership with International Venture Club and Tech Tour, the cross-border associations of European Venture Capital funds, included a round table on Cleantech investments by the companies.
Furthermore, in 2013 Intesa Sanpaolo renewed its membership of the Desertec Industrial Initiative association, which carried out a number of international-scale studies (Desert power: getting started) on development potential in the sector and on measures to be taken to make use of the potential of desert areas, as indicated in the Desertec project vision.
Activities also continue on the Internet portal Impres@mbiente: a tool dedicated to companies wishing to "go green" in their activities, allowing customers to promote the products and services they offer to their own potential customers.

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

All the company departments involved in environmental issues meet regularly at the "Green Table", an interdepartmental work group coordinated by the CSR Unit which discusses current topics and offers the opportunity to share new regulatory measures and internal best practices.
As part of environmental and social risk monitoring in project financing, through application of the Equator Principles, 2013 was characterised by consolidation and updating activities. On the one hand, the involvement of the Group's International Subsidiary Banks, i.e. those meeting all the requirements for application of the Principles, was significantly enhanced: specific workshops, adapted to suit the individual entities, were held at the offices of Banka Koper, Intesa Sanpaolo Bank Romania and CIB Bank. This project, which began in 2011 and will continue in 2014, aims to offer the Banks numerous training and information opportunities, and to support continuity and cohesion with the Parent Company's issues regarding social and environmental risk management, and in particular in relation to the correct implementation of the Equator Principles.
On the other hand, Intesa Sanpaolo has mainly focused on adapting to the new Equator Principles III, which entered into force last June and are to be compulsorily implemented as from 1 January 2014. For this reason, the CSR Unit has set up a work group made up of representatives from all departments, who are or will be involved in different ways in the application of the Principles. The work group tasks have already resulted in the preparation of the new Operating Guidelines, due for official issue in the first few months of 2014.
The environmental and social risk screening activities, from the time of adoption of the Principles to date, have involved 263 projects.

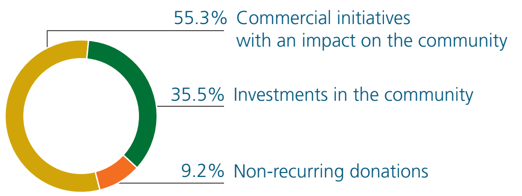
Community
Intesa Sanpaolo aims to play a role in social cohesion and support for the community in which it operates, and this has led to numerous microcredit programmes and initiatives to prevent usury, in partnership with shareholders' foundations and local Onlus associations. In this context, participation continued in "Prestito della Speranza", the major national initiative promoted by the Italian Episcopal Conference (CEI) which made a guarantee fund of 30 million euro available to cover loans disbursed by the banks: "social credit" for households in difficulty, for amounts not exceeding 6 thousand euro, and "business microcredit" for the start-up of craft and business initiatives, for a maximum amount of 25 thousand euro.
Among the partnerships already in place are that with Fondazione Lombarda Antiusura, which since 1997 has taken action to protect individuals and small businesses from usury risk, and the Fondazione Welfare Ambrosiano, financed by the Municipality of Milan and including the Fondazione Antiusura among its members, active since 2011 and promoting microcredit initiatives of a "social" and "business" nature in the Milan area in particular. Lastly, always with the aim of providing support for employment in the area, the "SVET, sviluppo economico del territorio" (local economic development) project was launched in partnership with Ente Cassa di Risparmio di Firenze and other local foundations (Fondazione Carispo, Fondazione Carifol, etc.). This project has involved SMEs and craft businesses that have been operating for at least 2 years in Tuscany and Umbria.
The support work of the VoBIS volunteers' network is crucial: an association made up of former bankers who use their expertise to help citizens and non-profit organisations.

Banca Prossima, the Group bank dedicated to the Non-Profit sector, has achieved important results in the last few years: at the end of 2013 it had over 26,500 customers, with approximately 4.8 billion euro deposits (of which 1.5 billion euro direct) and around 1.2 billion euro loans. These are major milestones that demonstrate the ability to monitor a socially important segment, above all in the current context where Public Administration has partially decreased its involvement in welfare matters. The bank's activities in the non-profit segment are not limited to lending: through FITS! activities, a business operating foundation set up by

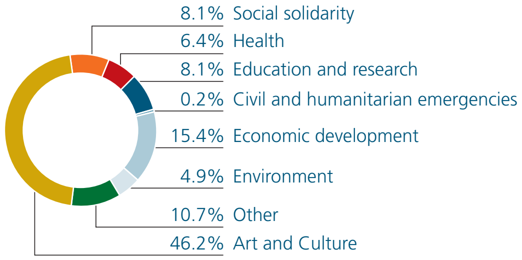
Banca Prossima, it aims to contribute to its development and the achievement of maximum economic and operating efficiency. In particular, in 2013 FITS! concentrated its efforts in the training and energy efficiency areas.

With regard to contributions to the community other than through its business activities, Intesa Sanpaolo has continued and strengthened its social, cultural and philanthropic commitment in the form of donations, international cooperation, commercial initiatives targeting the community, the promotion and protection of its artistic, historic and cultural heritage open to the public and the promotion and protection of Italy's artistic, historic and cultural heritage.
In 2013 the Group became a member of the London Benchmarking Group, an internationally recognised reporting model which measures and manages a company’s contribution to the community. This membership sees the Group committed to reporting its contributions to the community in accordance with a series of segments that provide a summary representation of the strategy and activities in this area.
Intesa Sanpaolo paid a total of over 52.7 million euro in contributions to the community in 2013. Over half the contributions (55.3%) comprised commercial initiatives (mainly sponsorships) targeting the community. 35.5% were made up of investments in the community – contributions characterised by long-term plans and/or strategic partnerships and/or of significant amounts, whilst the remaining 9.2% referred to non-recurring donations of a one-off nature and lower amounts.

MONETARY DISBURSEMENTS TO THE COMMUNITY
(breakdown by type)



MONETARY DISBURSEMENTS TO THE COMMUNITY
(breakdown by allocation sector)



The trend of making donations from the Intesa Sanpaolo Charity Fund derives directly from the disbursement plan approved by the Supervisory Board. Both in terms of quality and quantity, the Plan defines the areas of action and the priority donations, whether non-recurring or classified as investments in the community. The Plan is founded on solidarity and coordination with the non-profit sector (non-profit operators, foundations, local public entities, religious entities) for the promotion of projects that are most effective in meeting the basic needs of individuals, especially the weakest. The Plan establishes an approach designed to give preference to projects involving important social issues in support of the most fragile and disabled people. The Charity Fund aims to meet the needs of geographical areas not covered by the banking foundations, by focusing especially upon small and medium-sized organisations and projects targeting social needs.
Again in 2013 there was a strong focus on local donations (up to 5,000 euro, managed autonomously by the Regional Governance Centres) which allow branches of Intesa Sanpaolo and banks in the Banca dei Territori Division without their own charity fund (or with a fund characterised by insufficient resources) to integrate the traditional role of “territorial bank” with a considerable philanthropic, social and cultural commitment.
Continuing to play a significant role among the donations classified as investments in the community is the international partnership in the Project Malawi project, which has continued with its phase 3 planning activities. The second year of the three-year plan was completed successfully in September 2013 with the achievement of most of its objectives. This project, supported by Intesa Sanpaolo and Fondazione Cariplo since 2005, aims to create a barrier against AIDS in Malawi, starting with preventing transmission of the virus from mother to child. The health-related action is flanked by targeted action to limit the impact of the virus on the population and to relaunch the country’s economy by integrated action in the fields of health, nutrition, orphan support, prevention and local development.
In addition to donations, “Progetto Cultura” continues to be one of the key projects among the investments in the community as it is a strategic reference framework containing the multi-year planning of the Bank’s cultural initiatives. The three-year Plan 2014-2016 was prepared in 2013, strengthening the values and objectives outlined in the previous plan: making the historic, artistic, architecture and archives heritage available to the community and a targeted planning of innovative cultural and scientific proposals.

The promotion of the Bank’s artistic heritage, which aims to encourage its enjoyment by an increasingly wider public, is one of the key spheres of activity of “Progetto Cultura” which is implemented along various lines: a scientific study and cataloguing of the works; restoration activity; museum projects creating permanent displays of part of the collections; planning and organisation of temporary exhibitions; the loan of works to temporary exhibitions.
In 2013, “Gallerie di Italia” - a network of museums owned by the Bank, including the Piazza Scala Galleries in Milano, Palazzo Leoni Montanari in Vicenza and Palazzo Zevallos Stigliano in Naples – offered numerous exhibitions to the public, welcoming around 243,000 visitors during the year.
The “Gallerie di Italia” project aims to become a means of cultural and social growth of the company. In this respect, many initiatives are planned to promote the participation of an increasingly wide-ranging spectrum of the public: educational courses free of charge for schools, initiatives targeting households, activities for children at summer camps and drawing courses. To ease social fragility and hardship, various initiatives were proposed, among which are “Due passi nei Musei di Milano” (a short walk through Milanmuseums), an art therapy course arranged in partnership with Fondazione Manuli for Alzheimer’s patients and their families; cooperation with Casa di Carità, Milano; organisation of a special route for visually impaired or short-sighted people, and an art therapy project for the psychiatric day hospital centre of Local Health Authority 6, Vicenza.

With regard to activities to protect and promote Italy's artistic and cultural heritage, the "Restituzioni" project continued. This is a restoration programme for public works of art, organised by Intesa Sanpaolo in partnership with the Italian architectural, archaeological and art history inspectorates. The 2013 edition allowed the restoration of 45 groups of works of art (approximately 270 individual items) from various archaeological sites, museums and churches.

The publishing and music initiatives promoted in 2013 aimed at disclosure, preservation and public enjoyment. In addition to the "Vox Imago" and "Musei e Gallerie di Milano" series, the publication of mini-guides on historic headquarters continued and in 2013 they focused on the Palazzo Banco di Napoli. With a view to sharing its book heritage, the integrated web management for book distribution was completed. Measures taken to disseminate awareness of ancient, classical and contemporary music were also significant: in addition to helping organise the concert series, major music companies collaborated to plan education programmes for young people, including the disabled, and to organise public workshops.

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

- safeguarding Italy's cultural heritage, promoting the Group's artistic heritage and sharing this with the communities in which the Bank operates; supporting major cultural and musical initiatives to be made accessible to a wide, varied audience. These activities include: the "I Luoghi del Cuore" (places of the heart) project, created with FAI-Fondo per l'Ambiente Italiano, cooperating with theatres and cultural festivals – including the MiTo international music festival;
- encouraging education opportunities for young people, for example through the "Cultura finanziaria a scuola" (financial education at school) project implemented in 1,170 Italian high schools;
- supporting research through partnerships with leading foundations and institutes;
- supporting economic growth of the communities through bank-business dialogue events;
- promoting sustainability as a value for businesses and a confidence factor for customers through participation in Corporate Ethics and Social Responsibility initiatives;
- disseminating the values of sport, especially among young people.

Economic value generated and distributed

In 2013 the economic value generated by the Intesa Sanpaolo Group* exceeded 12.7 billion euro. This amount expresses the value of the wealth produced, most of which is distributed among the stakeholders with which the Group interacts in various ways on a day-to-day basis. In particular:

- employees and collaborators benefited from around 43% of the economic value generated, for a total of 5.5 billion euro. The caption also includes 77 million euro (before tax) relating to staff exit incentives. In addition to staff pay, the total also includes payments to the network of financial advisors;
- suppliers received approximately 21% of the economic value generated, for a total of around 2.6 billion euro in payment for goods and services;
- the Government, Organisations and Institutions recorded a total flow of funds of 2.6 billion euro, around 20% of the economic value generated and for the most part referring to current income taxes. In addition to the specific profit allocation by Group companies to Charity Funds and the donations and gifts (2 million euro), there were numerous social and cultural initiatives and measures taken through Charity Funds and social and cultural donations set up by the Parent Company in past years;
- shareholders and third parties were allocated around 6% of the economic value generated. Despite a net loss, it will be proposed to the Shareholders' Meeting that an amount be assigned to shareholders from reserves for a total of 822 million euro, whilst minority interests were allocated 7 million euro.
- the remaining 1.1 billion euro, approximately, was withheld by the corporate system. This refers to prepaid and deferred taxes, amortisation and provisions for risks and charges. Self-financing is considered an investment that other stakeholder categories make each year to maintain efficiency and allow development of the Bank as a whole.

Economic value	millions of euro	%
Economic value generated	**12,683**	**100.0%**
Economic value distributed	**-11,539**	**91.0%**
Employees and collaborators (*)	-5,503	43.4%
Suppliers	-2,647	20.9%
Government, Organisations and Institutions, Community	-2,574	20.3%
Shareholders and Minority interests (**)	-815	6.4%
Economic value retained	**1,144**	**9.0%**

(*) The caption includes charges for exit incentives of 77 million euro.

(**) The economic value distributed to shareholders (822 million euro) is borne by the reserves.

ECONOMIC VALUE IN 2013

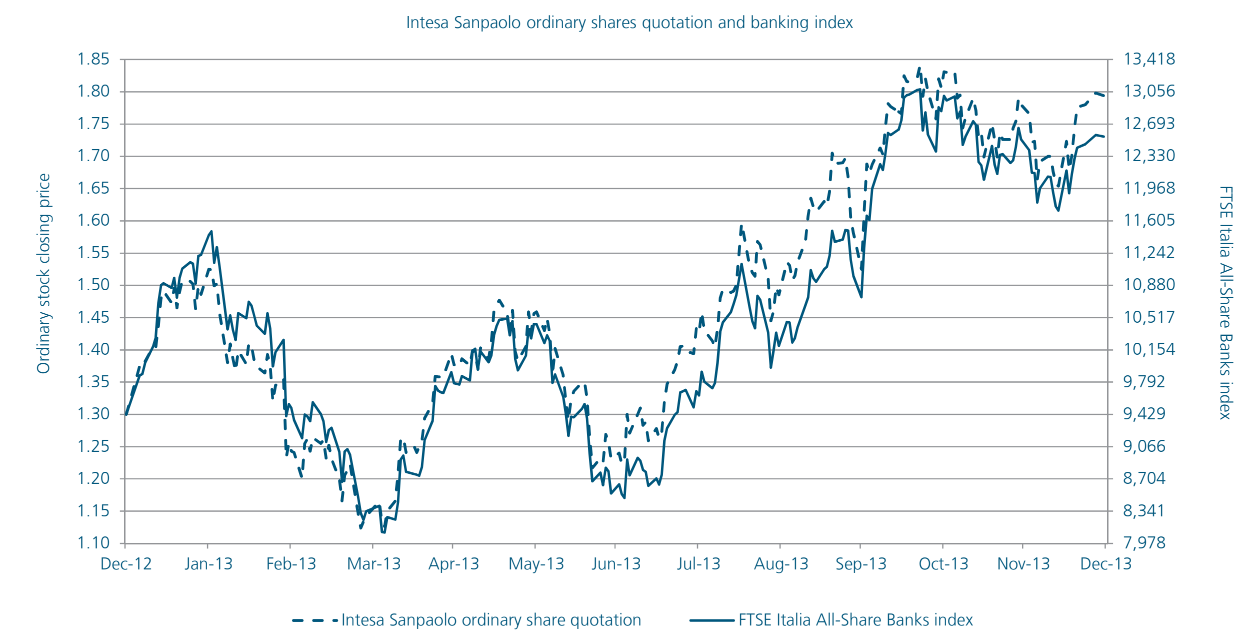
(*) The economic value generated is calculated in accordance with ABI instructions and consistent with international reference standards. The calculation is made by reclassifying consolidated income statement items recorded in the financial statements, as required under Bank of Italy Circular 262.

Intesa Sanpaolo stock

Intesa Sanpaolo stock

Stock price performance

The first half of 2013 was characterised by the uneven performance of the European banking sector: easing of the strains on sovereign debt first pushed the index prices upwards until the end of January; subsequently, the crisis of the banking-financial sector in Cyprus and the uncertainties on recovery from the economic recession triggered profit taking and led to a correction in prices, despite a temporary recovery in April and May, driven by the announcement by the Japanese Central Bank of an ultra-expansionary monetary policy, combined with the accommodating policies of the FED and the ECB. A positive performance of the banking sector was instead recorded in the second half of the year, due to the first signs of stabilisation of the cycle and considerable easing of the strains on the sovereign risk, in a scenario showing greater risk appetite by investors. The Euro Stoxx Banks index closed 2013 with a positive performance of 25.9%, which is 7.9% higher than the Euro Stoxx 50 index.
The Italian banking sector was also moderately volatile in the period, being impacted by the tensions on the sovereign debt crisis, which worsened again between the end of February and March, to then ease off in the second part of the year. After peaking in October, the Italian banking index closed 2013 with 33.1% growth, recording a better performance than the European banking sector index.
2013 performance of Intesa Sanpaolo ordinary shares was comparable to that of banking industry indexes: growing until the last week of January, subsequently decreasing until the last week of March, when the lowest point was reached, recovering in April and May, dropping in June and then recording a considerable rise up to the peak of the fourth week of October, which - despite a declining trend recorded in the last two months of the year - led to a 38% increase recorded for the stock, compared to the end of 2012.
The price of Intesa Sanpaolo savings shares was up by 37.1% at the end of 2013, compared to the end of 2012. The discount with respect to ordinary shares remained at 18% as at the end of 2012. Intesa Sanpaolo's capitalisation rose to 29.2 billion euro at the end of 2013, from 21.1 billion at the end of 2012.



Earnings per share

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

	31.12.2013		31.12.2012	
	Ordinary shares	Savings shares	Ordinary shares	Savings shares
Weighted average number of shares	15,482,226,826	932,139,199	15,492,822,013	932,170,435
Income attributable to the various categories of shares *(millions of euro)*	-4,292	-258	1,514	91
Basic EPS (*euro*)	-0.28	-0.28	0.10	0.10
Diluted EPS (*euro*)	-0.28	-0.28	0.10	0.10

Price/book value

The index reflects the value attributed by the market to the share capital of a listed company, hence indirectly to the company's overall assets. The index, while measuring the confidence which financial analysts and the financial community have in the company's income prospects and capital strength, is significantly affected by the external factors that influence stock prices.

Even for the Intesa Sanpaolo Group, the performance of the index – for 2013 indicated in relation to both average figures and year-end figures – was significantly impacted by market trends.

(millions of euro)

	31.12.2013	2013	2012	2011	2010	2009
Market capitalisation	29,174	24,026	20,066	27,006	31,209	32,228
Group's shareholders' equity	44,515	46,918	48,327	50,287	53,107	50,818
Price / book value	**0.66**	**0.51**	**0.42**	**0.54**	**0.59**	**0.63**

Pay-out ratio

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

(millions of euro)

	2013	2012	2011	2010	2009
Net income	-4,550	1,605	-8,190	2,705	2,805
Dividends (*)	-	832	-	1,033	1,033
Pay-out ratio	**-**	**52%**	**-**	**38%**	**37%**

(*) For 2013 and 2011 the amounts allocated are from reserves

Dividend yield

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

(in euro)

	2013	2012	2011	2010	2009
Ordinary share					
Dividend per share	0.050	0.050	0.050	0.080	0.080
Average stock price	1.476	1.233	1.658	2.479	2.569
Dividend yield	3.39%	4.06%	3.02%	3.23%	3.11%
Savings share					
Dividend per share	0.050	0.061	0.050	0.091	0.091
Average stock price	1.229	1.022	1.399	1.967	1.916
Dividend yield	4.07%	5.97%	3.57%	4.63%	4.75%

Ratings

On 29 January 2013, Fitch confirmed the long-term rating at "A-" with a negative outlook, the short-term rating at "F2" and the viability rating at "a-". On 18 March 2013, following the downgrading of Italy's rating (08 March 2013), the agency lowered the long-term rating of the Bank to "BBB+", with a negative outlook, and confirmed the short-term rating at "F2". The viability rating was lowered to "bbb+". On 28 November 2013, Fitch confirmed the long and short-term ratings of the bank at "BBB+/F2", with a negative outlook. The viability rating was also confirmed at "bbb+".
On 12 July 2013, Standard & Poor's lowered the long-term rating by one level to "BBB" (from "BBB+"), confirming the short-term rating at "A-2" and keeping the negative outlook. This downgrading followed the equivalent action on the ratings of the Republic of Italy announced by Standard & Poor's on 9 July 2013. Intesa Sanpaolo's rating of "BBB/A2" with a negative outlook was confirmed on 24 July 2013, despite the increased economic and sector risks in Italy.
On 24 July 2013, Moody's confirmed the Bank's long-term and short-term ratings at "Baa2/P-2". The agency also lowered the BFSR by one level, from "C-" to "D+". The outlook on the BFSR and long-term rating is negative, in line with that on the sovereign rating. On 18 February 2014 Moody's confirmed the long and short-term ratings of Intesa Sanpaolo at "Baa2/P-2" and improved the outlook on the long-term rating from negative to stable, following a similar change in Italy's rating.
On 19 September 2013, DBRS (Dominion Bond Rating Service) assigned Intesa Sanpaolo a long-term rating of A (low), with negative trend, and a short-term rating of R-1 (low), with stable trend (the trend is the equivalent of the outlook by the other agencies).

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

(*) Stable trend.

(**) Negative outlook

Other information

Other information

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

- the list of Group companies and subsidiaries as at 31 December 2013 is provided in the Notes to the consolidated financial statements (Part A and Part B - Assets - Section 10);
- the Notes to the consolidated financial statements also contain (Part E – Information on risks and the relative hedging policies – Section 1) information concerning obligations under Art. 36 of the Market Regulation with respect to subsidiaries established and regulated under the laws of non-EU countries;
- information on compensation and transactions with related parties carried out by the Bank or by the Group is provided in Part H of the Notes to the consolidated financial statements;
- information on the Corporate Governance system and the ownership structure of Intesa Sanpaolo, pursuant to Art. 123 bis of the Consolidated Law on Finance and information on the remuneration paid to Supervisory and Management Board Members, General Managers and Key Managers and on the Parent Company's shares, pursuant to Art. 123 ter of the Consolidated Law on Finance, is provided in a specific chapter of this Report and in the separate "Report on Corporate Governance and Ownership Structures - Report on Remuneration", published together with these financial statements and available for consultation from the "Governance" section of the Bank's website at: www.group.intesasanpaolo.com.
- the public disclosure as at 31 December 2013 concerning Basel 2 Pillar 3 ("Pillar 3") contained in a special separate file may be consulted on the Bank's website at the address indicated above.

Forecast for 2014

There are widespread expectations that 2014 will be a year of moderate expansion in the global economy, with greater convergence of the growth rates of advanced economies and the absence of inflationary pressures. The Eurozone will see a return to growth, having a positive effect on Italy, though with modest growth rates following the recession of the last two years. Monetary policies will remain highly expansionary: the United States will gradually taper off its quantitative stimulus programme, but official rates will remain near zero in the main advanced countries. Quantitative stimulus will continue in Japan. In spite of this, medium/long-term interest rates are expected to continue the gradual rising trend which began in 2013.

In 2014, the GDP in emerging areas is also expected to grow to 5.1%, according to the IMF. Many countries will benefit from the recovery underway in advanced economies, but will still be negatively impacted by the weakening of the commodities cycle and less favourable liquidity conditions on international markets. On a regional basis, increased momentum in growth is expected in all areas, especially in countries which saw a slowdown in 2013: in CIS countries the GDP is expected to increase by 2.6% (which, however, is weighed down by uncertainties linked to possible developments in the Ukraine crisis), in Latin America by 3% and in the MENA countries by 3.3%. The recovery is expected to gain strength also in the overall group of CEE and SEE countries (around 2% according to EBRD forecasts), boosted by the expected improvement in the economic trend in the Eurozone, their main export market. In emerging economies of Asia, the GDP performance is expected to grow slightly, to 6.7%, despite China stabilising at around 7.5% (from 7.7% in 2013) and due to the recovery of India, for which the IMF forecasts growth to 5.4%, from 4.4% in 2013.

For the Italian banking system, it will take some time to exit the regression phase of lending and the growth of loans will occur several quarters after the economy recovers. Moreover, in view of the launch of the Single Banking Supervision Mechanism, the ECB's in-depth assessment of banks, , may have a prudential influence on the credit offer and focus attention on preserving capital, in a scenario where the number of non-performing loans continues to increase.

On the funding side, very moderate growth is expected, essentially concentrated on deposits, where time deposits will grow at a slower pace than in the recent past. In a scenario characterised by prudent credit access conditions, rates on loans will remain substantially unchanged, while the slight easing of the cost of funding may continue.

In 2014, the Intesa Sanpaolo Group will continue to prioritise the delivery of sustainable results. Profitability targets will be combined with close attention to the risk and liquidity profiles, as well as with the Group's excellent capital position.
Repricing actions are also planned for 2014 and will make it possible to partially limit the impact of an expected negative environment on market rates. The Group’s efficiency, productivity and asset quality will be constantly addressed.

The Management Board

Milan, 27 March 2014

Intesa Sanpaolo Group
Consolidated financial statements

Consolidated financial statements

Consolidated balance sheet

(millions of euro)

Assets		31.12.2013	31.12.2012	Changes	
				amount	%
10.	Cash and cash equivalents	6,525	5,301	1,224	23.1
20.	Financial assets held for trading	49,013	63,546	-14,533	-22.9
30.	Financial assets designated at fair value through profit and loss	37,655	36,887	768	2.1
40.	Financial assets available for sale	115,302	97,209	18,093	18.6
50.	Investments held to maturity	2,051	2,148	-97	-4.5
60.	Due from banks	26,673	36,533	-9,860	-27.0
70.	Loans to customers	343,991	376,625	-32,634	-
80.	Hedging derivatives	7,534	11,651	-4,117	-35.3
90.	Fair value change of financial assets in hedged portfolios (+/-)	69	73	-4	-5.5
100.	Investments in associates and companies subject to joint control	1,991	2,706	-715	-26.4
110.	Technical insurance reserves reassured with third parties	14	13	1	7.7
120.	Property and equipment	5,056	5,109	-53	-1.0
130.	Intangible assets	7,471	14,719	-7,248	-49.2
	of which				
	- goodwill	*3,899*	*8,681*	*-4,782*	*-55.1*
140.	Tax assets	14,921	12,673	2,248	17.7
	a) current	*3,942*	*2,730*	*1,212*	*44.4*
	b) deferred	*10,979*	*9,943*	*1,036*	*10.4*
	- of which convertible into tax credit (Law no. 214/2011)	*8,644*	*5,984*	*2,660*	*44.5*
150.	Non-current assets held for sale and discontinued operations	108	25	83	
160.	Other assets	7,909	8,364	-455	-5.4
Total Assets		**626,283**	**673,582**	**-47,299**	**-7.0**

Consolidated balance sheet

(millions of euro)

Liabilities and Shareholders' Equity		31.12.2013	31.12.2012	Changes	
				amount	%
10.	Due to banks	52,244	73,352	-21,108	-28.8
20.	Due to customers	228,890	218,051	10,839	5.0
30.	Securities issued	138,051	159,307	-21,256	-13.3
40.	Financial liabilities held for trading	39,268	52,195	-12,927	-24.8
50.	Financial liabilities designated at fair value through profit and loss	30,733	27,047	3,686	13.6
60.	Hedging derivatives	7,590	10,776	-3,186	-29.6
70.	Fair value change of financial liabilities in hedged portfolios (+/-)	1,048	1,802	-754	-41.8
80.	Tax liabilities	2,236	3,494	-1,258	-36.0
	a) current	*897*	*1,617*	*-720*	*-44.5*
	b) deferred	*1,339*	*1,877*	*-538*	*-28.7*
90.	Liabilities associated with non-current assets held for sale and discontinued operations	-	-	-	
100.	Other liabilities	14,690	18,039	-3,349	-18.6
110.	Employee termination indemnities	1,341	1,354	-13	-1.0
120.	Allowances for risks and charges	2,898	3,599	-701	-19.5
	a) post employment benefits	*738*	*660*	*78*	*11.8*
	b) other allowances	*2,160*	*2,939*	*-779*	*-26.5*
130.	Technical reserves	62,236	54,660	7,576	13.9
140.	Valuation reserves	-1,074	-1,692	-618	-36.5
150.	Redeemable shares	-	-	-	
160.	Equity instruments	-	-	-	
170.	Reserves	10,721	9,941	780	7.8
180.	Share premium reserve	30,934	30,934	-	-
190.	Share capital	8,546	8,546	-	-
200.	Treasury shares (-)	-62	-14	48	
210.	Minority interests (+/-)	543	586	-43	-7.3
220.	Net income (loss)	-4,550	1,605	-6,155	
Total Liabilities and Shareholders' Equity		**626,283**	**673,582**	**-47,299**	**-7.0**

Consolidated income statement

(millions of euro)

	2013	2012	Changes amount	Changes %
10. Interest and similar income	17,403	19,700	-2,297	-11.7
20. Interest and similar expense	-7,518	-8,418	-900	-10.7
30. Interest margin	**9,885**	**11,282**	**-1,397**	**-12.4**
40. Fee and commission income	7,435	6,641	794	12.0
50. Fee and commission expense	-1,606	-1,511	95	6.3
60. Net fee and commission income	**5,829**	**5,130**	**699**	**13.6**
70. Dividend and similar income	250	507	-257	-50.7
80. Profits (Losses) on trading	597	549	48	8.7
90. Fair value adjustments in hedge accounting	-28	-8	20	
100. Profits (Losses) on disposal or repurchase of	728	1,348	-620	-46.0
a) loans	*1*	*-3*	*4*	
b) financial assets available for sale	*739*	*270*	*469*	
c) investments held to maturity	*-2*	*-14*	*-12*	*-85.7*
d) financial liabilities	*-10*	*1,095*	*-1,105*	
110. Profits (Losses) on financial assets and liabilities designated at fair value	492	1,294	-802	-62.0
120. Net interest and other banking income	**17,753**	**20,102**	**-2,349**	**-11.7**
130. Net losses / recoveries on impairment	-7,005	-4,521	2,484	54.9
a) loans	*-6,597*	*-4,308*	*2,289*	*53.1*
b) financial assets available for sale	*-296*	*-161*	*135*	*83.9*
c) investments held to maturity	*-*	*1*	*-1*	
d) other financial activities	*-112*	*-53*	*59*	
140. Net income from banking activities	**10,748**	**15,581**	**-4,833**	**-31.0**
150. Net insurance premiums	11,921	5,660	6,261	
160. Other net insurance income (expense)	-13,750	-8,145	5,605	68.8
170. Net income from banking and insurance activities	**8,919**	**13,096**	**-4,177**	**-31.9**
180. Administrative expenses	-8,504	-9,085	-581	-6.4
a) personnel expenses	*-4,976*	*-5,570*	*-594*	*-10.7*
b) other administrative expenses	*-3,528*	*-3,515*	*13*	*0.4*
190. Net provisions for risks and charges	-319	-258	61	23.6
200. Net adjustments to / recoveries on property and equipment	-382	-381	1	0.3
210. Net adjustments to / recoveries on intangible assets	-2,838	-710	2,128	
220. Other operating expenses (income)	643	398	245	61.6
230. Operating expenses	**-11,400**	**-10,036**	**1,364**	**13.6**
240. Profits (Losses) on investments in associates and companies subject to joint control	2,326	-123	2,449	
250. Valuation differences on property, equipment and intangible assets measured at fair value	-	-	-	
260. Goodwill impairment	-4,676	-	4,676	
270. Profits (Losses) on disposal of investments	15	30	-15	-50.0
280. Income (Loss) before tax from continuing operations	**-4,816**	**2,967**	**-7,783**	
290. Taxes on income from continuing operations	259	-1,313	1,572	
300. Income (Loss) after tax from continuing operations	**-4,557**	**1,654**	**-6,211**	
310. Income (Loss) after tax from discontinued operations	-	-	-	
320. Net income (loss)	**-4,557**	**1,654**	**-6,211**	
330. Minority interests	7	-49	56	
340. Parent Company's net income (loss)	**-4,550**	**1,605**	**-6,155**	
Basic EPS - Euro	**-0.28**	**0.10**		
Diluted EPS - Euro	**-0.28**	**0.10**		

Statement of consolidated comprehensive income

(millions of euro)

	2013	2012	Changes	
			amount	%
10. NET INCOME (LOSS)	**-4,557**	**1,654**	**-6,211**	
Other comprehensive income (net of tax) that may not be reclassified to the income statement	**-84**	**-147**	**-63**	**-42.9**
20. Property and equipment	-	-	-	
30. Intangible assets	-	-	-	
40. Defined benefit plans	-84	-147	-63	-42.9
50. Non-current assets held for sale	-	-	-	
60. Share of valuation reserves connected with investments carried at equity	-	-	-	
Other comprehensive income (net of tax) that may be reclassified to the income statement	**688**	**1,890**	**-1,202**	**-63.6**
70. Hedges of foreign investments	-	-	-	
80. Foreign exchange differences	-158	-33	125	
90. Cash flow hedges	420	-369	789	
100. Financial assets available for sale	423	2,302	-1,879	-81.6
110. Non-current assets held for sale	-	-	-	
120. Share of valuation reserves connected with investments carried at equity	3	-10	-	
130. Total other comprehensive income (net of tax)	**604**	**1,743**	**-1,139**	**-65.3**
140. TOTAL COMPREHENSIVE INCOME (CAPTIONS 10 +110)	**-3,953**	**3,397**	**-7,350**	
150. Total consolidated comprehensive income pertaining to minority interests	**-21**	**40**	**-61**	
160. Total consolidated comprehensive income pertaining to the Parent Company	**-3,932**	**3,357**	**-7,289**	

Changes in consolidated shareholders' equity as at 31 December 2013

(millions of euro)

	31.12.2013											
	Share capital		Share premium reserve	Reserves		Valuation reserves	Equity instruments	Treasury shares	Net income (loss)	Shareholders' equity	*Group shareholders' equity*	*Minority interests*
	ordinary shares	savings shares		retained earnings	other							
AMOUNTS AS AT 1.1.2013	**8,375**	**488**	**30,989**	**10,010**	**99**	**-1,695**	**-**	**-14**	**1,654**	**49,906**	*49,320*	*586*
ALLOCATION OF NET INCOME OF THE PREVIOUS YEAR [(a)]												
Reserves				**753**					**-753**	**-**	-	-
Dividends and other allocations									**-901**	**-901**	*-832*	*-69*
CHANGES IN THE PERIOD												
Changes in reserves											-	-
Operations on shareholders' equity												
Issue of new shares											-	-
Purchase of treasury shares								-51		**-51**	*-48*	*-3*
Extraordinary dividends										**-**	-	-
Changes in equity instruments										**-**	-	-
Derivatives on treasury shares										**-**	-	-
Stock options										**-**	-	-
Changes in equity investmens	24			-2						**22**	-	*22*
Other	28			7						**35**	*7*	*28*
Total comprehensive income for the period						**604**			**-4,557**	**-3,953**	*-3,932*	*-21*
SHAREHOLDERS' EQUITY AS AT 31.12.2013	**8,427**	**488**	**30,989**	**10,768**	**99**	**-1,091**	**-**	**-65**	**-4,557**	**45,058**	*44,515*	*543*
- Group	**8,061**	**485**	**30,934**	**10,622**	**99**	**-1,074**	**-**	**-62**	**-4,550**	**44,515**		
- minority interests	**366**	**3**	**55**	**146**	**-**	**-17**	**-**	**-3**	**-7**	**543**		

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

Changes in consolidated shareholders' equity as at 31 December 2012

(millions of euro)

	31.12.2012											
	Share capital		Share premium reserve	Reserves		Valuation reserves	Equity instruments	Treasury shares	Net income (loss)	Shareholders' equity	*Group shareholders' equity*	*Minority interests*
	ordinary shares	savings shares		retained earnings	other							
AMOUNTS AS AT 1.1.2012	**8,461**	**488**	**36,213**	**13,920**	**99**	**-3,438**	**-**	**-4**	**-8,127**	**47,612**	*46,894*	*718*
ALLOCATION OF NET INCOME OF THE PREVIOUS YEAR [(a)]												
Reserves			**-5,209**	**-2,967**					**8,176**	**-**	-	-
Dividends and other allocations									**-49**	**-49**	-	*-49*
CHANGES IN THE PERIOD												
Changes in reserves				**-13**						**-13**	*-42*	*29*
Operations on shareholders' equity										**-**		
Issue of new shares										**-**	-	-
Purchase of treasury shares								-10		**-10**	*-10*	-
Extraordinary dividends				-822						**-822**	*-822*	-
Changes in equity instruments										**-**	-	-
Derivatives on treasury shares										**-**	-	-
Stock options										**-**	-	-
Changes in equity investmens	-79		-27	-108						**-214**	*-57*	*-157*
Other	-7		12							**5**	-	*5*
Total comprehensive income for the period						**1,743**			**1,654**	**3,397**	*3,357*	*40*
SHAREHOLDERS' EQUITY AS AT 31.12.2012	**8,375**	**488**	**30,989**	**10,010**	**99**	**-1,695**	**-**	**-14**	**1,654**	**49,906**	*49,320*	*586*
- Group	**8,061**	**485**	**30,934**	**9,842**	**99**	**-1,692**	**-**	**-14**	**1,605**	**49,320**		
- minority interests	**314**	**3**	**55**	**168**	**-**	**-3**	**-**	**-**	**49**	**586**		

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

Consolidated statement of cash flows

(millions of euro)

	31.12.2013	31.12.2012
A. OPERATING ACTIVITIES		
1. Cash flow from operations	**11,788**	**4,749**
- net income (loss) (+/-)	-4,557	1,654
- gains/losses on financial assets held for trading and on assets/liabilities designated at fair value through profit and loss (-/+)	3,391	727
- gains/losses on hedging activities (-/+)	28	8
- net losses/recoveries on impairment (+/-)	12,396	5,163
- adjustments to/net recoveries on property, equipment and intangible assets (+/-)	3,220	1,179
- net provisions for risks and charges and other costs/revenues (+/-)	480	526
- net insurance premiums to be collected (-)	-15	-17
- other insurance revenues/charges to be collected (-/+)	6,906	616
- taxes, duties and tax credits to be paid/collected(+/-)	-1,952	-895
- net adjustments to/recoveries on discontinued operations net of tax effect (-/+)	-	-
- other adjustments (+/-)	-8,109	-4,212
2. Cash flow from / used in financial assets	**41,702**	**-31,305**
- financial assets held for trading	15,234	-2,727
- financial assets designated at fair value through profit and loss	626	773
- financial assets available for sale	-13,449	-24,707
- due from banks: repayable on demand	3,570	-2,623
- due from banks: other	6,291	1,955
- loans to customers	25,489	-4,598
- other assets	3,941	622
3. Cash flow from / used in financial liabilities	**-50,464**	**29,519**
- due to banks: repayable on demand	-1,285	284
- due to banks: other	-19,860	-5,807
- due to customers	10,944	20,941
- securities issued	-21,266	157
- financial liabilities held for trading	-12,932	3,148
- financial liabilities designated at fair value through profit and loss	2,784	2,281
- other liabilities	-8,849	8,515
Net cash flow from (used in) operating activities	**3,026**	**2,963**
B. INVESTING ACTIVITIES		
1. Cash flow from	**124**	**489**
- sales of investments in associates and companies subject to joint control	-	-
- dividends collected on investments in associates and companies subject to joint control	29	29
- sales/reimbursements of investments held to maturity	95	460
- sales of property and equipment	-	-
- sales of intangible assets	-	-
- sales of subsidiaries and business branches	-	-
2. Cash flow used in	**-952**	**-1,325**
- purchases of investments in associates and companies subject to joint control	-247	-209
- purchases of investments held to maturity	-	-
- purchases of property and equipment	-333	-439
- purchases of intangible assets	-372	-396
- purchases of subsidiaries and business branches	-	-281
Net cash flow from (used in) investing activities	**-828**	**-836**
C. FINANCING ACTIVITIES		
- issues/purchases of treasury shares	-48	-10
- share capital increases	-	-
- dividend distribution and other	-901	-871
Net cash flow from (used in) financing activities	**-949**	**-881**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**1,249**	**1,246**
RECONCILIATION		
Cash and cash equivalents at beginning of period	5,301	4,061
Net increase (decrease) in cash and cash equivalents	1,249	1,246
Cash and cash equivalents: foreign exchange effect	-25	-6
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**6,525**	**5,301**

LEGEND: (+) from (–) used in

Notes to the consolidated financial statements

Part A – Accounting policies

A.1 – GENERAL CRITERIA

SECTION 1 – DECLARATION OF COMPLIANCE WITH INTERNATIONAL ACCOUNTING STANDARDS

As set forth by Legislative Decree 38 of 28 February 2005, the Intesa Sanpaolo Group's Consolidated financial statements have been prepared in compliance with the accounting principles issued by the International Accounting Standards Board (IASB) and the relative interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and endorsed by the European Commission as provided for by Community Regulation 1606 of 19 July 2002.
The Consolidated financial statements as at 31 December 2013 have been prepared based on the "Instructions for the preparation of the separate and consolidated financial statements of banks and financial companies, which are parent companies of banking groups" issued by the Bank of Italy, in the exercise of powers set forth by Art. 9 of Legislative Decree 38/2005, with Regulation of 22 December 2005, which issued Circular 262/05, and with the subsequent updates of 18 November 2009 and 21 January 2014.
These Instructions set out compulsory financial statement forms, as well as the contents of the Notes to the financial statements.
The Consolidated financial statements have been prepared using the International Accounting Standards in force as at 31 December 2013 (including the SIC and IFRIC interpretation documents) as listed in the attachments to these financial statements.
The table below shows the new standards or amendments to existing ones, together with the related EU endorsement regulations, which came into force in 2013.

IFRS in force since 2013

Regulation endorsement	Title
475/2012	Amendments to IAS 1 Presentation of Items of Other Comprehensive Income Amendments to IAS 19 Employee Benefits
1255/2012	Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards - Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters Amendments to IAS 12 Income Taxes - Deferred Tax: Recovery of Underlying Assets IFRS 13 Fair Value Measurement IFRIC Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine
1256/2012	Amendments to IFRS 7 Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities Amendments to IAS 32 Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities (*)
183/2013	Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards - Government Loans
301/2013	Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards Amendments to IAS 1 Presentation of Financial Statements Amendments to IAS 16 Property, Plant and Equipment Amendments to IAS 32 Financial Instruments: Presentation Amendments to IAS 34 Interim Financial Reporting

(*) Each company shall apply the amendments to IAS 32 at the latest, as from the first financial year starting on or after 01/01/2014.

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

With Regulation no. 475/2012 the European Commission endorsed the amendments to IAS 1 - Presentation of Financial Statements to increase the clarity of the Statement of comprehensive income. To this end, separate recognition is required of components which in future will not be subject to reversal to the income statement from those that could later be reversed to income/(loss) for the year under specific conditions. The Statement of comprehensive income is presented on the basis of Bank of Italy instructions which in Circular 262/05 strictly establish the financial statements format and the related preparation methods.
Regulation 475/2012 also endorsed the new version of IAS 19 – Employee Benefits, as approved by the IASB on 16 June 2011, the aim of which is to facilitate the understanding and comparability of financial statements, especially with regard to defined benefit plans. The most significant changes made pertain to the elimination of the different accounting treatments permitted for the recognition of defined benefit plans and the ensuing introduction of a single method that entails immediate recognition in the statement of comprehensive income of the actuarial gains/losses arising from the measurement of the obligation. Given the previous accounting approach adopted by the Group, the main effect consists of the elimination of the "corridor method", with immediate recognition of changes in the value of bonds and assets serving the plan in the statement of comprehensive income.
The elimination of that method entailed an impact on the Group's shareholders' equity as at the date of initial application of the

new Standard, inasmuch as actuarial gains or losses not previously recognised under the "corridor method" were recognised. The overall impact for the Group, as at 1 January 2013, entailed a reduction in equity valuation reserves of 293 million euro, net of the tax effect (403 million euro before taxes).

In Regulation no. 1255/2012, the European Commission endorsed IFRS 13 - *Fair Value Measurement*. The new standard does not extend the scope of application of measurement at fair value, but rather provides a guide as to how to measure the fair value of financial instruments and non-financial assets and liabilities where already required or permitted by other accounting standards. The aim was to concentrate into a single standard the rules for measurement at fair value, previously contained in various standards, in some cases with prescriptions in conflict with one another. Although many of the concepts set forth in IFRS 13 are consistent with current practice, some aspects of the new Standard resulted in impacts on the Intesa Sanpaolo Group, foremost among which is the effect due to the clarification introduced regarding the measurement of the non-performance risk in determining the fair value of derivative contracts. This risk includes both changes in the creditworthiness of the counterparty and of the issuer itself. In order to comply with the Standard, a new calculation method known as the "Bilateral Credit Value Adjustment" (bCVA) was developed. The application of this new model in lieu of the previously adopted model did not entail significant effects.
Furthermore, as envisaged by the accounting standard, the Intesa Sanpaolo Group has not applied the new rules retrospectively.

Finally, in Regulation no. 1256/2012, the European Commission endorsed the amendments to IFRS 7 – Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities and the amendments to IAS 32 - Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities. Only amendments to IFRS 7 are applicable to the 2013 financial statements.
Through the amendments to IAS 32, with mandatory application from 1 January 2014, the IASB aimed to improve the application guidelines in order to eliminate inconsistencies in the application of the standard and to better specify the requirements already outlined in paragraph 42 of IAS 32, to define when financial assets and liabilities are subject to netting in the Balance Sheet.
As far as the amendments to IFRS 7 are concerned, the quantitative disclosure obligations for financial instruments subject to netting have been integrated, in order to allow users to assess the real or potential effects of netting arrangements on assets and liabilities and to compare the financial statements prepared using IAS/IFRS with those prepared according to the different US GAAP. In particular, disclosures are required in relation to financial instruments subject to netting in the Balance Sheet pursuant to IAS 32 and those subject to netting arrangements which however do not satisfy any of the requirements defined in IAS 32 to allow netting, including the effects of associated financial collateral.
In these Financial Statements, the disclosure introduced by IFRS 7 is provided based on the forms in Circular 262/2005.

The table below shows the new standards or amendments to existing ones, together with the related EU endorsement regulations, which will become mandatory - for financial statements reflecting the calendar year - on or after 1 January 2014.

IFRS applicable subsequent to 31 December 2013

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

Regulation no. 1254/2012 introduced various changes in the area of consolidation through the endorsement of certain accounting standards (IFRS 10, IFRS 11 and IFRS 12) and the ensuing introduction of amendments to existing standards (IAS 27 and IAS 28). The objective of IFRS 10 is to provide a single consolidation model that identifies control or "de facto control" as the basis for consolidation for all types of entities. The standard provides a precise definition of the case in which an investor controls a company. In fact, according to IFRS 10, control exists if and only if the investor:
– has the power to direct the investee's activities;
– is exposed to the variability of the returns of the investee in which it has invested; and
– has the ability to influence the investee's future returns, by using the power at its disposal.

IFRS 10 essentially establishes that in order to have control of a company, an investor must have the ability, deriving from a legal right or even from a mere de facto situation, to have a significant influence on the type of management strategies to be assumed with regard to the investee's relevant activities and to be exposed to the variability of returns.
IFRS 11 instead defines the principles of financial reporting by entities that are parties to arrangements that establish "joint control," which may take the form of a joint venture (an entity in which the parties have rights to their share of net assets) or a joint operation (an operation whereby the parties that have joint control have rights to the assets and obligations for the liabilities).
Finally, IFRS 12 combines, strengthens and supersedes disclosure obligations for subsidiaries, joint arrangements and associates and unconsolidated structured entities. This standard was developed with the aim of consolidating and improving, including by introducing certain changes in terms of required disclosures, the disclosure requirements envisaged by the previous IAS 27, 28 and 31.
Finally, on the issue of consolidation, worthy of note is Regulation no. 1174/2013, which under IFRS 10 introduced the definition of investment entity, certain exceptions in terms of consolidation and the disclosure requirements (amendments to IFRS 12).

As indicated in the previous table, the provisions of Regulation no. 1254/2012, as well as those of Regulation no. 1174/2013, are applicable starting from the year beginning on 1 January 2014.

The analyses carried out with regard to the effects of the new accounting rules on the issues governed by IFRS 10, 11 and 12 indicate that Intesa Sanpaolo Group's scope of consolidation will not be materially or significantly modified by those standards.
It is also noted that in 2013 the IASB amended several existing IAS/IFRS.
The following table presents the main accounting standards affected by the amendments, with a specification of the scope or subject matter of the changes. As the European Commission has not yet endorsed these updates, none of them is relevant for the purposes of the Intesa Sanpaolo 2013 consolidated financial statements.

International accounting standards not endorsed as at 31 December 2013

Standard/ Interpretation		Date of issue
IFRS 9	Hedge Accounting and amendments to IFRS 9, IFRS 7 and IAS 39	19/11/2013
IAS 19	Defined benefit plans: Employee contributions	21/11/2013
IFRS 2	Improvements to IFRSs (2010-2012 cycle)	12/12/2013
IFRS 3	Improvements to IFRSs (2010-2012 cycle)	12/12/2013
IFRS 8	Improvements to IFRSs (2010-2012 cycle)	12/12/2013
IFRS 13	Improvements to IFRSs (2010-2012 cycle)	12/12/2013
IAS 16	Improvements to IFRSs (2010-2012 cycle)	12/12/2013
IAS 24	Improvements to IFRSs (2010-2012 cycle)	12/12/2013
IAS 38	Improvements to IFRSs (2010-2012 cycle)	12/12/2013
IFRS 1	Improvements to IFRSs (2011-2013 cycle)	12/12/2013
IFRS 3	Improvements to IFRSs (2011-2013 cycle)	12/12/2013
IFRS 13	Improvements to IFRSs (2011-2013 cycle)	12/12/2013
IAS 40	Improvements to IFRSs (2011-2013 cycle)	12/12/2013
IFRIC 21	Levies	20/05/2013

The application of IFRS 9 – Financial Instruments, issued in October 2010 (in its full version, regarding the accounting treatment of financial assets and liabilities) and supplemented in November 2013 by hedge accounting provisions, is not relevant for the purposes of the Intesa Sanpaolo 2013 consolidated financial statements inasmuch as it has not been endorsed by the European Commission.

SECTION 2 – GENERAL PREPARATION PRINCIPLES

The Consolidated financial statements are made up of the Balance sheet, the Income statement, the Statement of comprehensive income, the Changes in shareholders' equity, the Statement of cash flows, the Notes to the consolidated financial statements and the related comparative information; the Report on operations, on the economic results achieved and on the Intesa Sanpaolo Group's balance sheet and financial position has also been included. In compliance with the provisions of art. 5 of Legislative Decree 38/2005, the financial statements have been drawn up in euro as functional currency.
The amounts indicated in the Consolidated financial statements and in the Notes to the consolidated financial statements as well as those in the Report on operations are expressed in millions of euro, unless otherwise specified.
The Consolidated financial statements are prepared with the application of the general principles set out by IAS 1 and the specific accounting principles endorsed by the European Commission and illustrated in Part A.2 of these Notes to the Consolidated financial statements, as well as in compliance with the general assumptions set forth by the Framework for the Preparation and Presentation of Financial Statements issued by IASB.
No exceptions to the application of IAS/IFRS have been made.
The Report on operations and the Notes to the consolidated financial statements contain all information required by international accounting standards, by current regulations, by the Bank of Italy and by Consob (Italian Securities and Exchange Commission), in

addition to other information which is not compulsory but is nonetheless deemed to be necessary in order to give a true and fair presentation of the Group's situation.
The income statement as at 31 December 2013 does not contain any components relating to non-current assets held for sale and discontinued operations, while the amounts posted to the specific caption of the balance sheet refer to real estate assets imminent for sale and to the investment in SIA S.p.A., for which an agreement for the subsequent sale has been entered into.
The financial statement forms and the Notes to the Consolidated financial statements show, in addition to the figures for the reference period, the comparative figures as at 31 December 2012. The comparative figures of the periods were restated in order to:

– state among inventories, according to the definition of IAS 2 in the item 150 "Other assets", certain property and other assets deriving from the enforcement of guarantees or auction purchase and designated for the sale, in the near future, on the market;
– permit application of the new version of IAS 19 – Employee Benefits.

The Attachments include specific reconciliations between financial statement forms and the reclassified statements included in the Report on operations accompanying these financial statements.

Contents of financial statement forms

Balance sheet and income statement
The compulsory forms of the balance sheet and income statement are made up of captions, subcaptions and further detailed information (specified as the "of which" items in the captions and subcaptions). For the purposes of completeness with respect to the compulsory forms defined by the Bank of Italy, captions which do not present amounts for 2013 and for 2012 are in any case included. In the income statement revenues are indicated without sign, whereas costs are preceded by the minus sign.

Statement of comprehensive income for the year
The Statement of comprehensive income shows, starting from the income/(loss) for the year, the income components recognised as a balancing entry in valuation reserves, net of the tax effect, in compliance with international accounting standards.
Consolidated comprehensive income is represented by providing separate recognition of the income components that will not be reversed to the income statement in the future and those which, conversely, could later be reclassified to income/(loss) for the year under specific conditions. The statement also distinguishes between the portion of income pertaining to the Parent Company and that pertaining to minority interests. Similarly to the balance sheet and the income statement, with respect to the compulsory forms defined by the Bank of Italy, captions which do not present amounts for 2013 and for 2012 are in any case included. Negative amounts are preceded by the minus sign.

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

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

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

SECTION 3 – SCOPE OF CONSOLIDATION AND CONSOLIDATION METHODS

Scope of consolidation
The Consolidated financial statements include Intesa Sanpaolo and the companies which it directly and indirectly controls and consider in the scope of consolidation – as specifically set out by the new IAS/IFRS – also the companies operating in dissimilar sectors from the Parent Company as well as private equity investments. Similarly, special purpose entities/vehicles (SPE/SPV) are included when the requisite of effective control recurs, even if there is no direct or indirect stake in the company.
Companies are considered subsidiaries when Intesa Sanpaolo, directly or indirectly, holds more than half of the voting rights or when it has a lower portion of voting rights but has the power to appoint the majority of directors of the company or determine its financial or operating policies. In the measurement of voting rights also "potential" rights are considered if they are currently exercisable or convertible in effective voting rights at any time.
Companies are considered as subject to joint control when the voting rights and the control of the economic activities of the company are equally shared by Intesa Sanpaolo, directly or indirectly, and another entity. Furthermore, a company is considered as subject to joint control even when voting rights are not equally shared if control over the economic activities and the strategies of the company is shared based on contractual agreements with other entities.
Companies are considered associates, that is subject to significant influence, when Intesa Sanpaolo, directly or indirectly, holds at

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

Compared with the situation as at 31 December 2012 there have not been any changes of particular significance in the scope of consolidation. In the exclusive interest of completeness, note the line-by-line consolidation of Bentos Assicurazioni, acquired at the end of 2012 as part of the offer submitted by Intesa Sanpaolo to the Receivers of the Delta Group, under extraordinary administration, which in that year was consolidated according to the equity method. For further details of the above transactions, see Part G of these Notes to the consolidated financial statements.
Several extraordinary intragroup transactions were carried out during the year, which had no effects on the Consolidated financial statements; they consisted in transfers of business lines between Intesa Sanpaolo Group companies or business combinations under common control. Since the transfers were carried out for reorganisation purposes only, in accordance with the Group's accounting policy, these transactions were simply recorded in the individual financial statements of the companies involved, using the continuing values method, without recognition of any economic effect.
In this context, the most significant transactions in Italy were the merger by incorporation of Banca dell'Adriatico into Cassa di Risparmio di Ascoli Piceno (renamed Banca dell'Adriatico), the merger by incorporation of Bentos Assicurazioni into Intesa Sanpaolo Assicura and the merger by incorporation of Centrofactoring into Mediofactoring. Abroad, note the transfer of CIB Investment Fund Management by CIB Bank to Eurizon Capital SA, the contribution of PBZ Invest by PBZ to VUB Asset Management, the contribution of CIB Investment Fund Management by Eurizon Capital SA to VUB Asset Management and, lastly, the transfer of an interest in VUB Asset Management by PBZ to Eurizon Capital SA.
For the full details of the transactions under common control (UCC) finalised during the year, see Part G of these Notes to the consolidated financial statements.

The following table indicates the investments in subsidiaries which are included in the line-by-line scope of consolidation of the Consolidated financial statements as at 31 December 2013.

Consolidated companies

Name	Registered office	Type of relation-ship (a)	Investment direct ownership	% held	Votes available % (b)
A. CONSOLIDATED COMPANIES					
Parent Company					
Intesa Sanpaolo S.p.A. Share capital Euro 8.545.738.608,16 in shares of 0,52 euro	Torino				
A. 1 Companies subject to full consolidation					
1 Adriano Finance 2 S.r.l. (c) Share capital 10.000 euro	Milano	4	Intesa Sanpaolo	5.00	
2 Adriano Lease Sec S.r.l. (c) Share capital 10.000 euro	Conegliano	4	Intesa Sanpaolo	5.00	
3 Arten Sicav (d)	Luxembourg	4	Intesa Sanpaolo Life	87.36	
4 Banca dell'Adriatico S.p.A. (formerly Cassa di Risparmio di Ascoli Piceno S.p.A.) Share capital 70.755.020 euro	Ascoli Piceno	1	Intesa Sanpaolo	100.00	
5 Banca di Credito Sardo S.p.A. Share capital 258.276.569,35 euro	Cagliari	1	Intesa Sanpaolo	100.00	
6 Banca di Trento e Bolzano S.p.A. Share capital 65.915.704,40 euro	Trento	1	Intesa Sanpaolo	88.21	
7 Banca Fideuram S.p.A. Share capital 186.255.207,16 euro	Roma	1	Intesa Sanpaolo	100.00	
8 Banca IMI S.p.A. Share capital 962.464.000 euro	Milano	1	Intesa Sanpaolo	100.00	
9 Banca Imi Securities Corp Share capital USD 44.500.000	New York	1	Imi Capital Markets USA Corp.	100.00	
10 Banca Intesa a.d., Beograd (f) Share capital RSD 21.315.900.000	Novi Beograd	1	Intesa Sanpaolo Holding International Intesa Sanpaolo	77.79 15.21 93.00	
11 Banca Intesa Zao (m) Share capital RUB 10.820.180.800	Moscow	1	Intesa Sanpaolo Holding International Intesa Sanpaolo	39.76 46.98 86.74	
12 Banca Monte Parma S.p.A. Share capital 147.359.895,03 euro	Parma	1	Intesa Sanpaolo	78.62	
13 Banca Prossima S.p.A. (n) Share capital 80.000.000 euro	Milano	1	Intesa Sanpaolo	71.67	
14 Banco di Napoli S.p.A. Share capital 1.000.000.000 euro	Napoli	1	Intesa Sanpaolo	100.00	
15 Bank of Alexandria S.A.E. (g) Share capital EGP 800.000.000	Cairo	1	Intesa Sanpaolo	80.00	70.25
16 Banka Koper d.d. (h) Share capital 22.173.218,16 euro	Koper	1	Intesa Sanpaolo	97.64	
17 Brivon Hungary Zrt Share capital HUF 15.000.000	Budapest	1	Recovery Property Utilisation and Services	100.00	
18 Cassa dei Risparmi di Forlì e della Romagna S.p.A. Share capital 214.428.465 euro	Forlì	1	Intesa Sanpaolo	82.30	
19 Cassa di Risparmio del Friuli Venezia Giulia S.p.A. Share capital 210.263.000 euro	Gorizia	1	Intesa Sanpaolo	100.00	
20 Cassa di Risparmio del Veneto S.p.A. Share capital 781.169.000 euro	Padova	1	Intesa Sanpaolo	100.00	
21 Cassa di Risparmio della Provincia di Viterbo S.p.A. Share capital 49.407.056,31 euro	Viterbo	1	Cassa di Risparmio di Firenze	75.81	82.02
22 Cassa di Risparmio di Civitavecchia S.p.A. Share capital 34.505.380 euro	Civitavecchia	1	Cassa di Risparmio di Firenze	51.00	
23 Cassa di Risparmio di Firenze S.p.A. (i) Share capital 831.364.347 euro	Firenze	1	Intesa Sanpaolo	89.74	
24 Cassa di Risparmio di Pistoia e della Lucchesia S.p.A. (j) Share capital 171.846.279,99 euro	Pistoia	1	Cassa di Risparmio di Firenze Intesa Sanpaolo	74.88 8.11 82.99	
25 Cassa di Risparmio di Rieti S.p.A. Share capital 47.339.291 euro	Rieti	1	Cassa di Risparmio di Firenze	85.00	
26 Cassa di Risparmio di Venezia S.p.A. Share capital 284.536.000 euro	Venezia	1	Intesa Sanpaolo	100.00	
27 Cassa di Risparmio in Bologna S.p.A. Share capital 703.692.000 euro	Bologna	1	Intesa Sanpaolo	100.00	

Name		Registered office	Type of relation-ship (a)	Investment direct ownership	% held	Votes available % (b)
28	Casse di Risparmio dell'Umbria S.p.A. Share capital 187.657.326 euro	Terni	1	Cassa di Risparmio di Firenze Intesa Sanpaolo	87.86 10.85 98.71	
29	Centro Leasing S.p.A. Share capital 155.020.051,50 euro	Firenze	1	Intesa Sanpaolo	88.44	
30	Cib Bank Ltd Share capital HUF 145.000.000.005	Budapest	1	Intesa Sanpaolo Holding International Intesa Sanpaolo	67.69 32.31 100.00	
31	CIB Car Trading Ltd Share capital HUF 10.000.000	Budapest	1	Recovery Property Utilisation and Services	100.00	
32	CIB Factor Financial Services Ltd Share capital HUF 103.500.000	Budapest	1	Cib Bank	100.00	
33	CIB Insurance Broker Ltd Share capital HUF 10.000.000	Budapest	1	CIB Bank	100.00	
34	CIB Investment Fund Management Ltd Share capital HUF 600.000.000	Budapest	1	Vub Asset Management Spravcovska Spolocnost	100.00	
35	CIB Leasing Holding Limited Liability Company in Voluntary Dissolution (formerly CIB Leasing Holding LLC) Share capital HUF 500.000	Budapest	1	Cib Bank	100.00	
36	CIB Leasing Ltd Share capital HUF 53.000.000	Budapest	1	CIB Leasing Holding in Voluntary Dissolution CIB Real Estate	98.23 1.77 100.00	
37	CIB Real Estate Ltd Share capital HUF 52.000.000	Budapest	1	Cib Bank	100.00	
38	CIB Rent Operative Leasing Ltd Share capital HUF 800.000.000	Budapest	1	Cib Bank	100.00	
39	Cimabue Sicav (d)	Luxembourg	4	Intesa Sanpaolo Life	100.00	
40	Cloverie Plc (e)	Dublin	4	Intesa Sanpaolo Life	100.00	
41	Compagnia Italiana Finanziaria - CIF S.r.l. Share capital 138.864.869,00 euro	Milano	1	IN.FRA - Investire nelle Infrastrutture	63.78	
42	Consumer Finance Holding a.s. Share capital 53.110.277 euro	Kezmarok	1	Vseobecna Uverova Banka	100.00	
43	Duomo Funding Plc (k)	Dublin	4	Intesa Sanpaolo	-	
44	Dalì Capital Plc (e)	London	4	Intesa Sanpaolo Life	100.00	
45	Epsilon Associati SGR S.p.A. Share capital 5.200.000 euro	Milano	1	Eurizon Capital SGR Banca IMI	51.00 49.00 100.00	
46	Equiter S.p.A. Share capital 150.000.000 euro	Torino	1	Intesa Sanpaolo	100.00	
47	Eurizon Capital S.A. Share capital 7.557.200 euro	Luxembourg	1	Eurizon Capital SGR	100.00	
48	Eurizon Capital SGR S.p.A. Share capital 95.010.000 euro	Milano	1	Intesa Sanpaolo	100.00	
49	Eurizon Investment Sicav (d)	Luxembourg	4	Intesa Sanpaolo Vita	41.05	
50	Eurizon Multi Alpha Classe I (d)	Luxembourg	4	Intesa Sanpaolo Vita Eurizon Capital	65.89 34.11 100.00	
51	Euro-Tresorerie S.A. Share capital Euro 250.038.322,20	Parigi	1	Financière Fideuram	100.00	
52	Fideuram Asset Management (Ireland) Ltd Share capital 1.000.000 euro	Dublin	1	Banca Fideuram	100.00	
53	Fideuram Bank Luxembourg S.A. Share capital 30.000.000 euro	Luxembourg	1	Banca Fideuram	100.00	
54	Fideuram Fiduciaria S.p.A. Share capital 1.551.000 euro	Torino	1	Banca Fideuram	100.00	
55	Fideuram Fund Bond Euro High Yield (d)	Luxembourg	4	Fideuram Vita Intesa Sanpaolo Vita	48.50 26.39 74.89	
56	Fideuram Fund Bond Usa (d)	Luxembourg	4	Fideuram Vita Intesa Sanpaolo Vita	87.13 0.06 87.19	
57	Fideuram Fund Bond Global Emerging Markets (d)	Luxembourg	4	Fideuram Vita Intesa Sanpaolo Vita	56.82 9.24 66.06	

	Name	Registered office	Type of relation-ship (a)	Investment direct ownership	Investment % held	Votes available % (b)
58	Fideuram Fund Bond Yen (d)	Luxembourg	4	Fideuram Vita	92.38	
59	Fideuram Fund Equity Europe Growth (d)	Luxembourg	4	Fideuram Vita	91.18	
				Intesa Sanpaolo Vita	5.79	
					96.97	
60	Fideuram Fund Equity Europe Value (d)	Luxembourg	4	Fideuram Vita	79.20	
				Intesa Sanpaolo Vita	15.58	
					94.78	
61	Fideuram Fund Equity Euro (d)	Luxembourg	4	Fideuram Vita	85.66	
				Intesa Sanpaolo Vita	10.47	
					96.13	
62	Fideuram Fund Equity Euro Corporate Bond (d)	Luxembourg	4	Fideuram Vita	73.95	
				Intesa Sanpaolo Vita	7.41	
					81.36	
63	Fideuram Fund Equity Global Emerging Markets (d)	Luxembourg	4	Fideuram Vita	91.05	
				Intesa Sanpaolo Vita	3.83	
					94.88	
64	Fideuram Fund Equity Italy (d)	Luxembourg	4	Fideuram Vita	91.27	
				Intesa Sanpaolo Vita	2.51	
					93.78	
65	Fideuram Fund Equity Japan (d)	Luxembourg	4	Fideuram Vita	86.76	
				Intesa Sanpaolo Vita	5.03	
					91.79	
66	Fideuram Fund Equity Pacific Ex Japan (d)	Luxembourg	4	Fideuram Vita	90.92	
				Intesa Sanpaolo Vita	2.69	
					93.61	
67	Fideuram Fund Equity Usa (d)	Luxembourg	4	Fideuram Vita	86.49	
				Intesa Sanpaolo Vita	8.53	
					95.02	
68	Fideuram Fund Equity Usa Advantage (d)	Luxembourg	4	Fideuram Vita	94.94	
				Intesa Sanpaolo Vita	2.09	
					97.03	
69	Fideuram Fund Equity Usa Value (d)	Luxembourg	4	Fideuram Vita	89.20	
				Intesa Sanpaolo Vita	9.36	
					98.56	
70	Fideuram Fund Euro Bond Long Risk (d)	Luxembourg	4	Fideuram Vita	66.33	
				Intesa Sanpaolo Vita	28.35	
					94.68	
71	Fideuram Fund Euro Bond Low Risk (d)	Luxembourg	4	Fideuram Vita	84.17	
				Intesa Sanpaolo Vita	4.16	
					88.33	
72	Fideuram Fund Euro Bond Medium Risk (d)	Luxembourg	4	Fideuram Vita	83.37	
				Intesa Sanpaolo Vita	6.59	
					89.96	
73	Fideuram Fund Euro Short Risk (d)	Luxembourg	4	Fideuram Vita	81.15	
				Intesa Sanpaolo Vita	4.30	
					85.45	
74	Fideuram Fund Euro Defensive Bond (d)	Luxembourg	4	Fideuram Vita	82.45	
				Intesa Sanpaolo Vita	5.07	
					87.52	
75	Fideuram Fund Zero Coupon 2014 (d)	Luxembourg	4	Fideuram Vita	99.99	
76	Fideuram Fund Zero Coupon 2015 (d)	Luxembourg	4	Fideuram Vita	100.00	
77	Fideuram Fund Zero Coupon 2016 (d)	Luxembourg	4	Fideuram Vita	99.89	
78	Fideuram Fund Zero Coupon 2017 (d)	Luxembourg	4	Fideuram Vita	100.00	
79	Fideuram Fund Zero Coupon 2018 (d)	Luxembourg	4	Fideuram Vita	99.81	
80	Fideuram Fund Zero Coupon 2019 (d)	Luxembourg	4	Fideuram Vita	99.86	
81	Fideuram Fund Zero Coupon 2020 (d)	Luxembourg	4	Fideuram Vita	99.56	
82	Fideuram Fund Zero Coupon 2021 (d)	Luxembourg	4	Fideuram Vita	99.78	
83	Fideuram Fund Zero Coupon 2022 (d)	Luxembourg	4	Fideuram Vita	99.61	
84	Fideuram Fund Zero Coupon 2023 (d)	Luxembourg	4	Fideuram Vita	99.47	
85	Fideuram Fund Zero Coupon 2024 (d)	Luxembourg	4	Fideuram Vita	99.79	
86	Fideuram Fund Zero Coupon 2025 (d)	Luxembourg	4	Fideuram Vita	100.00	
87	Fideuram Fund Zero Coupon 2026 (d)	Luxembourg	4	Fideuram Vita	99.48	
88	Fideuram Fund Zero Coupon 2027 (d)	Luxembourg	4	Fideuram Vita	99.04	

	Name	Registered office	Type of relationship (a)	Investment direct ownership	Investment % held	Votes available % (b)
89	Fideuram Fund Zero Coupon 2028 (d)	Luxembourg	4	Fideuram Vita	99.01	
90	Fideuram Fund Zero Coupon 2029 (d)	Luxembourg	4	Fideuram Vita	99.06	
91	Fideuram Fund Zero Coupon 2030 (d)	Luxembourg	4	Fideuram Vita	99.65	
92	Fideuram Fund Zero Coupon 2031 (d)	Luxembourg	4	Fideuram Vita	99.86	
93	Fideuram Fund Zero Coupon 2032 (d)	Luxembourg	4	Fideuram Vita	99.63	
94	Fideuram Fund Zero Coupon 2033 (d)	Luxembourg	4	Fideuram Vita	99.68	
95	Fideuram Fund Zero Coupon 2034 (d)	Luxembourg	4	Fideuram Vita	99.81	
96	Fideuram Fund Zero Coupon 2035 (d)	Luxembourg	4	Fideuram Vita	100.00	
97	Fideuram Fund Zero Coupon 2036 (d)	Luxembourg	4	Fideuram Vita	100.00	
98	Fideuram Fund Zero Coupon 2037 (d)	Luxembourg	4	Fideuram Vita	100.00	
99	Fideuram Fund Zero Coupon 2038 (d)	Luxembourg	4	Fideuram Vita	100.00	
100	Fideuram Fund Zero Coupon 2039 (d)	Luxembourg	4	Fideuram Vita	100.00	
101	Fideuram Fund Zero Coupon 2040 (d)	Luxembourg	4	Fideuram Vita	100.00	
102	Fideuram Fund Zero Coupon 2041 (d)	Luxembourg	4	Fideuram Vita	100.00	
103	Fideuram Fund Zero Coupon 2042 (d)	Luxembourg	4	Fideuram Vita	100.00	
104	Fideuram Fund Zero Coupon 2043 (d)	Luxembourg	4	Intesa Sanpaolo Vita	99.32	
				Fideuram Vita	0.68	
					100.00	
105	Fideuram Gestions S.A.	Luxembourg	1	Banca Fideuram	99.94	
	Share capital 10.000.000 euro			Fideuram Vita	0.06	
					100.00	
106	Fideuram Investimenti S.G.R. S.p.A.	Milano	1	Banca Fideuram	99.50	
	Share capital 25.850.000 euro					
107	Fideuram Vita S.p.A.	Roma	1	Intesa Sanpaolo	80.01	
	Share capital 356.946.836 euro			Banca Fideuram	19.99	
					100.00	
108	Financière Fideuram S.A.	Parigi	1	Banca Fideuram	100.00	
	Share capital 346.761.600 euro					
109	Finor Leasing d.o.o.	Koper	1	Banka Koper	100.00	
	Share capital 2.044.700 euro					
110	Fondo Caravaggio Sicav (d)	Luxembourg	4	Intesa Sanpaolo Life	100.00	
111	Fondo Bond Eur Long Term (d)	Luxembourg	4	Intesa Sanpaolo Life	39.33	
				Intesa Sanpaolo Vita	22.86	
					62.19	
112	Fondo Bond Eur Medium Term (d)	Luxembourg	4	Intesa Sanpaolo Life	36.78	
				Intesa Sanpaolo Vita	24.40	
					61.18	
113	Fondo Bond Eur Short Term (d)	Luxembourg	4	Intesa Sanpaolo Life	37.50	
				Intesa Sanpaolo Vita	29.18	
					66.68	
114	Fondo Bond GBP (d)	Luxembourg	4	Intesa Sanpaolo Life	40.42	
				Intesa Sanpaolo Vita	43.86	
					84.28	
115	Fondo Bond JPY (d)	Luxembourg	4	Intesa Sanpaolo Life	48.19	
				Intesa Sanpaolo Vita	33.27	
					81.46	
116	Fondo Bond USD (d)	Luxembourg	4	Intesa Sanpaolo Life	43.32	
				Intesa Sanpaolo Vita	28.38	
					71.70	
117	Fondo Epsilon Q-Flexible (d)	Luxembourg	4	Intesa Sanpaolo Life	53.48	
118	Fondo Equity Eastern Europe (d)	Luxembourg	4	Intesa Sanpaolo Life	32.85	
				Intesa Sanpaolo Vita	52.87	
					85.72	
119	Fondo Equity Emerging Market (d)	Luxembourg	4	Intesa Sanpaolo Life	34.71	
				Intesa Sanpaolo Vita	20.35	
					55.06	
120	Hayez Sicav (d)	Luxembourg	4	Intesa Sanpaolo Life	100.00	
121	IMI Capital Markets USA Corp.	New York	1	IMI Investments	100.00	
	Share capital USD 5.000					
122	IMI Finance Luxembourg S.A.	Luxembourg	1	IMI Investments	100.00	
	Share capital 100.000 euro					
123	IMI Fondi Chiusi S.G.R. S.p.A.	Bologna	1	IMI Investimenti	100.00	
	Share capital 2.000.000 euro					

Name		Registered office	Type of relation-ship (a)	Investment direct ownership	% held	Votes available % (b)
124	IMI Investimenti S.p.A. Share capital 579.184.200 euro	Bologna	1	Intesa Sanpaolo	100.00	
125	IMI Investments S.A. Share capital 21.660.000 euro	Luxembourg	1	Banca IMI	100.00	
126	IN.FRA - Investire nelle Infrastrutture S.p.A. Share capital 117.342.245,47 euro	Milano	1	Intesa Sanpaolo	100.00	
127	Infogroup S.c.p.A. Share capital 4.352.000 euro	Firenze	1	Cassa di Risparmio di Firenze	65.45	
				Intesa Sanpaolo	31.07	
				Cassa di Risparmio di Pistoia e della Lucchesia	2.76	
				Cassa di Risparmio di Civitavecchia	0.69	
				Intesa Sanpaolo Group Services	0.01	
				Casse di Risparmio dell'Umbria	0.01	
				altre quote minori	0.01	
					100.00	
128	Iniziative Logistiche S.r.l. Share capital 58.901.017,59 euro	Milano	1	IN.FRA - Investire nelle Infrastrutture	61.58	
129	International Fund Emerging Markets Local Currency Bond	Luxembourg	4	Fideuram Vita	58.33	
130	International Fund Euro Liquidity	Luxembourg	4	Fideuram Vita	100.00	
131	Intesa Funding LLC Share capital USD 25.000	Wilmington	1	Intesa Sanpaolo	100.00	
132	Intesa Leasing (Closed Joint-Stock Company) Share capital RUB 3.000.000	Moscow	1	Banca Intesa Zao	100.00	
133	Intesa Leasing d.o.o. Beograd Share capital RSD 960.374.301	Beograd	1	Banca Intesa Beograd	100.00	
134	Intesa Sanpaolo Assicura S.p.A. Share capital 27.912.258 euro	Torino	1	Intesa Sanpaolo Vita	100.00	
135	Intesa Sanpaolo Bank Albania Sh.A. (l) Share capital ALL 5.562.517.674	Tirana	1	Intesa Sanpaolo	98.61	100.00
136	Intesa Sanpaolo Bank Ireland Plc Share capital 400.500.000 euro	Dublin	1	Intesa Sanpaolo	100.00	
137	Intesa Sanpaolo Banka d.d. Bosna I Hercegovina Share capital BAM 44.782.000	Sarajevo	1	Intesa Sanpaolo Holding International	94.92	
138	Intesa Sanpaolo Card BH D.O.O. Share capital BAM 3.649.126,50	Sarajevo	1	Intesa Sanpaolo Card Zagreb	100.00	
139	Intesa Sanpaolo Card d.o.o. - Ljubljana Share capital 5.618.760,80 euro	Ljubljana	1	Intesa Sanpaolo Card Zagreb	100.00	
140	Intesa Sanpaolo Card d.o.o. - Zagreb Share capital HRK 30.863.400	Zagabria	1	Intesa Sanpaolo Holding International	51.32	
				Privredna Banka Zagreb	33.34	
				Banka Koper	15.34	
					100.00	
141	Intesa Sanpaolo Group Services S.c.p.A. Share capital 272.157.000 euro	Torino	1	Intesa Sanpaolo	99.88	
				Banca Fideuram	0.01	
				Cassa di Risparmio del Veneto	0.01	
				Cassa di Risparmio di Firenze	0.01	
				Banco di Napoli	0.01	
				Banca Imi	0.01	
				Eurizon Capital SGR	0.01	
				Intesa Sanpaolo Vita	0.01	
				Casse di Risparmio dell'Umbria	0.01	
				Banca dell'Adriatico	0.01	
				altre quote minori	0.03	
					100.00	
142	Intesa Sanpaolo Holding International S.A. Share capital 2.200.087.440 euro	Luxembourg	1	Intesa Sanpaolo	100.00	
143	Intesa Sanpaolo Immobilière S.A. Share capital 350.000 euro	Luxembourg	1	Intesa Sanpaolo Holding International	100.00	
144	Intesa Sanpaolo Leasing Romania IFN S.A. Share capital RON 1.080.000	Bucarest	1	Intesa Sanpaolo Romania	99.50	
				CIB Leasing	0.50	
					100.00	
145	Intesa Sanpaolo Life Ltd Share capital 625.000 euro	Dublin	1	Intesa Sanpaolo Vita	100.00	
146	Intesa Sanpaolo Personal Finance S.p.A. (formerly Moneta S.p.A.) Share capital 176.611.670 euro	Bologna	1	Intesa Sanpaolo	100.00	
147	Intesa Sanpaolo Previdenza - Società di Intermediazione Mobiliare S.p.A. Share capital 15.417.500 euro	Milano	1	Intesa Sanpaolo	100.00	

Name		Registered office	Type of relation-ship (a)	Investment direct ownership	% held	Votes available % (b)
148	Intesa Sanpaolo Private Bank (Suisse) S.A. Share capital CHF 20.000.000	Lugano	1	Intesa Sanpaolo Holding International	100.00	
149	Intesa Sanpaolo Private Banking S.p.A. Share capital 105.497.424 euro	Milano	1	Intesa Sanpaolo	100.00	
150	Intesa Sanpaolo Provis S.r.l. Share capital 4.625.000 euro	Roma	1	Intesa Sanpaolo	100.00	
151	Intesa Sanpaolo Real Estate S.A. Share capital 2.940.476 euro	Luxembourg	1	Intesa Sanpaolo Holding International	100.00	
152	Intesa Sanpaolo Romania S.A. Commercial Bank Share capital Ron 886.639.410	Arad	1	Intesa Sanpaolo Cassa di Risparmio di Firenze Intesa Sanpaolo Holding International	91.47 8.18 0.35 100.00	
153	Intesa Sanpaolo Sec S.A. Share capital 31.000 euro	Luxembourg	1	Intesa Sanpaolo	100.00	
154	Intesa Sanpaolo Servitia S.A. Share capital 1.500.000 euro	Luxembourg	1	Intesa Sanpaolo Holding International	100.00	
155	Intesa Sanpaolo Trust Company Fiduciaria S.p.A. Share capital 1.032.000 euro	Milano	1	Intesa Sanpaolo	100.00	
156	Intesa Sanpaolo Vita S.p.A. Share capital 320.322.508,16 euro	Torino	1	Intesa Sanpaolo	99.99	
157	Intesa Sec. 3 S.r.l. Share capital 70.000 euro	Milano	1	Intesa Sanpaolo	60.00	
158	Intesa Sec. Npl S.p.A. Share capital 129.000 euro	Milano	1	Intesa Sanpaolo	60.00	
159	Intesa Sec. S.p.A. Share capital 100.000 euro	Milano	1	Intesa Sanpaolo	60.00	
160	Inversiones Mobiliarias S.A.- IMSA Share capital PEN 7.941.112,83	Lima	1	Intesa Sanpaolo	99.40	
161	ISP CB Ipotecario S.r.l. Share capital 120.000 euro	Milano	1	Intesa Sanpaolo	60.00	
162	ISP CB Pubbico S.r.l. Share capital 120.000 euro	Milano	1	Intesa Sanpaolo	60.00	
163	ISP OBG S.r.l. Share capital 42.038 euro	Milano	1	Intesa Sanpaolo	60.00	
164	Leasint S.p.A. Share capital 172.043.500 euro	Milano	1	Intesa Sanpaolo	100.00	
165	Levanna Sicav (d)	Luxembourg	4	Intesa Sanpaolo Life	100.00	
166	Lima Sudameris Holding S.A. in liquidation Share capital PEN 172.384.709,03	Lima	1	Intesa Sanpaolo IMSA	52.87 47.13 100.00	
167	Lunar Funding V Plc (k)	Dublin	4	Intesa Sanpaolo	-	
168	Lux Gest Asset Management S.A. Share capital 200.000 euro	Luxembourg	1	Société Européenne de Banque	100.00	
169	Mediocredito Italiano S.p.A. Share capital 572.043.495 euro	Milano	1	Intesa Sanpaolo	100.00	
170	Mediofactoring S.p.A. Share capital 248.980.000 euro	Milano	1	Intesa Sanpaolo	97.23	
171	Mercurio Sicav (d)	Luxembourg	4	Intesa Sanpaolo Life	87.15	
172	Neos Finance S.p.A. Share capital 94.159.932 euro	Bologna	1	Intesa Sanpaolo	100.00	
173	PBZ Card d.o.o. Share capital HRK 43.422.200	Zagabria	1	Privredna Banka Zagreb	100.00	
174	PBZ Invest d.o.o. Share capital HRK 5.000.000	Zagabria	1	Vub Asset Management Spravcovska Spolocnost	100.00	
175	PBZ Leasing d.o.o. za poslove leasinga Share capital HRK 15.000.000	Zagabria	1	Privredna Banka Zagreb	100.00	
176	PBZ Nekretnine d.o.o. Share capital HRK 3.000.000	Zagabria	1	Privredna Banka Zagreb	100.00	
177	PBZ Stambena Stedionica d.d. Share capital HRK 115.000.000	Zagabria	1	Privredna Banka Zagreb	100.00	
178	Pravex Bank Public Joint-Stock Company Commercial Bank Share capital UAH 949.170.000	Kiev	1	Intesa Sanpaolo	100.00	
179	Private Equity International S.A. Share capital 101.000.000 euro	Luxembourg	1	Intesa Sanpaolo IMI Investimenti	90.90 9.10 100.00	

Name		Registered office	Type of relation-ship (a)	Investment direct ownership	Investment % held	Votes available % (b)
180	Privredna Banka Zagreb d.d. (o) Share capital HRK 1.907.476.900	Zagabria	1	Intesa Sanpaolo Holding International	76.59	
181	RE Consult Infrastrutture S.p.A. Share capital 243.248.460 euro	Milano	1	Iniziative Logistiche Compagnia Italiana Finanziaria - CIF	33.33 66.67 100.00	
182	Recovery a.s. Share capital 33.200 euro	Bratislava	1	Vseobecna Uverova Banka	100.00	
183	Recovery Property Utilisation and Services ZRT. Share capital HUF 10.000.000	Budapest	1	Cib Bank	100.00	
184	Romulus Funding Corporation (k)	Delaware	4	Intesa Sanpaolo	-	
185	Sanpaolo Invest Ireland Ltd Share capital 500.000 euro	Dublin	1	Banca Fideuram	100.00	
186	Sanpaolo Invest SIM S.p.A. Share capital 15.264.760 euro	Roma	1	Banca Fideuram	100.00	
187	Setefi S.p.A. Share capital 8.450.000 euro	Milano	1	Intesa Sanpaolo	100.00	
188	Società Italiana di Revisione e Fiduciaria – S.I.RE.F. S.p.A. Share capital 2.600.000 euro	Milano	1	Intesa Sanpaolo	100.00	
189	Société Européenne de Banque S.A. Share capital 535.091.520 euro	Luxembourg	1	Intesa Sanpaolo Holding International	100.00	
190	SP Lux Sicav II (d)	Luxembourg	4	Intesa Sanpaolo Life	90.22	
191	Starling Finance Srl (e)	Dublin	4	Fideuram Vita	-	
192	T T 1 Lux S.A. Share capital 44.571.000 euro	Luxembourg	1	IMI Investimenti	50.00	
193	Tiepolo Sicav (d)	Luxembourg	4	Intesa Sanpaolo Life	100.00	
194	Trade Receivables Investment Vehicle Sarl (d)	Luxembourg	4	Banca IMI/Duomo Funding	100.00	
195	Vseobecna Uverova Banka a.s. Share capital 430.819.063,81 euro	Bratislava	1	Intesa Sanpaolo Holding International	96.97	
196	VUB Asset Management Sprav. Spol a.s. Share capital 4.093.560 euro	Bratislava	1	Vseobecna Uverova Banka Eurizon Capital Privredna Banka Zagreb	40.55 50.12 9.33 100.00	
197	VUB Factoring a.s. Share capital 2.232.334 euro	Bratislava	1	Vseobecna Uverova Banka	100.00	
198	VUB Leasing a.s. Share capital 16.600.000 euro	Bratislava	1	Vseobecna Uverova Banka	100.00	

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

(b) Available voting rights at Ordinary Shareholders' Meeting. Voting rights are presented only if other than the investment held in the company's capital.

(c) Company for which the Group holds the majority of risks and benefits (SIC 12).

(d) Collective investment entity in which the Group holds the majority of risks and benefits (SIC 12).

(e) SDS - Società a Destinazione Specifica (special purpose entity) for the issuance of structured products covering unit-linked policies (SIC 12)

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

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

(h) Minority shareholders are subject to a legal commitment to purchase the remaining 2.36% of share capital.

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

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

(k) Company for which the Group holds the majority of risks and benefits (SIC 12); the group does not hold any equity stake in the share capital.

(l) In relation to the investment in Intesa Sanpaolo Bank Albania SH.A. there are Potential Voting Rights on 1.39% of the capital due to the share of former Banca Italo Albanese (merged into Intesa Sanpaolo Bank Albania) sold to Società Italiana per le Imprese all'Estero (Simest) in July 2006.

(m) Please note that there is a put option sold/call option purchased from minority shareholders on 13.25% of share capital.

(n) Please note that there is a put option sold/call option purchased from minority shareholders on 28.33% of share capital.

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

Consolidation methods

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

Measurement using the equity method
Associates and companies subject to joint control are consolidated with the equity method. For the latter, Intesa Sanpaolo opted for the use of this consolidation method instead of proportional consolidation, as provided for by IAS 31.
The equity method requires the initial recognition of the equity investment at cost and its subsequent value adjustment based on the stake in the company's shareholders' equity.
Any difference between the value of the equity investment and the shareholders' equity of the company involved is recorded in the book value of the company.
The valuation of the portion of shareholders' equity does not consider any potential voting rights.
The portion of the company's results for the period pertaining to the Group is recorded in a specific caption of the consolidated income statement.
If there is evidence of impairment, the recoverable amount of the investment is estimated, considering the present value of the future cash flows which may be generated by the investment, including the final disposal value. If the recoverable amount is under book value the relative difference is recorded in the income statement.
For consolidation of companies subject to joint control and investments in associates, the most recent approved (annual or interim) figures have been used. In certain marginal cases, the companies do not apply IAS/IFRS and, therefore, for such companies it was verified that the adoption of IAS/IFRS would not have produced significant effects on the Intesa Sanpaolo Group's Consolidated financial statements.

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

SECTION 4 – SIGNIFICANT EVENTS SUBSEQUENT TO FINANCIAL STATEMENT DATE

No events of particular relevance occurred after the balance sheet date.

In the interest of completeness of information, reference should be made to the Executive Summary chapter of the Report on operations.

It is considered important to recall that, on 16 May 2013, the EBA recommended that the relevant Supervisory authorities conduct an asset quality review on the major European banks, with the aim of reviewing the classifications and valuations of their loans in order to dispel concerns on the deterioration of asset quality due to macroeconomic conditions in Europe. On 23 October 2013, the ECB announced that, together with the national competent authorities responsible for bank supervision, it would carry out a comprehensive assessment of the banking system, pursuant to the regulations on the Single Supervisory Mechanism (EU Council

Regulation no. 1024/2013 of 15 October 2013) that become effective on 3 November 2013. This activity will take place during 2014 and will involve the major European banks, including the Intesa Sanpaolo Group.
The assessment will consist of three elements: (i) a supervisory risk assessment to review, quantitatively and qualitatively, key risks, including liquidity, leverage and funding; (ii) an asset quality review (AQR) to enhance the transparency of bank exposures by reviewing the quality of banks' assets, including the adequacy of asset and collateral valuation and related provisions; and (iii) a stress test to examine the resilience of banks' balance sheet to stress scenarios. The assessment will be based on a capital benchmark of 8% Common Equity Tier 1, drawing on the definition of the Capital Requirements Directive IV/Capital Requirements Regulation I for both the AQR and the baseline stress test scenario.
The asset quality review objectives being prepared by the Single Supervisory Mechanism include: (i) assessment of adequate provisioning for credit exposures; (ii) determination of the appropriate valuation of collateral for credit exposures; and (iii) assessment of the valuation of complex instruments and high-risk assets on banks' balance sheets. Based on the asset quality review, the EBA, in close cooperation with the ECB, will conduct a stress test aimed at evaluating the solidity of regulatory capital in the event of stress situations caused by specific restrictive conditions.
If the stress tests, also taking into account the results of the asset quality review, indicate that the Bank does not satisfy the capitalisation parameters set by the EBA, the Supervisory Authority may require the adoption of measures aimed at overcoming the capital deficits highlighted by the stress test.

SECTION 5 - OTHER ASPECTS

Option for the national fiscal consolidation provisions

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

Other aspects

KPMG S.p.A. audited the Consolidated financial statements as at 31 December 2013, in execution of the resolution of the Shareholders' Meeting of 10 May 2011, which appointed the company as independent auditor for the years from 2012 to 2020, included.

A.2 – MAIN FINANCIAL STATEMENT CAPTIONS

1. Financial assets held for trading

Classification criteria

This category includes financial assets held for trading, essentially represented by debt securities and equities and the positive value of derivative contracts held for trading. Derivative contracts also include those embedded in combined financial instruments which are subject to separate accounting when:

– their characteristics and risks are not closely related to the characteristics of the host contract;
– embedded instruments, even though separate, fully meet the definition of derivative;
– combined instruments are not measured at fair value with changes in fair value recognised through profit and loss.

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

Recognition criteria

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

Measurement criteria

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

Derecognition criteria

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

2. Financial assets available for sale

Classification criteria

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

Recognition criteria

Initial recognition of the financial asset occurs at settlement date for debt securities and equities and at disbursement date for loans.

On initial recognition, assets are recorded at fair value, including transaction costs and revenues directly attributable to the instrument.

If, in the cases provided for by the accounting standards, recognition occurs following the reclassification from Investments held to maturity or, in rare circumstances, from Financial assets held for trading, the recognition value is the fair value as at the time of transfer.

Measurement criteria

After initial recognition, Financial assets available for sale are measured at fair value, through the registration in the income statement of the value corresponding to amortised cost, while gains or losses deriving from a change in fair value are recorded in a specific reserve in shareholders' equity, until the financial asset is derecognised or a permanent loss occurs. On the sale of the financial asset or on recognition of a loss, the cumulated profit or loss must be reversed, all or in part, to the income statement.

Fair value is determined on the basis of the criteria already illustrated for financial assets held for trading.

Equities included in this category, quotas of UCI and any derivative instruments which have equities as underlying assets, which are not quoted on an active market, for which it is not possible to determine a reliable fair value, are maintained at cost.

Financial assets available for sale are assessed to identify if they show objective evidence of an impairment loss.

If such evidence exists, the loss is measured as the difference between the carrying value of the asset and its fair value.

Should the reasons for impairment cease to exist, following an event which occurred after the registration of the impairment, value recoveries are posted through the income statement in the case of loans or debt securities, and through shareholders' equity in the case of equities. The size of the recovery must not lead the carrying amount of the financial asset to exceed the amortised cost had no impairment losses been recognised in previous periods.

Derecognition criteria

Financial assets are derecognised solely if the sale leads to the substantial transfer of all the risks and rewards connected to the assets. Conversely, if a significant part of the risks and rewards relative to the sold financial assets is maintained, they continue to be recorded in assets, even though their title has been transferred.

When it is not possible to ascertain the substantial transfer of risks and rewards, the financial assets are derecognised where no control over the assets has been maintained. If this is not the case, when control, even partial, is maintained, the assets continue to be recognised for the entity's continuing involvement, measured by the exposure to changes in value of assets sold and to variations in the relevant cash flows.

Lastly, financial assets sold are derecognised if the entity retains the contractual rights to receive the cash flows of the asset, but signs a simultaneous obligation to pay such cash flows, and only such cash flows, to third parties.

3. Investments held to maturity

Classification criteria

Quoted debt securities with fixed or determinable payments and fixed maturity, which the entity has the positive intention and ability to hold to maturity, are classified in this category.

In the cases provided for by the accounting standards, reclassifications are only permitted towards the category Financial assets available for sale. If during a year, prior to expiry, more than an insignificant amount classified under this category is sold or reclassified, the remaining investments held to maturity are reclassified as Financial assets available for sale and the portfolio in question may not be used for the next two years, unless the sales and reclassifications:

– are so close to maturity or the financial asset's call date that changes in the market rate of interest would not have a significant effect on the financial asset's fair value;
– occur after the entity has collected substantially all of the financial asset's original principal through scheduled payments or prepayments; or
– are attributable to an isolated event that is beyond the entity's control, is non-recurring and could not have been reasonably anticipated by the entity.

Recognition criteria

Initial recognition of financial assets occurs at settlement date.

On initial recognition, financial assets classified in this category are recorded at fair value, inclusive of any costs and revenues directly attributable to the asset.

If inclusion in this category occurs following reclassification from Financial assets available for sale or, in rare circumstances, from Financial assets held for trading, the fair value of the asset as at the date of reclassification is used as the new amortised cost of the asset.

Measurement criteria

After the initial recognition, Investments held to maturity are valued at amortised cost, using the effective interest method.

Profits or losses referred to investments held to maturity are recorded in the income statement when assets are derecognised or impaired, and through the amortisation process of the difference between book value and the value reimbursable at maturity.

Investments held to maturity are assessed to identify if they show objective evidence of an impairment loss.

If such evidence exists, the loss is measured as the difference between the carrying value of the asset and the present value of the estimated future cash flows, discounted at the original effective interest rate. The loss is recorded in the income statement.

If the reasons for impairment are no longer applicable following an event subsequent to the registration of impairment, recoveries are recorded in the income statement. The size of the recovery must not lead the carrying amount of the financial asset to exceed the amortised cost had no impairment losses been recognised in previous periods.

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

4. Loans

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

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

Measurement criteria
After initial recognition, loans are measured at amortised cost, equal to initial value increased/decreased by principal repayments, adjustments/recoveries and amortisation – calculated applying the effective interest method – of the difference between amount disbursed and amount to be reimbursed at maturity, typically attributable to the costs/revenues directly connected to the single loan. The effective interest rate is the rate that exactly discounts estimated future cash payments of the loan, for principal and interest, to the amount disbursed inclusive of the costs/revenues attributable to the loan. This measurement method uses a financial approach and allows distribution of the economic effect of the costs/revenues through the expected residual maturity of the loan.
The amortised cost method is not used for loans whose short maturity implies that the application of the discounting approach leads to immaterial effects. Such loans are recorded at historical cost. An analogous measurement criterion is applied to loans with unspecified maturity or with notice period.
Loans are reassessed for the purpose of identifying those which, due to events occurred after initial recognition, show objective evidence of possible impairment. These include doubtful loans, substandard, restructured or past due loans according to the rules issued by the Bank of Italy, consistent with IAS/IFRS regulations.
Three different cases of restructuring of credit exposures may be identified:
- proper restructurings (as defined in Bank of Italy Circular 272);
- renegotiations;
- the discharge of debt through substitution of the debtor or debt-for-equity swap.

In accordance with the Bank of Italy regulations, debt (credit exposure) restructuring is defined as a transaction whereby the bank, for economic reasons, makes a concession to the debtor, in consideration of the financial difficulties experienced by the debtor, which concession the bank otherwise would not have made and which results in a loss for the creditor. The bank's concession essentially consists of a waiver of certain of its contractually defined rights, which translates into an immediate or deferred benefit for the debtor, which derives an advantage from such waiver, and in a corresponding loss for the bank. The effects of such waiver are measured by the decrease (increase) in the economic value of the loan (debt) compared to the carrying amount of the loan (debt) prior to restructuring.
Relationships that fall into this category are classified among non-performing loans.
The renegotiation of credit exposures granted by the Bank with respect to performing loans to customers is substantially similar to the opening of a new position, when it is due to commercial reasons other than the deterioration in the borrower's financial situation, provided that the interest rate applied is a market rate at the renegotiation date.
As an alternative to the scenarios outlined above (restructurings and renegotiations), the bank and debtor may agree on the discharge of the original debt through:
- novation or assumption by another debtor (assignment with release);
- substantial modification of the nature of the contract involving a debt-equity swap.

Such events, since they entail a substantial modification of the contractual terms, from an accounting standpoint result in the extinguishment of the previous relationship and the ensuing recognition of the new relationship at fair value, with the recognition in the income statement of a gain or loss equal to the difference between the book value of the former loan and the fair value of the assets received.

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

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

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

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

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

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

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

6. Hedging transactions

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

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

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

Recognition criteria

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

Measurement criteria

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

Derivatives are designated as hedging instruments if there is formal designation and documentation of the hedging relationship between the hedged item and the hedging instrument and if this is effective at inception and prospectively over the entire period of the hedge.

The effectiveness of the hedge depends on the extent to which changes in the fair value of the hedged item or the relating expected cash flows are offset by those of the hedging instrument. Therefore, effectiveness is appraised by comparing the aforementioned changes, considering the intent pursued by the entity at the time in which it entered the hedging transaction.

A hedge is effective when the variations in fair value (or cash flows) of the hedging financial instrument almost completely neutralise, that is within the 80-125% range, the changes in the fair value of the hedged item, for the type of risk being hedged.

Effectiveness is assessed at every close of annual or interim financial statements using:
- prospective tests, which justify the application of hedge accounting, since these prove the expected effectiveness of the hedge;
- retrospective tests, which highlight the degree of hedge effectiveness reached in the period to which they refer. In other words, they measure to what extent results achieved differ from perfect hedging.

If such assessments do not confirm hedge effectiveness, from that moment hedge accounting is discontinued, the derivative is reclassified in instruments held for trading and the hedged item is measured on the basis of its classification in the balance sheet.

7. Investments in associates and companies subject to joint control

Recognition, classification and measurement criteria

The caption includes investments in companies subject to joint control and associates.

Companies are considered as subject to joint control when the voting rights and the control of the economic activities of the company are equally shared by Intesa Sanpaolo, directly or indirectly, and another entity. Furthermore, a company is considered as subject to joint control even when voting rights are not equally shared if control over the economic activities and the strategies of the company is shared based on contractual agreements with other entities.

Companies are considered associates, that is subject to significant influence, when Intesa Sanpaolo, directly or indirectly, holds at least 20% of voting rights (including "potential" voting rights as described above) or when the Parent Company – despite a lower percentage of voting rights due to specific legal agreements such as the participation of voting syndicates – has the power of participating in the determination of the financial and operating policies of the company.

Certain companies in which Intesa Sanpaolo holds a stake exceeding 20% are not considered subject to significant influence since Intesa Sanpaolo, directly or indirectly, exclusively has economic rights on a portion of the returns generated by the investment, but does not have access to management policies and may exercise governance rights limited to the protection of its economic interests.

If there is evidence of impairment, the recoverable amount of the investment is estimated, considering the present value of the future cash flows which may be generated by the investment, including the final disposal value.

If the recoverable amount is lower than the carrying value, the difference is recorded in the income statement.

If the reasons for impairment are no longer applicable following an event subsequent to the registration of impairment, recoveries are recorded in the income statement.

Derecognition criteria

Investments in associates and companies subject to joint control are derecognised when the contractual rights to the cash flows from the assets expire or when the investment is sold, substantially transferring all the risks and rewards connected to the assets.

8. Property and equipment

Classification criteria
Property and equipment include land, buildings used in operations, investment property, technical plants, furniture and fittings and any type of equipment that are expected to be used during more than one period.
Property and equipment held for use in the production or supply of goods and services are classified as "Property and equipment used in operations", in accordance with IAS 16. Real estate owned for investment purposes (to obtain rental income or gains on the capital invested) is classified as "Investment property" based on IAS 40.
Property and equipment also include the goods used in financial lease contracts, even though the ownership remains in the books of the lessor.

Recognition criteria
Property and equipment are initially measured at cost which comprises in addition to their purchase price any costs directly attributable to the purchase and required for them to be operational.
Extraordinary maintenance expenses which lead to a rise in future economic benefits are attributed to increase the value of assets, while other ordinary maintenance costs are recorded in the income statement.

Measurement criteria
Property and equipment, including investment property, are measured at cost, net of depreciation and impairment losses.
Property and equipment are systematically depreciated, adopting the straight-line method over their useful life. The depreciable amount is the cost of the goods since the residual value at the end of the depreciation period is not deemed to be significant. Buildings are depreciated for a portion deemed to be suitable to represent their deterioration over time following their use, considering extraordinary maintenance expenses, which are recognised in the carrying value of the assets.
The following are not depreciated:
– land, irrespective of whether acquired individually or embedded in the value of buildings, since it has an indefinite useful life;
– works of art, since the useful life of a work of art cannot be estimated and its value is normally destined to increase over time.

If there is some evidence that an asset may have been impaired, the carrying value of the asset and its recoverable amount are compared. Any impairment losses are recorded in the income statement.
If the reasons for impairment cease to exist, a value recovery is recorded and may not exceed the value that the asset would have had, net of depreciation, determined in the absence of previous impairment losses.

Derecognition criteria
Property and equipment are derecognised from the balance sheet on disposal or when the asset is permanently withdrawn from use and no future economic benefits are expected from its disposal.

9. Intangible assets

Classification criteria
Intangible assets are recognised as such if they may be identified and stem from legal or contractual rights. Intangible assets include goodwill, which represents the positive difference between purchase price and fair value of assets and liabilities pertaining to the acquired company.

Recognition and measurement criteria
Intangible assets are recognised at cost, adjusted for any accessory charges only if it is probable that the future economic benefits attributable to the assets will be realised and if the cost of the asset may be reliably determined. If this is not the case the cost of the intangible asset is recorded in the income statement in the year in which it was sustained.
For assets with finite useful life, the cost is amortised on a straight-line basis or in decreasing portions determined on the basis of the economic benefits expected from the asset. Assets with indefinite useful life are not subject to systematic amortisation, but are periodically subjected to impairment testing.
If there is any indication that an asset may have suffered impairment losses, the asset's recoverable amount is estimated. The impairment loss, which is recorded in the income statement, is equal to the difference between the book value of the assets and the recoverable amount.
In particular, intangible assets include:
– technology related intangibles, such as software, which are amortised on the basis of their expected technological obsolescence and over a maximum period of seven years; The costs incurred entirely for the development of software projects are considered as intangible assets and are recognised under assets only when all the following conditions are met: i) the cost attributable to the intangible asset during its development can be measured reliably, (ii) there is the intention, the availability of financial resources and the technical ability of making the intangible asset available for use or sale, (iii) the future economic benefits to be generated by the asset can be demonstrated. Software development capitalised costs only comprise the costs directly attributable to the development process. Capitalised software development costs are amortised systematically over the estimated useful life of the relevant product/service so as to reflect the pattern in which the asset's future economic benefits are expected to be consumed by the business from the beginning of production over the product's estimated life.
– customer related intangibles represented, in business combinations, by asset management, insurance and core deposits portfolios. Such assets, all with a finite life, are originally measured by the discounting, using a rate representing the time value of money and the asset's specific risks, of the income margins on the ongoing relations at the time of the business combination over a period which expresses their residual, contractual or estimated life. They are amortised on a straight-line basis over the period of greater significance of the expected economic benefits in case of relations which do not have a predetermined duration or in decreasing portions corresponding to the duration of the contract in case of relations with predetermined expiry. More specifically, asset management relations are amortised over a period of 7-10 years, core deposits in 18-24 years and relations from insurance contracts in decreasing portions corresponding to the residual maturity of the policies;

– marketing related intangibles represented by the measurement of the brand name which is also recorded at the time of business combinations. This asset is considered as having indefinite life since it is deemed to contribute for an indefinite period of time to the formation of income flows.

Lastly, intangible assets include goodwill.

With respect to business combinations, goodwill may be recorded when the positive difference between the consideration transferred and the fair value recognition, if any, of minority interests, and the fair value of shareholders' equity acquired is representative of the future income-generation potential of the equity investment.

If this difference should be negative (badwill) or if goodwill may not be attributed considering future income-generation potential of the equity investments, the same difference is directly recorded in the income statement.

Once a year (or every time that there is evidence of impairment losses), an impairment test is carried out for goodwill. This requires the identification of the cash-generating unit to which goodwill is allocated. The cash generating units of the Intesa Sanpaolo Group correspond to the operating divisions presented in segment reporting. Any impairment losses are determined on the basis of the difference between the recognition value of goodwill and its recoverable amount, if lower. The recoverable amount is equal to the higher between the fair value of the cash-generating unit, less any cost to sell, and the relative value in use. The consequent adjustments are posted in the income statement.

Derecognition criteria

Intangible assets are derecognised from the balance sheet on disposal and if no future economic benefits are expected.

10. Other assets

Apart from items awaiting classification and items not attributable to other captions of the balance sheet, other assets include property and other assets deriving from credit collection through the enforcement of guarantees or purchases at auction, in the event the property was acquired during normal operations of the credit business, with the intention to sell in the near future without carrying out any significant refurbishment works. Assets falling under this category (inventories, according to the definition of IAS 2) are included in caption 150 "Other assets".

These assets, classified in accordance with IAS 2, are measured at the lesser of cost and net realisable value, without prejudice to the comparison between the asset's carrying amount and its recoverable value where there is an indication that the asset may have been impaired. Any impairment losses are recorded in the income statement.

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

Non-current assets/liabilities for which a disposal process has commenced and for which disposal is deemed to be extremely probable are recorded in assets under Non-current assets held for sale and discontinued operations and in liabilities under Liabilities associated with non-current assets held for sale and discontinued operations. Such assets/liabilities are measured at the lower between the carrying value and their fair value less costs to sell.

The income and charges (net of tax) attributable to non-current assets held for sale and discontinued operations or recorded as such in the year are recognised in the income statement in a separate caption.

12. Current and deferred tax

Income tax, calculated according to domestic tax regulations, is accounted for as a cost in compliance with the accruals concept, in line with the method followed to include, in the financial statements, the costs and income that generated it. Therefore, it represents the balance of current and deferred taxation relating to the net result for the year. Current tax assets and liabilities include the tax balances of the Group companies due to the relevant Italian and foreign tax authorities. More specifically, these captions include the net balance of current tax liabilities for the year, calculated on the basis of a prudent estimate of the tax charges due for the year, assessed according to the tax regulations currently in force, and the current tax assets represented by advances paid and other tax credits for withholding taxes borne or tax credits of previous years that the Group companies claimed against taxes payable in future years.

Current tax assets also include tax credits in respect of which a tax refund claim has been filed by the Group companies with the relevant tax authorities.

Considering the Group's adoption of the national fiscal consolidation provisions, tax positions which may be referred to the Bank and those originated by other Group companies are managed separately from an administrative standpoint.

Deferred taxation is calculated according to the balance sheet liability method, taking into account the tax effect of the temporary differences between the book value of the assets and liabilities and their value for taxation purposes, which will determine taxable income or deductible amounts in the future. To this end, "taxable temporary differences" are differences which will give rise to taxable income in future years while "deductible temporary differences" are those which will give rise to deductible amounts in future years.

Deferred tax liabilities are calculated by applying the tax rates currently in force to taxable temporary differences that are likely to generate a tax burden, and to the deductible temporary differences for which it is likely that there will be future taxable amounts at the time when the related tax deductibility occurs (so-called probability test). Deferred tax assets and liabilities related to the same tax and due in the same period are compensated.

If deferred tax assets and liabilities refer to items affecting the Income statement, the counterbalance is represented by income taxes.

Where deferred tax assets and liabilities relate to transactions that have been recorded in shareholders' equity without affecting earnings (such as adjustments on IAS/IFRS first-time adoption, evaluations of financial assets available for sale or of cash flow hedge derivative contracts), the balancing entry is made in shareholders' equity, under specific reserves where so provided (e.g. valuation reserves).

Deferred taxation on equity reserves that will become taxable "however used" is charged against shareholders' equity. Deferred taxation relating to revaluations arising on conversion to the euro, credited directly to a specific reserve named "Reserve pursuant to article 21 of Legislative Decree 213/98", which qualify for deferred taxation, is charged directly against this reserve. No provision is made for reserves subject to taxation only in the event of distribution, since the size of the available reserves which

have already been taxed, leads to the belief that the Bank will not undertake any transactions which may cause taxation of the untaxed reserves.
Deferred tax liabilities referred to companies included in the fiscal consolidation are reported in their financial statements, in application of the matching principle and in consideration of the fact that the effects of fiscal consolidation are limited to the settlement of current tax positions.
Deferred taxation on shareholders' equity items of consolidated companies is not recorded in the financial statements if it is unlikely that any tax liability will actually arise, also bearing in mind the permanent nature of the investment.

13. Allowances for risks and charges

Post employment benefits
Company post employment benefits are based on agreements and qualify as defined benefit plans. Liabilities related to such plans and the relative cost of current service are determined on the basis of actuarial assumptions based on the Projected Unit Credit Method. This method sets out that future obligations are forecast using past time-series analyses and the demographic curve and that such future cash flows are discounted based on a market interest rate. The provisions made in each year of service are considered separately and give rise to an additional unit of benefit entitlement for the purposes of the final obligation. The discounting rate is determined on the basis of market returns, surveyed as at the date of measurement, on high-quality corporate bonds, taking account of the residual average life of the liability. The present value of the liability at the reference date of the financial statements is also adjusted by the fair value of any plan assets.
Actuarial profits and losses (namely the changes in the current value of the obligation resulting from changes in the actuarial assumptions and adjustments based on past experience) are recognised in the statement of comprehensive income.

Other allowances
Other allowances for risks and charges record provisions related to legal obligations or connected to labour relationships or to litigations, also of a fiscal nature, originating from a past event for which a disbursement will probably arise to settle the obligations, provided that the amount of the disbursement may be estimated reliably.
Consequently, a provision is recognised when, and only when:
- there is a present obligation (legal or constructive) as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the reference date of the financial statements and take into account the risks and uncertainties that inevitably surround many events and circumstances. Where time value is significant, provisions are discounted using current market rates. Provisions and increases due to time value are recorded in the income statement.

If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation or when the obligation is settled, the provision should be reversed.

The caption also includes long-term benefits to employees, whose charges are determined with the same actuarial criteria described for post employment benefits. Actuarial profits and losses are all immediately recognised in the income statement.

14. Payables and securities issued

Classification criteria
Amounts Due to banks, Due to customers and Securities issued include various forms of funding on the interbank market and with customers, repurchase agreements with commitment to repurchase and funding via certificates of deposit, bonds issued and other funding instruments in circulation, net of any amounts repurchased.
It also includes the payables recorded by the entity in the capacity of lessee in financial lease transactions.

Recognition criteria
Initial recognition of these financial liabilities occurs at the date of subscription of the contract, which normally coincides with the time of collection of the sums deposited or the issue of debt securities.
Initial recognition is based on the fair value of the liabilities, normally equal to the amount collected or the issue price, increased by any additional charges/revenues directly attributable to the single funding or issuing transaction. Internal administrative costs are excluded.

Measurement criteria
After initial recognition, financial liabilities are measured at amortised cost with the effective interest method.
An exception is made for short-term liabilities, where time value is immaterial, which are stated at collected amount.

Derecognition criteria
Financial liabilities are derecognised from the balance sheet when they have expired or extinguished. Derecognition also occurs for repurchase of previously-issued bonds. The difference between book value of the liability and amount paid for repurchase is recorded in the income statement.
Placement of own securities, after their repurchase, is considered a new issue with recognition at the new placement price.

15. Financial liabilities held for trading

Recognition criteria
These financial instruments are recognised at the subscription or issue date at cost, which reflects the fair value of the instrument, without taking into account directly attributable transaction costs or revenues.
This liability category includes, specifically, the negative value of trading derivatives as well as the negative value of embedded derivatives in combined contracts but which are not closely correlated to the latter. It also includes liabilities determined by short selling generated by securities trading activities.

Measurement criteria
All financial liabilities held for trading are designated at fair value through profit and loss.

Derecognition criteria
Financial liabilities held for trading are derecognised when the contractual rights to the related cash flows expire or when the financial liability is sold with the substantial transfer of all the risks and rewards connected to it.

16. Financial liabilities designated at fair value through profit and loss

Classification criteria
Financial liabilities designated at fair value through profit and loss are recorded under this caption, on the basis of the fair value option given to companies by IAS 39, in compliance with the cases contemplated in the reference regulations.
The Group exercised the fair value option for liabilities, designating insurance products without a significant insurance risk and which are not included under separate management, and therefore do not envisage discretionary profit-sharing features. Investments relating to such forms of deposits, as already reported, were also designated at fair value, thereby eliminating or considerably reducing "accounting biases" that would otherwise have arisen from measuring assets and liabilities on the basis of different accounting criteria.
Bonds issued by subsidiaries whose return is correlated to the performance of investment fund portfolios are also designated at fair value and recorded as balance sheet assets. The adoption of the fair value option for this category of structured financial instruments enables their recording in the financial statements on a basis that reflects the natural hedging approach taken through their structuring.

Recognition criteria
These liabilities are recorded at fair value as at the date of issue, including the value of any embedded derivatives, net of placement fees paid.

Measurement criteria
These liabilities are measured at fair value through profit and loss.

Derecognition criteria
The financial liabilities measured at fair value through profit and loss are derecognised when the contractual rights to the related cash flows expire or when the financial liability is sold with the substantial transfer of all the risks and rewards connected to it.

17. Foreign currency transactions

Initial recognition
Foreign currency transactions are recorded, on initial recognition, in the functional currency, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

Subsequent measurement
At every close of annual or interim financial statements, captions in foreign currency are measured as follows:
- foreign currency monetary items are translated using the closing rate;
- non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction;
- non-monetary items that are measured at fair value in a foreign currency are translated using the closing rates.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements are recognised through profit and loss in the period in which they arise.
When a gain or loss on a non-monetary item is recognised directly in equity, any exchange component of that gain or loss is recognised directly in equity. Conversely, when a gain or loss on a non-monetary item is recognised through profit and loss, any exchange component of that gain or loss is recognised through profit and loss.

18. Insurance assets and liabilities

Insurance products
Products for which insurance risk is deemed significant include: temporary first branch death policies and income and mixed policies with guaranteed fixed conversion rates at the time of issue, and certain types of unit-linked policies and damage cover. As regards these products, IAS/IFRS substantially confirm the national accounting standards concerning insurance. In brief, IFRS 4 sets forth:

- gross premiums are to be recorded in the income statement under income; they include all amounts matured during the year as a result of insurance contracts signed, net of cancellations; likewise, all premiums ceded to reinsurers are recorded under current year costs;
- with respect to gross premiums, the corresponding commitment towards the insured is accrued in technical reserves, such amount being calculated on a contract-by-contract basis in accordance with applicable local accounting principles. In accordance with IFRS 4, the Group assesses the adequacy of the carrying amount of recorded liabilities using the Liability Adequacy Test (LAT);
- the insurance products entered under separate management are valued by applying "shadow accounting," whereby the differences between the book value and the market value of securities classified as securities available for sale are allocated to technical reserves as regards the insured parties' portion and to shareholders' equity as regards the insurance companies' portion. If, on the other hand, the securities are recorded at fair value in the income statement, the difference between the book value and the market value is recorded in the income statement giving rise to a change in technical reserves equal to the amount of the insured parties' portion;
- in determining shadow accounting, the Group uses the retrocession average rate and the minimum guaranteed rate established in accordance with the contractual conditions governing the various products associated with each portfolio management;
- liabilities related to discretionary profit-sharing features products are given as a whole with no distinction between the guaranteed and discretional components.

Financial products included under separate management

Financial products included under separate management, despite their not being subject to significant insurance risk, and which therefore contain discretionary profit sharing features, include the majority of life policies and mixed first branch policies, as well as fifth branch capitalisation policies. These are accounted for according to the principles set forth in IFRS 4. These principles may be summarised as:

- the products are shown in the financial statements according to principles that essentially reflect those locally in force on the subject, any premiums, payments and changes in technical reserves being recorded in the income statement;
- as stated in the previous paragraph, shadow accounting is applied to the insurance products entered under separate management which, therefore, have discretionary profit-sharing features;
- in determining shadow accounting, the Group uses the retrocession average rate and the minimum guaranteed rate established in accordance with the contractual conditions governing the various products associated with each portfolio management;
- liabilities related to discretionary profit-sharing features products are given as a whole with no distinction between the guaranteed and discretional components.

Financial products not included under separate management

Financial products without a significant insurance risk and which are not included under separate management, and therefore do not envisage discretionary profit-sharing features, are stated in the financial statements as financial liabilities and are valued at fair value, on the basis of the envisaged option (Fair Value Option), or at amortised cost. These financial products are essentially index-linked policies and part of the unit-linked ones, as well as policies with specific assets not included under separate management. These products are accounted for according to the principles set forth in IAS 39, as summarised below:

- the portion of index- and unit-linked policies that are considered investment contracts are measured at fair value, whereas the specific asset products not included under separate management are measured at amortised cost;
- the income statement does not reflect the premiums relating to these products, but just the revenue components, represented by charges and commissions, and the cost components, comprising provisions and other charges; it also reflects the costs or revenues represented by the changes in the fair value of the liabilities incurred against these contracts. More specifically, the international accounting standards, contained in IAS 39 and 18, provide that, for the liabilities designated at fair value, income and costs relating to the products in question be identified and classified under two headings: (i) origination, to be recorded in the income statement at the time the product is issued and (ii) investment and management services, to be amortised over the life of the product which depends on how the service is provided. In addition, as regards specific asset products not included under separate management, incremental cost and income items are included in the calculation of the amount to be amortised;
- the insurance component included in the index- and unit-linked products, where it can be unbundled, is independently valued and recorded.

19. Other information

Treasury shares

Any treasury shares held are directly deducted from equity. Similarly, their original cost and the profits or losses deriving from their subsequent sale are recorded in equity.

Accruals, prepayments and deferrals

Accruals, prepayments and deferrals for the year that include income and charges for the year, accrued on assets and liabilities, are shown in the financial statements as an increase or decrease of the assets and liabilities to which they are related.

Leasehold improvements

The costs sustained for restructuring property belonging to third parties are capitalised in consideration of the fact that for the duration of the rental contract the using company has control of the assets and may receive their future economic benefits. These costs, recorded in Other assets as provided for by the instructions of the Bank of Italy, are amortised over a period which must not exceed the duration of the rental contract.

Employee termination indemnities
Employee termination indemnities qualify as a "post employment benefit" classified as:
- a "defined contribution plan" to the extent of the portions accruing from 1 January 2007 (the date the reform of the supplementary pension schemes came into force pursuant to Legislative Decree 252 of 5 December 2005) when the employee opted for the complementary pension scheme or decided to allocate such portions to the INPS (the Italian Social Security Institute) Treasury fund. Therefore, the amounts, recorded under personnel expenses, are determined on the basis of amounts due without the application of actuarial calculation;
- a "defined benefit plan", therefore recognised in the financial statements on the basis of the actuarial value determined using the "Projected Unit Credit Method" to the extent of the portions accrued until 31 December 2006.

These amounts are recognised at their actuarial value determined using the "Projected Unit Credit Method", without applying the pro-rata of the service rendered. Indeed, the current service cost of employee termination indemnities is almost entirely accrued and its revaluation in the years to come is not expected to generate significant benefits for employees.

For the purposes of discounting, the rate used is the market yield of high-quality corporate bonds taking into account the average remaining life of the liability, weighted based on the percentage amount paid and advanced, for each maturity, with respect to the total to be paid and advanced until the expiry of the entire obligation.
The plan's costs are recorded under personnel expenses, while actuarial profits and losses are recognised in the statement of comprehensive income.

Provisions for guarantees and commitments
Provisions made on an individual and collective basis, relative to estimated possible disbursements connected to credit risk relative to guarantees and commitments, determined applying the same criteria set out above with respect to loans, are recorded under Other liabilities, as set out by Bank of Italy instructions.

Share-based payments
Share-based payments are recorded in the income statement, with a corresponding increase in shareholders' equity, on the basis of the fair value of financial instruments attributed at assignment date, dividing the charge over the period set forth by the plan.
In the case of options, the fair value is calculated using a model which considers, in addition to information such as strike price and expiry date of the option, spot price of the shares and their expected volatility, expected dividends and the risk-free interest rate, as well as the specific characteristics of the plan. The pricing model values the option and the probability of realisation of the condition on the basis of which the options have been assigned. The combination of the two values supplies the fair value of the assigned instrument.
Any decrease in the number of financial instruments granted is accounted for as a cancellation of such instruments.

Recognition of revenues and costs
Revenues are recognised when they are collected or in case of sale of goods or products, when it is probable that the economic benefits will be received and these benefits may be measured reliably, in the case of services, when these have been rendered.
In particular:
- interest is recognised on accrual on the basis of the contractual interest rate or the effective interest rate in the case of application of amortised cost. Interest income (or interest expense) includes differentials and positive (or negative) margins accrued until the reference date of the financial statements, relating to financial derivatives:
  a) hedging interest-generating assets and liabilities;
  b) classified in the balance sheet in the trading book, though related to financial assets and/or liabilities designated at fair value through profit and loss (fair value option) in management terms;
  c) related in management terms to assets and/or liabilities classified in the trading book and providing for the settlement of differentials or margins with different maturities;
- overdue interest, which may be provided for by the relevant contracts is recorded in the income statement solely at the time of collection;
- dividends are posted in the income statement in the financial year when their distribution is approved;
- commission income from services is recorded, on the basis of the existence of contractual agreements, in the period in which the services have been rendered. Commission income included in the amortised cost for the purposes of determining the effective interest rate are recognised under interest;
- costs and revenues from the sale of financial instruments, determined by the difference between transaction amount paid or received and the fair value of the instrument, are recognised in the income statement at the time of the transaction if the fair value is determinable with reference to effective market quotes, or assets and liabilities measured using valuation techniques based on market-observable parameters other than financial instruments quotes (levels 1 and 2 of the fair value hierarchy). When such reference parameters are not observable on the market or the instruments present a reduced liquidity (level 3), the financial instrument is recognised at a value equal to the price of the transaction; the difference with respect to the fair value is recorded in the income statement during the life of the transaction;
- profits and losses from securities trading are recognised in the income statement at the date of sale, on the basis of the difference between the consideration paid or collected and the carrying value of such instruments;
- revenues deriving from the sale of non-financial assets are recorded at the date of sale, unless most of the risks and rewards related to the asset are maintained.

Revenue and costs are recorded in the income statement for the periods to which their income relates. If matching can only be attributed generally or indirectly, then the costs are allocated to more than one accounting period according to rational procedures and on a systematic basis.
Those costs that cannot be matched with the related revenues are immediately charged to the income statement.

Use of estimates and assumptions in preparing financial reports

The preparation of financial reports requires the use of estimates and assumptions that may have a significant effect on the amounts stated in the balance sheet and income statement, and on the potential assets and liabilities reported in the financial statements. Estimates are based on available information and subjective evaluations, often founded on past experience, which are used to formulate reasonable assumptions to be made in measuring operating events. Given their nature, the estimates and assumptions used may vary from year to year, and hence it cannot be excluded that current amounts carried in the financial statements may differ significantly in future financial years as a result of changes in the subjective evaluations made.

The main cases for which subjective evaluations are required to be made by corporate management include:
- the measurement of impairment losses on loans, investment, and, generally, other financial assets;
- the use of measurement models for determining the fair value of financial instruments not listed on active markets;
- the evaluation of the appropriateness of amounts stated for goodwill and other intangible assets;
- the measurement of personnel funds and provisions for risks and charges;
- the estimates and assumptions on the collectability of deferred tax assets;
- the demographic (linked to the estimated mortality of insured people) and financial (deriving from the possible trend in financial markets) suppositions used to structure insurance products and define the basis for calculating integrative reserves.

For some of the types listed above, the main factors subject to estimates by the Group and which determine the carrying value of assets and liabilities in the financial statements can be identified. The following are noted, by way of example:
- to determine the fair value of financial instruments not listed on active markets, if the use of parameters that cannot be obtained from the market is necessary, the main estimates regard, on one hand, development of future cash flows (or even income flows, in the case of equities), possibly conditional on future events and, on the other, the level of specific input parameters not listed on active markets;
- to determine the future cash flow estimates from non-performing loans, a number of items are considered: the expected recovery times, the presumed realisable value of guarantees and the costs to be sustained for the recovery of credit exposure. To determine the future cash flow estimates from loans for which no objective evidence of loss has emerged (collective measurement), past time-series and other objective elements observable at the measurement date are used, which enable the latent loss to be estimated for each loan category;
- to determine the value in use of intangible assets with an indefinite life (brand name and goodwill) with regard to the Cash Generating Units (CGU) comprising the Group, the future cash flows in the forecasting period of the analysis and the flows used to determine the terminal value, generated by the CGU, are subject to estimate, separately and appropriately discounted. The cost of capital is among the items subject to estimate;
- to determine the value in use of intangible assets with a finite life (asset management and insurance portfolios, core deposits) with regard to the Cash Generating Units comprising the Group, the useful life is subject to estimate, on the one hand, as well as the future cash flows arising from the asset, on the other. The cost of capital is subject to estimate in the case of intangible assets with a finite life as well;
- to measure post employment benefits, the present value of the obligations is subject to estimate, taking into account the flows, appropriately discounted, arising from past time-series analyses and the demographic curve;
- to measure provisions for risks and charges, the amount of outflows necessary to fulfil the obligations is estimated, where possible, taking into account the effective probability of having to utilise resources;
- to determine the value of deferred tax items, the likelihood of an effective future tax burden is estimated (taxable temporary differences) and the level of reasonable certainty – if it exists – of future taxable amounts at the time when the tax deductibility occurs (deductible temporary differences).

Amortised cost measurement

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition net of any principal repayments, plus or minus cumulative amortisation, calculated using the effective interest rate method, of any difference between initial amount and amount at maturity and net of any reduction for impairment.
The effective interest rate is the rate that exactly discounts future cash payments or receipts through the expected life of the financial instrument or through the subsequent date for recalculation of the price to the present value of the financial asset or financial liability. In the calculation of the present value, the effective interest rate is applied to the flow of future cash receipts or payments through the entire useful life of the financial asset or liability or for a shorter period when certain conditions recur (for example review of market interest rates).
After initial recognition, amortised cost enables allocation of revenues and costs directly by decreasing or increasing the value of the instrument over its entire expected life via the amortisation process. The determination of amortised cost is different depending on the fact that financial assets/liabilities have fixed or variable rates and – in this last case – if the volatility of the rate is known or not beforehand. For instruments with fixed rate or fixed rate by time bands, future cash flows are quantified on the basis of the known interest rate (sole or variable) over the life of the loan. For financial assets/liabilities with a variable rate, for which the volatility is not known beforehand (for example because it is linked to an index), the determination of cash flows is carried out based on the last rate available. At every revision of the interest rate the amortisation plan and the effective interest rate for the entire life of the investment, that is, until maturity, are recalculated. Any changes are recorded in the income statement as income or loss.
Loans, investments held to maturity and financial assets available for sale, payables and securities issued are measured at amortised cost.
Financial assets and liabilities traded at market conditions are initially recognised at fair value, which normally corresponds to the amount disbursed or paid including, for instruments measured at amortised cost, transaction costs and any directly attributable fees.
Transaction costs include internal or external marginal costs and income attributable to the issue, the acquisition or the disposal of a financial instrument which are not debited to the client. These commissions, which must be directly attributable to the single financial asset or liability, modify the original effective interest rate, thereby the effective interest rate associated to the transaction differs from contractual interest rate. Transaction costs do not include costs/income referred to more than one transaction and the

components related to events which may occur during the life of the financial instrument, but which are not certain at the time of the initial agreement, such as for example: commissions for retrocession, for non-use, for advance termination. Furthermore, amortised cost does not include costs which would be sustained independently from the transaction (e.g. administrative and communication costs, stationery expenses), those, which though directly attributable to the transaction are part of standard practice for the management of the financing (e.g. activities related to the loan granting process), as well as commissions of services received following structured finance activities which would in any case have been received independently from the subsequent financing of the transaction (e.g. commissions for facility and arrangement) and, lastly, intragroup costs and income.
With reference to loans, the following costs are considered directly attributable to the financial instrument: fees paid to distribution networks, fees paid for the origination and/or the participation in syndicated loans and lastly, up-front fees correlated to loans disbursed at rates exceeding market rates. Income considered in the calculation of amortised cost includes: up-front fees correlated to loans disbursed at rates under market rates, income for the participation of syndicated loans and brokerage commissions received.
For securities not classified as held for trading, the following are considered transaction costs: commissions on contracts with brokers operating on the Italian stock exchange, commissions paid to dealers operating on the Italian and foreign stock and bond markets defined on the basis of the commission tables. Stamp duty is not considered in amortised cost since immaterial.
Regarding securities issued, amortised cost considers placement commissions on bond issues paid to third parties, amounts paid to Exchanges and remuneration paid to Independent auditors for the activities performed for each single issue, while amortised cost does not consider commissions paid to rating agencies, legal and advisory/review expenses for the annual update of prospectuses, the costs for the use of indexes and commissions which originate during the life of the bond issue.
Amortised cost is also applied for the measurement of loss incurred by the financial instruments listed above as well as for the measurement of instruments issued or purchased at a value other than fair value. The latter are measured at fair value, instead of the amount collected or paid, by discounting expected future cash flows at a rate equal to the effective interest rate of similar instruments (in terms of credit rating, contractual expiry, currency, etc.), with the simultaneous registration in the income statement of a financial charge or income; after initial recognition, these are measured at amortised cost with the registration of higher or lower effective interest with respect to nominal interest. Lastly, also structured assets and liabilities which are not measured at fair value through profit and loss for which the embedded derivative has been separated from the financial instrument are measured at amortised cost.
The amortised cost measurement criteria is not applied to financial assets/liabilities hedged for which fair value changes related to the risk hedged are recorded through profit and loss. The financial instrument is again measured at amortised cost in the case of hedge termination; from that moment the fair value changes recorded before are amortised, calculating a new effective interest rate which considers the value of the loan adjusted by the fair value of the hedged part, until the natural expiry of the hedge. Furthermore, as already mentioned in the paragraph relative to measurement criteria of due to and from banks and customers and securities issued, measurement at amortised cost is not applied to short-term assets/liabilities for which the time value is deemed to be immaterial and to loans without a definite maturity or revocable.

Impairment of assets

Financial assets

At every balance sheet date the financial assets not classified under Financial assets held for trading or Financial assets designated at fair value through profit and loss are subject to an impairment test to assess whether there is objective evidence to consider that the carrying value of these assets is not fully recoverable.
A permanent loss occurs if there is objective evidence of a reduction in future cash flows with respect to those originally estimated, following specific events; the loss must be quantified in a reliable way and must be incurred and not merely expected.
The measurement of impairment is carried out on an individual basis for financial assets which present specific evidence of losses and collectively for financial assets for which individual measurement is not required or which do not lead to adjustments. Collective measurement is based on the identification of portfolios of financial assets with the same risk characteristics with respect to the borrower/issuer, the economic sector, the geographic area, the presence of any guarantees and other relevant factors.
With reference to loans to customers and due from banks, positions attributed the status of doubtful, substandard, restructured or past due according to the definitions of the Bank of Italy, consistent with IAS/IFRS, are subject to individual measurement.
These non-performing loans undergo an individual measurement process, or the calculation of the expected loss for homogeneous categories and analytical allocation to each position, and the amount of the adjustment of each loan is the difference between its carrying value at the time of measurement (amortised cost) and the present value of expected future cash flows, discounted using the original effective interest rate.
Expected cash flows consider forecast recovery periods, presumed realisable value of guarantees as well as the costs sustained for the recovery of credit exposure. Cash flows relative to loans which are deemed to be recovered in the short term are not discounted, since the time value is immaterial.
Loans for which no objective evidence of loss has emerged from individual measurement are subject to collective measurement. Collective measurement occurs for homogeneous loan categories in terms of credit risk and the relative loss percentages are estimated considering past time-series, founded on observable elements at measurement date, that enable to estimate the value of the latent loss in each loan category. Measurement also considers the risk connected to the borrower's country of residence.
The determination of provisions on performing loans is carried out by identifying the highest possible synergies (as permitted by the various legislations) with the supervisory approach contained in the "New capital accord" generally known as Basel 2. In particular, the parameters of the calculation model set out in the supervisory provisions, namely, Probability of Default (PD) and Loss Given Default (LGD), are used – where already available – also for the purposes of financial statement valuation. The relationship between the two aforementioned parameters represents the starting point for loan segmentation, since they summarise the relevant factors considered by IAS/IFRS for the determination of the homogeneous categories and for the calculation of provisions. The time period of a year used for the determination of the probability of default is considered suitable to approximate the notion of incurred loss, that is, the loss based on current events but not yet included by the entity in the review of the risk of the specific customer, set forth by international accounting standards. This time period is reduced to six months solely for counterparties that are natural persons for whom the recognition of a worsening credit situation and the

consequent transfer among the non-performing loans generally take place following unpaid instalments or continuous defaults for more than 90 days; conversely, for counterparties of the Corporate and SME Retail segments, the time period of one year is increased by 10%.
The allocation also takes into account corrective factors such as the state of the economic cycle and the concentration of credit risks towards persons who have a significant exposure to the Group.
With reference to assets available for sale, the process of detection of any impairment involves the verification of the presence of impairment indicators and the determination of any write-down.
The impairment indicators are essentially divided into two categories: indicators deriving from internal factors relating to the company being valued, and therefore qualitative, and - for equities - external quantitative indicators deriving from the market values of the company.
Within the first category, the following indicators are considered significant: the generation of negative economic results or in any case a significant variance with respect to the targets budgeted or established in the multi-year plans disclosed to the market, the announcement/start up of insolvency proceedings or restructuring plans, and the downgrading by more than two categories of the rating issued by a specialist company. With respect to the second category, a significant or prolonged reduction in fair value below the initial recognition value is particularly important. Specifically, in relation to the latter amount, a fair value reduction of over 30% is considered significant, and a reduction of over 24 months is considered a "prolonged" continuous reduction. If one of these thresholds is exceeded, impairment of the security is carried out. If these thresholds are not exceeded but other impairment indicators are present, recognition of the impairment must also be corroborated by the result of specific analyses of the security and the investment.
The amount of the impairment is calculated with reference to the fair value of the financial asset.
For an illustration of the valuation techniques used to determine fair value, see the chapter A.4 – Information on fair value.

Investments in associates or companies subject to joint control
At each balance sheet date the investments in associates or companies subject to joint control are subjected to an impairment test to assess whether there is objective evidence to consider that the carrying value of such assets is not fully recoverable.
The process of detection of any impairment involves the verification of the presence of impairment indicators and the determination of any write-down. The impairment indicators are essentially divided into two categories: qualitative indicators, such as the generation of negative economic results or in any case a significant variance with respect to the targets budgeted or established in the multi-year plans disclosed to the market, the announcement/start up of insolvency proceedings or restructuring plans, and the downgrading by more than two categories of the rating issued by a specialist company; quantitative indicators, represented by a reduction in fair value of over 30% below the carrying value or for a period of over 24 months, by market capitalisation lower than the company’s net book value, in the case of securities listed on active markets or by a carrying value of the investment in the Parent Company’s financial statements higher than the carrying value in the consolidated financial statements of the investee’s net assets and goodwill or by distribution by the latter of a dividend that is higher than its total income.
The presence of impairment indicators results in the recognition of a write-down to the extent that the recoverable amount is lower than the recognition value.
The recoverable amount consists of the higher of the fair value net of sales costs and the value in use.
For an illustration of the valuation techniques used to determine fair value, see the chapter A.4 – Information on fair value.
Value in use is the present value of expected future cash flows from the asset; it reflects estimated expected future cash flows from the asset, the estimate of possible changes in the amount and/or timing of cash flows, time value of money, the price able to repay the risk of the asset and other factors, which may affect the appreciation by market participants of expected future cash flows from the asset.
Value in use is determined by discounting future cash flows.

Other non-financial assets
Property, equipment and intangible assets with definite useful life are subject to impairment testing if there is the indication that the book value of the asset may no longer be recovered. The recoverable amount is determined with reference to the fair value of the property and equipment or intangible assets less costs to sell or the value in use if determinable and if it is higher than fair value.
In order to test its real-estate assets for signs of impairment, the Group conducts an annual analysis of the various real-estate market scenarios. If such analyses bring to light signs of impairment, an appraisal is prepared for the properties for which such signs of impairment have been found. For other property, equipment and intangible assets (other than those recognised following business combinations) it is assumed that the carrying value normally corresponds to the value in use, since it is determined by a depreciation or amortisation process estimated on the basis of the effective contribution of the asset to the production process and since the determination of fair value is extremely subjective. The two values diverge and lead to impairment, in case of damages, exit from the production process or other similar non-recurring circumstances.
Intangible assets recognised following a business combination and in application of IFRS 3 are subjected to an impairment test at each balance sheet date to assess whether there is objective evidence that the asset may have been impaired.
Intangible assets with a finite life, represented by the value of the asset management portfolio, the value of the insurance portfolio and the core deposits, in the presence of impairment indicators are subjected to a new valuation process to assess the recoverability of the book values. The recoverable amount is determined on the basis of the value in use, namely the present value estimated using a rate representing the time value of money and the asset’s specific risks, of the income margins generated by the existing relations as at the valuation date over a period which expresses their expected residual life.
Intangible assets with an indefinite life, represented by the valuation of the brand name and goodwill, do not have independent cash flows and therefore annually undergo an assessment of the adequacy of the value recorded under the assets with reference to the Cash Generating Unit (CGU) to which the values are attributed at the time of the business combinations. The amount of any impairment is determined on the basis of the difference between the CGU’s book value and its recoverable amount represented by the higher of the fair value, less costs to sell, and the value in use.
The book value of the CGUs must be determined in a manner consistent with the criterion used to determine their recoverable amount. For a banking business the cash flows generated by a CGU cannot be identified without considering the cash flows deriving from financial assets/liabilities, as these form part of the core business. In other words, the recoverable amount of the

CGUs is influenced by the aforementioned cash flows and therefore the CGUs' book value must include financial assets/liabilities in accordance with the scope of the recoverable amount estimate process. Consequently, these assets and liabilities must be properly allocated to the associated CGUs.
On this basis, the book value of Intesa Sanpaolo's CGUs may be determined in terms of contribution to consolidated shareholders' equity including the minority interest.
Thus, the carrying value of the CGUs consisting of companies that belong to a single operating division (Eurizon Capital, Banca Fideuram and International Subsidiary Banks) is determined by summing the individual book values of each company in the Consolidated financial statements, namely the contribution to consolidated shareholders' equity and corresponding to their net book value, taking into account any goodwill and intangibles recorded upon acquisition (net of subsequent amortisations and any write-downs) and the consolidation entries. With regard to the determination of the carrying value of the other two divisions (Banca dei Territori and Corporate and Investment Banking), given that the Parent Company and other banks contribute to the management of these divisions, and this subdivision is not represented in the accounting information, the overall carrying value of the CGUs cannot be determined on the basis of book values. As a consequence, the use of operational factors is required to make the subdivision following a detailed allocation of the intangibles and goodwill to the two CGUs in accordance with the available accounting information. The operational driver is identified as the "regulatory capital" determined by the Risk Management Department for each operating division: it represents the capital absorption necessary to handle the types of risk envisaged by the regulatory supervision rules. The resulting book values already take into account the effects of any impairment of the individual assets, including those relating to intangible assets with a finite life.
For an illustration of the valuation techniques used to determine fair value, see the chapter A.4 – Information on fair value.
The value in use of a CGU is determined by estimating the present value of future cash flows that may be expected to be generated by the CGU. These cash flows are determined by using the latest publicly available business plan or, in its absence, through the drawing up by management of an internal forecast plan or other external information available. The forecasting period for the analysis usually consists of a maximum of five years. The cash flow of the final year of the forecast is projected in perpetuity, using an appropriate growth rate "g" for the purposes of the so-called Terminal value. The "g" rate is determined by assuming that the growth factor is the lower of the average growth rate for the forecasting period of the analysis and the average rate of increase in the Gross Domestic Product in the countries where the cash flows are generated.
For the determination of the value in use the cash flows must be discounted at a rate that reflects the present valuations of the time value of money and the asset's specific risks. Specifically, the discount rates used incorporate the present market values with reference to the risk free component and the premiums for the risk associated with the equity component observed over a sufficiently long time period to reflect different market conditions and economic cycles. Also, given the diverse risks of the respective operating areas, different Beta coefficients are used for each CGU. All the resulting rates have been corrected to take into account the "Country Risk".
The cash flows produced by the foreign banking subsidiaries are estimated in the currency in which they are generated and translated into euro using the spot exchange rate as at the date of the determination of the value in use.

Business combinations

Business combinations are governed by IFRS 3.
The transfer of control over a company (or over a group of assets managed together as a single business) is considered a business combination.
For this purpose the transfer of control occurs when more than one-half of the voting rights is acquired, or when, even if the combining entity does not acquire more than one-half of the other entity's voting rights, control is obtained since, as a consequence of the combination, the acquirer has the power: (i) over one-half of voting rights of another company, by virtue of an agreement with other investors, (ii) to govern the financial and operating policies of the other entity on the basis of the Articles of Association or of an agreement, (iii) to appoint or remove the majority of the members of the company's governing body, (iv) to cast the majority of the votes at meetings of the company's governing body.
IFRS 3 requires that an acquirer be identified in any business combination. The acquirer is identified as the combining entity that obtains control of the other combining entities or businesses. If a controlling entity cannot be identified, following the definition of control described above, as for example in the case of exchange of equity investments, the identification of the acquirer must occur considering other factors such as: the entity which has a significantly higher fair value, the entity which pays a cash consideration, the entity which issues new shares.
The acquisition, and therefore the initial consolidation of the acquired entity, must be recognised in the books on the date in which the acquirer effectively obtains control over the acquired company or businesses. When the combination occurs via an exchange of voting ordinary equity instruments, the date of the exchange normally coincides with the date of the acquisition. However, it is always necessary to verify that there are no agreements which may lead to transfer of control prior to the date of the exchange.
The consideration transferred as part of a business combination is equal to the sum of the fair value, at the exchange date, of the transferred assets, the liabilities incurred or assumed and the equity instruments issued by the acquirer in return for control.
In transactions which entail cash consideration (or when payment occurs via cash-equivalent financial instruments), the purchase price is the agreed consideration. When settlement does not occur in the short-term, the fair value of any deferred component is calculated by discounting the amounts payable to their present value; when payment occurs via an instrument other than cash, therefore via the issue of financial instruments, the price is equal to the fair value of such instruments net of the costs directly attributable to their issue. For the determination of fair value of financial instruments, see the chapter A.4 – Information on fair value and note that, in the case of shares listed on active markets, fair value is represented by stock exchange quotations at acquisition date or, should that not be available, the last quotation available.
Purchase price at acquisition date includes any adjustments to the cost contingent on future events, if provided for by the combination agreement and only if the adjustment is probable, can be measured reliably and realised within the twelve months subsequent to the date of acquisition of control. Instead, any restoration related to any loss in the value of the assets used as consideration is not included in purchase price since it is already considered either in the fair value of equity instruments or as a reduction in the premium or an increase in the discount on the initial issue of debt instruments.
Acquisition costs refer to the charges incurred by the acquirer to carry out the business combination, including, for example, professional fees paid to independent auditors, experts, legal advisors, costs for legal opinions and audit of accounts, preparation of information documents required by the law, as well as advisory fees sustained to identify potential acquisition targets if the

contract provides for the payment of success fees as well as debt securities' or equities' registration and issue costs. Acquisition costs must be recognised as charges when incurred and when the related services are provided, except for the costs relating to the issue of debt securities or equities which must be recognised in accordance with IAS 32 and IAS 39.
Business combinations must be accounted for using the "acquisition method" whereby identifiable assets acquired (including any intangible assets which had not been previously recognised by the acquired company) or liabilities assumed (including contingent liabilities) are recognised at their fair value at acquisition date.
Moreover, for each business combination, any minority interest in the acquired company can be recognised at fair value (therefore increasing the consideration transferred) or in proportion to the minority investment in the net identifiable assets of the acquired company.
If control is achieved in stages, the acquirer recalculates its previous interest in the acquired company at the acquisition date fair value. Any difference with respect to the previous carrying amount is taken to income statement.
Excess between the consideration transferred (being the fair value of transferred assets, liabilities incurred and equity instruments issued by the acquirer), increased, where present, by minority interests (determined as above) as well as the fair value of the stakes already held by the acquirer, and the fair value of acquired assets and liabilities should be recognised as goodwill. Conversely, the difference is taken to the income statement when the latter exceed the sum of the consideration, minority interests and the fair value of the stakes already held.
The accounting for business combination can be determined provisionally by the end of the year in which the combination is realised and must be completed within twelve months of the acquisition date.
Registration of further minority stakes in already-controlled companies occurs based on the so-called "economic entity" theory, as per IAS 27 amended by Regulation 494/2009, which states that the Consolidated financial statements represent all the resources available for the company intended as an entity which is economically autonomous from those who exercise control over the company. Therefore, considering the group as a whole the differences between acquisition cost and book value of acquired minority stakes are posted under the Group’s shareholders' equity. Likewise, sales of minority stakes without the loss of control do not generate profits/losses in the income statement but changes in the group’s shareholders' equity.
The following combinations are outside the scope of IFRS 3 – business combinations: transactions aimed at acquiring control over one or more entities which are not part of the company’s business; transactions aimed at acquiring transitory control; transactions conducted for organisational purposes, therefore between two or more companies or businesses which are already part of the Intesa Sanpaolo Group, and which do not entail changes in control, independently of the extent of minority interests in each of the combining entities before and after the business combinations (business combinations involving entities under common control). These transactions are considered immaterial. Therefore, since there are no specific provisions in IAS/IFRS and in compliance with IAS 8 which requires – in the absence of a specific Standard – that the reporting entity must use its judgement in applying an accounting policy that results in information that is relevant, reliable, prudent and that reflects the economic substance of the transaction, these are accounted for safeguarding the continuing values of the acquiree in the financial statements of the acquirer.
Mergers are examples of concentrations between companies and represent the most complete business combinations, since they imply the legal and economic unification of the merged entities.
Mergers which entail the establishment of a new legal entity and mergers by incorporation (which entail that an entity is absorbed by another existing entity) are treated according to the criteria illustrated above, that is:
- if the transaction leads to the transfer of control of a company, it is accounted for as a business combination as provided for by IFRS 3;
- if the transaction does not lead to the transfer of control, it is accounted for by privileging the continuing values of the merged company.

Criteria for the preparation of segment reporting
The Intesa Sanpaolo Group’s segment reporting is based on the elements that the management uses to make its own operating decisions (the “management approach”) and is therefore consistent with the disclosure requirements of IFRS 8.
The Intesa Sanpaolo Group’s organisational model is structured into five business areas, each with specific operating responsibilities: Banca dei Territori, Corporate and Investment Banking, International Subsidiary Banks, Eurizon Capital and Banca Fideuram. In addition to these operating areas there are two support structures: Group Treasury and the Head office departments concentrated in the Corporate Centre.
The attribution of economic and balance sheet results to the various sectors is based on the accounting principles used in the preparation and presentation of the Consolidated financial statements. Use of the same accounting standards allowed segment data and consolidated data to be effectively reconciled. To represent results more effectively and give a better understanding of the components that generated them, the reclassified income statement for each reporting segment is presented with values that express the contribution made by each segment to the Group’s results.
With regard to the measurement of revenues and costs deriving from intra-segment transactions, the application of a contribution model at multiple Internal Transfer Rates for the various maturities permits the correct attribution of net interest income to the divisions.
Specific agreements with Group companies regulate the application of transfer pricing for economic components relative to transactions which set out the distribution of results between product companies/service units and relationship entities/customer units. Each segment is charged direct costs and, for the part pertaining to it, the operating costs of central structures other than those typical of holding structures. Therefore, for services carried out by central structures for operating business units, charges are calculated on the basis of services actually rendered, while the costs of guidance and control activities have remained allocated to the Corporate Centre. Business units' profits are shown net of the tax effect, calculated by applying the main components underlying the effective tax rate, in line with the Group tax policy.
Business areas are disclosed net of intragroup relations within each area and gross of intragroup relations between different business areas.
For each business area, the capital absorbed based on Risk Weighted Assets (RWAs) was also calculated, determined in accordance with the instructions issued by the Bank of Italy in compliance with the regulations in force. For asset management, business risk was also taken into consideration, and for the insurance segment reference was made to the capital absorbed by insurance risk.

To complete segment reporting, the main balance sheet and income statement aggregates referred to the geographical areas in which the Group operates are also given. Geographical areas are defined on the basis of the territorial breakdown of Group activities and take into account the economic and strategic importance and the potential of the reference markets. Three main geographical areas have been identified, based on the residence of the legal entities making up the Group: Italy, Europe and Rest of the World.

A. 3 – INFORMATION ON TRANSFERS BETWEEN FINANCIAL ASSET PORTFOLIOS

A.3.1.Reclassified financial assets: carrying amount, fair value and effects on comprehensive income
The following table shows financial instrument reclassifications mainly carried out in 2008. No reclassifications were made in 2013.

(millions of euro)

Type of financial instrument	Previous portfolio	New portfolio	Book value at 31.12.2013	Fair value at 31.12.2013	Income components in case of no transfer (before tax)		Annual income components (before tax)	
					Valuation	Other	Valuation	Other
Debt securities	Financial assets held for trading	Loans	1,113	1,020	71	23	-21	40
Equities and quotas of UCI	Financial assets held for trading	Financial assets available for sale	32	32	-1	-	-1	-
Debt securities	Financial assets available for sale	Loans	5,401	4,121	270	151	-275	131
Loans	Financial assets available for sale	Loans	81	82	4	3	-6	3
TOTAL			**6,627**	**5,255**	**344**	**177**	**-303**	**174**

The income components related to net decreases attributable to the risk profile being hedged of reclassified assets amount to 275 million euro.

Had the Group not reclassified the above financial assets, positive income components would have been recognised for an amount of 344 million euro (before tax), instead of negative income components of 303 million euro, generating a positive effect of 647 million euro (before tax), broken down as follows:
– write-off of the negative income components recognised during the year following the 303 million euro transfer. Of this amount, 28 million euro relates to adjustments and 275 million euro to fair value decreases following hedges;
– reversal of the positive income components which would have been recognised had no transfer taken place, totalling 344 million euro. Of this amount, 66 million euro refers to adjustments, 275 million euro to fair value decreases following hedges and 553 million euro to the increase in Valuation reserves.

Moreover, had no reclassification taken place, other positive income components amounting to 3 million euro would have not been recognised. Indeed, this amount is mainly related to the amortised cost of the reclassified securities.
Overall, starting from the respective reclassification dates, reclassified assets as at 31 December 2013 would have been written down by 1,358 million euro, of which 77 million to be recognised in the income statement (negative components for 2008: 460 million euro, positive components for 2009: 73 million euro, positive components for 2010: 92 million euro, negative components for 2011: 11 million euro, positive components for 2012: 135 million euro and positive components for 2013: 94 million euro) and 1,281 million euro to be recognised in the Valuation reserve in Shareholders' equity (against 1,834 million euro as at 31 December 2012 with a positive net variation of 553 million euro had no transfer occurred).

As at 31 December 2013, reclassifications amount to a nominal 6,232 million euro. Of this amount:
– 4,875 million euro was reclassified by 1 November 2008 and therefore taking as reference the value of these assets as at 1 July 2008 if already present as at that date in the portfolio, or with reference to the purchase price if this took place after 1 July 2008, or at nominal value for loans issued after that date;
– 1,357 million euro was reclassified after 1 November 2008 and therefore on the basis of fair value as at the date of reclassification; the latter figure also refers to reclassifications carried out in 2009 concerning structured credit products arising from the transformation of unfunded instruments (derivatives) into funded instruments (securities), while maintaining the same risk profile to which the Group is exposed.

A.3.2 Reclassified financial assets: effects on comprehensive income before transfer
No disclosure is required since, as already indicated, no portfolio transfers were carried out in 2013.

A.3.3 Transfer of financial assets held for trading
The financial crisis which marked 2008 was classed by the IASB as a rare circumstance. Consequently, the Intesa Sanpaolo Group has identified certain securities - mainly consisting of bonds not quoted on active markets originally classified under trading assets which due to present and prospective market conditions could no longer be managed actively. These assets were kept in portfolio and reclassified to the loan category and financial assets available for sale. With respect to the trading book, mainly structured credit products held by Intesa Sanpaolo and Banca IMI were reclassified.

A.3.4 Effective interest rate and expected future cash flows from reclassified assets
The effective interest rate attributable to the reclassified securities portfolio is equal to 3.2% and estimated cash flows at the date financial assets were reclassified amount to 6,175 million euro.

A.4 – INFORMATION ON FAIR VALUE

Qualitative information

The fair value is the price receivable for the sale of an asset or which would be paid to transfer a liability in an orderly transaction between market participants (i.e. not as part of the compulsory liquidation or a below-cost sale) as at the measurement date. Fair value is a market measurement criterion, not specifically referring to the individual company. Underlying the definition of fair value is the assumption that the company is carrying out normal operations, without any intention of liquidating its assets, significantly reducing the level of operations or carrying out transactions at unfavourable conditions.

A business has to measure the fair value of an asset or liability by adopting the assumptions that would be used by market operators to determine the price of an asset or liability, presuming that they act with a view to satisfying their own economic interest in the best way possible.

The fair value of financial instruments is determined according to a hierarchy of criteria based on the origin, type and quality of the information used. In detail, this hierarchy assigns top priority to quoted prices (unadjusted) in active markets and less importance to unobservable inputs. Three different levels of input are identified:
- level 1: input represented by quoted prices (unadjusted) in active markets for identical assets or liabilities accessible by the entity as at the measurement date;
- level 2: input other than quoted prices included in level 1 that are directly or indirectly observable for the assets or liabilities to be measured;
- level 3: input unobservable for the asset or liability.

As ***level 1*** inputs are available for many financial assets and liabilities, some of which are traded in more than one active market, the company must pay particular attention to defining both of the following aspects:
- the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market for the asset or liability;
- whether the company can complete a transaction involving the asset or liability at that price and in that market as at the measurement date.

The Intesa Sanpaolo Group considers the principal market of a financial asset or liability to be the market in which the Group generally operates.
A market is regarded as active if quoted prices, representing actual and regularly occurring market transactions considering a normal reference period, are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency.
In specific cases regulated by internal policies and despite being quoted on regulated markets, research is carried out in order to verify the significance of official market values.

In the event of a significant reduction in the volume or level of operations compared to normal operations for the asset or liability (or for similar assets or liabilities) highlighted by a number of indicators (number of transactions, limited significance of market prices, significant increase in implicit premiums for liquidity risk, expansion or increase of the bid-ask spread, reduction or total lack of market for new issues, limited publicly-available information), analyses of the transactions or of the quoted prices are carried out.

The following are considered as level 1 financial instruments: contributed equities, bonds quoted on the EuroMTS circuit, those for which it is possible to continuously derive from the main price contribution international platforms at least three bid and ask prices, and those for which prices are provided by the Markit platform, with at least three bid and ask prices for bonds and convertibles and at least five bid and ask prices for European ABSs, harmonised mutual funds contributed, spot exchange rates, and derivatives for which quotes are available on an active market (for example, futures and exchange traded options). Finally, level 1 instruments also include hedge funds for which the fund administrator provides the NAV (Net Asset Value) with the frequency established in the subscription contract, and the check list, which is the summary document of significant information on underlying assets of the fund, does not highlight any critical points in terms of liquidity risk or counterparty risk.
For level 1 financial instruments, the current bid price is used for financial assets and the current asking price for financial liabilities, struck on the main active market at the close of the reference period.
For financial instruments with a scarcely significant bid-ask spread or for financial assets and liabilities with offsetting market risks, mid-market prices are used (again referred to the last day of the reference period) instead of the bid or ask price.
Conversely, all other financial instruments that do not belong to the above-described categories or that do not have the contribution level defined by the Fair Value Policy are not considered level 1 instruments.

When no quote on an active market exists or the market is not functioning regularly, that is when the market does not have a sufficient and continuous number of trades, and bid-offer spreads and volatility that are not sufficiently contained, the fair value of the financial instruments is mainly determined through the use of valuation techniques whose objective is the establishment of the price at which, in an ordinary transaction, the asset is sold or the liability transferred between market participants, as at the measurement date, under current market conditions.
Such techniques include:
- the use of market values that are indirectly linked to the instrument to be measured, deriving from products with the same risk profile (level 2);
- valuations performed using – even partially – inputs not identified from parameters observed on the market, for which estimates and assumptions made by the valuator are used (level 3).

In the case of ***level 2*** inputs, the valuation is not based on the price of the same financial instrument to be measured, but on prices or credit spreads presumed from official listing of instruments which are similar in terms of risk factors, using a given calculation methodology (pricing model). The use of this approach requires the identification of transactions on active markets in

relation to instruments that, in terms of risk factors, are comparable with the instrument to be measured. Level 2 calculation methodologies reproduce prices of financial instruments quoted on active markets (model calibration) and do not contain discretional parameters – parameters for which values may not be inferred from quotes of financial instruments present on active markets or fixed at levels capable of reproducing quotes on active markets – that significantly influence the final valuation.
The following are measured using level 2 input models:
- bonds without official quotes expressed by an active market and whose fair value is determined through the use of an appropriate credit spread which is estimated starting from contributed and liquid financial instruments with similar characteristics;
- derivatives measured through specific pricing models, fed by input parameters (such as yield, foreign exchange and volatility curves) observed on the market;
- ABSs for which significant prices are not available and whose fair value is measured using valuation techniques that consider parameters which may be presumed from the market;
- equities measured based on direct transactions, that is significant transactions on the stock registered in a time frame considered to be sufficiently short with respect to measurement date and in constant market conditions, using, therefore, the "relative" valuation models based on multipliers;
- loans measured through the discounting of future cash flows.

The calculation of the fair value of certain types of financial instruments is based on valuation models which consider parameters not directly observable on the market, therefore implying estimates and assumptions on the part of the valuator (***level 3***). In particular, the valuation of the financial instrument uses a calculation methodology which is based on specific assumptions of:
- the development of future cash-flows, which may be affected by future events that may be attributed probabilities presumed from past experience or on the basis of the assumed behaviour;
- the level of specific input parameters not quoted on active markets, for which information acquired from prices and spreads observed on the market is in any case preferred. Where this is not available, past data on the specific risk of the underlying asset or specialised reports are used (e.g. reports prepared by Rating agencies or primary market players).

The following are measured under the Mark-to-Model Approach:
- debt securities and complex credit derivatives (CDOs) included among structured credit products and credit derivatives on index tranches;
- hedge funds not included in level 1;
- shareholding and other equities measured using models based on discounted cash flows;
- some loans, of a smaller amount, classified in the available-for-sale portfolio;
- derivative transactions relating to securitisations and equity-risk structured options.

The Intesa Sanpaolo Group governs and defines the fair value measurement of financial instruments through the Group's Fair Value Policy, prepared by the Risk Management Department and also applied to the Parent Company and to all consolidated subsidiaries.

The valuation process of financial instruments entails the following phases:
- identification of the sources for measurements: for each asset class, the Market Data Reference Guide establishes the processes necessary to identify market parameters and the means according to which such data must be extracted and used;
- certification and treatment of market data for measurements: this stage consists of the accurate verification of the market parameters used (verifying the integrity of data contained on the proprietary platform with respect to the source of contribution), reliability tests (consistency of each single figure with similar or comparable figures) and verification of concrete application means. In particular:
  - reference categories are established for the various types of market parameters;
  - the reference requirements governing the identification of official revaluation sources are set;
  - the fixing conditions of official figures are established;
  - the data certification conditions are established;
- certification of pricing models and Model Risk Assessment: this phase is aimed at verifying the consistency and the adherence of the various measurement techniques used with current market practice, at highlighting any critical aspects in the pricing models used and at determining any adjustments necessary for measurement. The validation process is particularly important at the start of activities in a new financial instrument which requires the development of further pricing models, and when the Group decides to use a new model to measure payoffs previously managed with models deemed to be less adequate. All models used for the measurement must be submitted to an internal certification process which involves various competent structures or independent companies in highly complex or particularly critical cases;
- monitoring consistency of pricing models over time: periodical monitoring of the adherence to the market of the pricing model in order to discover any gaps promptly and start the necessary verifications and interventions.

Identification, certification and treatment of market data and the sources for measurements

The fair value calculation process and the need to distinguish between products which may be measured on the basis of effective market quotes rather than through the application of comparable or mark-to-model approaches, highlight the need to establish univocal principles in the determination of market parameters. To this end the Market Data Reference Guide – a document prepared and updated by the Risk Management Department on the basis of the Group's Internal Regulations approved by the Administrative bodies of the Parent Company and Group Companies – has established the processes necessary to identify market parameters and the means according to which such parameters must be extracted and used. Such market data may be both elementary and derived data. In particular, for each reference category (asset class), the regulation determines the relative requisites, as well as the cut-off and certification means. The document defines the collection of the contribution sources deemed adequate for the assessment of financial instruments held for any purpose in the proprietary portfolios of the Parent Company and its subsidiaries. These same sources are used in valuations carried out for third parties under Service Level Agreements, reached in advance. Adequacy is guaranteed by the respect of reference requirements, which are based on comparability,

availability and transparency of the data, or the possibility of extracting the figure from one or more info providing systems, of measuring the contribution bid-ask, and lastly, for OTC products, of verifying the comparability of the contribution sources. For each market parameter category the cut-off time is determined univocally, with reference to the timing of definition of the parameter, the reference bid/ask side and the number of contributions necessary to verify the price.
The use of all market parameters in Intesa Sanpaolo is subordinated to their certification (Validation Process) by the Risk Management Department (RMD), in terms of specific controls (verifying the integrity of data contained on the proprietary platform with respect to the source of contribution), reliability tests (consistency of each single figure with similar or comparable figures) and verification of concrete application means.

Model Risk Management
In general, Model Risk is represented by the possibility that the price of a financial instrument is materially influenced by the valuation approach chosen. In the case of complex financial instruments, for which there is no standard valuation method in the market, or during periods when new valuation methods are being established in the market, it is possible that different methods may consistently value the elementary instruments of reference, but provide differing valuations for exotic instruments. The model risk is monitored through a series of analyses and checks carried out at different stages, aimed at certifying the various pricing methods used by the Parent Company ("Model Validation"), at regularly monitoring the performance of the models in operation to promptly identify any deviation from the market ("Model Risk Monitoring") and at identifying any adjustments to be made to the valuations ("Model Risk Adjustment", see the section below "Adjustments adopted to reflect model risk and other uncertainties related to the valuation").

Model Validation
In general, all the pricing models used by the Bank must undergo an internal certification process by the various structures involved. The possibility of independent certification issued by high standing financial service companies is also provided for in highly-complex cases and/or in presence of market turbulence (so-called market dislocation). The internal certification process is activated when a new financial instrument that requires an adjustment to the existing pricing methods or the development of new methods starts to be used, or when the existing methods need to be adjusted for the valuation of existing contracts. The validation of the methods involves a series of operational steps, which are adopted where necessary, including the:
– contextualisation of the problem within the current market practice and the relevant available literature;
– analysis of the financial aspects and the types of significant payoff;
– formalisation and independent derivation of the mathematical aspects;
– analysis of the numerical/implementation aspects and tests through the replication, where necessary, of the pricing libraries of the Front Office systems through an independent prototype;
– analysis of the relevant market data, verifying the presence, liquidity and frequency of update of the contributions;
– analysis of the calibration methods, in other words the model's ability to optimise its internal parameters (or meta-data) to best replicate the information provided by the quoted instruments;
– stress tests of the parameters of the model that are not observable in the market and analysis of the impact on the valuation of the complex instruments;
– market tests comparing, where possible, the prices obtained from the model with the quotes available from the counterparties.

If no problems are identified by the above analysis, the Risk Management Department validates the method, which becomes part of the Group Fair Value Policy and can be used for the official valuations. If the analysis identifies a significant "Model Risk", which, however, is within the limits of the approach's ability to correctly manage the related contracts, the Risk Management Department selects a supplementary approach to determine the appropriate adjustments to be made to the mark to market, and validates the supplemented approach.

Model Risk Monitoring
The performance of the valuation models in operation is monitored continuously to promptly identify any deviations from the market and implement the necessary assessments and measures. This monitoring is performed in various ways, including:
– repricing of contributed elementary instruments: verifying the model's ability to replicate the market prices of all the quoted instruments considered to be relevant and sufficiently liquid. For interest rate derivatives, an automatic repricing system for elementary financial instruments is used in the Bank's Front Office systems, which enables the systematic verification of any deviations between the model and the market. Where significant deviations are found, especially outside the market bid-ask quotes, the impact on the respective trading portfolios is analysed and any adjustments to be made to the corresponding valuations are quantified;
– comparison with benchmarks: the monitoring method described above is further enhanced by the extensive use of data supplied by qualified external providers (e.g. Markit), which provide consensus valuations from leading market counterparties for interest rate instruments (swaps, basis swaps, cap/floor, European and Bermuda swaptions, CMS, CMS spread options), equity instruments (options on indexes and on single stocks), credit instruments (CDS) and commodity instruments (options on commodity indexes). Such information is far richer than that normally available from standard contribution sources, for example in terms of maturities, underlying assets and strikes. Any significant gap between the model and benchmark data is quantified with respect to the average bid-ask spread supplied by the outside provider and therefore treated as in the previous case. The possibility of extending the comparison with benchmarks to other instruments or underlying assets is constantly monitored;
– comparison with market prices: verification against prices provided by counterparties via Collateral Management, indicative listed prices provided by brokers, intrinsic parameters identified from these indicative listed prices, checks of the most recent revaluation price in relation to the price of the financial instrument deriving from unwinding, sales, and new similar or comparable transactions.

Adjustments adopted to reflect model risk and other uncertainties related to the valuation
If problems are found by the Model Validation process or the Model Risk Monitoring process in the calculation of the fair value of particular financial instruments, the appropriate Mark-to-Market Adjustments to be made to the valuations are identified. These adjustments are regularly reviewed, also considering market trends, or the introduction of new liquid instruments, different calculation methodologies and, in general, methodological advances which may also lead to significant changes in selected models and their implementation.

In addition to the adjustments relating to the abovementioned factors, the Mark-to-Market Adjustment Policy also provides for other types of adjustments relating to other factors capable of influencing the valuation. These factors essentially involve:
– high and/or complex risk profile;
– position illiquidity determined by temporary or structural market conditions or in relation to the entity of exchange values held (in case of excessive concentration); and
– valuation difficulties due to the lack of liquid and observable market parameters.

For illiquid products an adjustment is made to the fair value. This adjustment is generally not very relevant for instruments for which the valuation is supplied directly by an active market (level 1). Specifically, highly liquid quoted securities are valued directly at mid price, whereas for quoted securities with low liquidity and unquoted securities the bid price is used for long positions and the ask price for short positions. Bonds that are not quoted are valued according to credit spreads that differ based on the position of the security (long or short).

Conversely, for derivatives for which fair value is determined with a valuation technique (levels 2 and 3), the adjustment may be calculated with different means according to the availability on the market of bid and ask prices and products with similar characteristics in terms of contract type, underlying asset, currency, maturity and volumes traded which may be used as benchmarks.
Where none of the indications above is available, stress tests are performed on input parameters deemed to be relevant in the model. The main factors considered to be illiquid (in addition to the inputs for the valuation of structured credit derivatives, to be discussed in further detail below) and for which the respective adjustments have been calculated, are connected to risks on Commodities, on Dividends and Variance Swaps, FOI (Consumer price index for blue and white-collar worker households) inflation and options on inflation, on specific indexes such as Rendistato, volatility of 12-month cap indexes, correlations between swap rates and "quanto" correlation (connected to pay offs and index-linking expressed in different currencies).
The management of the Mark-to-Market Adjustment process is formalised with appropriate calculation methodologies on the basis of the different configurations of the points set out above. Calculation of the adjustments depends on the dynamics of the factors indicated above and is disciplined by the Risk Management Department. The criteria for the release are subordinated to the elimination of the factors indicated above and disciplined by the Risk Management Department. Such processes are a combination of quantitative elements that are rigidly specified and qualitative elements, valued based on the different configuration over time of the risk factors which generated the adjustments. Thus, the estimates subsequent to initial recognition are always guided by the mitigation or elimination of said risks.
For new products, the decision to apply Mark-to-Market Adjustment processes is taken by the New Product Committee upon the proposal of the Risk Management Department.

A.4.1 Fair value levels 2 and 3: valuation techniques and inputs used
The sections below provide a summary of the information, by type of financial instrument (securities, derivatives, structured products, hedge funds), on the valuation models used.

I. Pricing model for non-contributed securities
The pricing of non-contributed securities (that is, securities without official listings expressed by an active market) occurs through the use of an appropriate credit spread test, which is estimated starting from contributed and liquid financial instruments with similar characteristics. The sources used to estimate the level of the credit spread are the following:
– contributed and liquid securities of the same issuer;
– credit default swaps on the same reference entity;
– contributed and liquid securities of an issuer with the same rating and belonging to the same sector.
In any case the different seniority of the security to be priced is considered relatively to the issuer's debt structure.
In the case of Italian public issuers, a rating/maturity matrix is defined on the basis of the spread levels on government issues, to which the spreads among the various rating/maturity classes with respect to public issues (regions, provinces, municipalities, government entities) are applied.
Similarly, with respect to financial liabilities designated at fair value through profit and loss, the credit spread of the Intesa Sanpaolo Group is determined and measured based on the bonds issued by the Parent Company, with regular, periodic coupons, maturity beyond one year and quoted on an active market in compliance with IAS/IFRS. The implicit credit rating is determined on the basis of market quotes and subsequently adjusted through interpolation models which generate credit spread curves by type of coupon, maturity and subordination level.
Also, for bonds that are not quoted on active markets, an extra spread, estimated based on the bid/ask spread recorded on the market, is added to the "fair" credit spread component, to take account of the higher premium demanded by the market compared to similar contributed securities.
If there is also an embedded option a further adjustment is made to the spread by adding a component designed to capture the hedging costs of the structure and the illiquidity of the underlyings. This component is calculated on the basis of the type of option and its maturity.

II. Models for pricing interest rate, foreign exchange, equity, inflation and commodity derivatives
For derivatives, in consideration of their number and complexity, a systematic reference framework has been developed which represents the common elements (calculation algorithms, processing models, market data used, basic assumptions of the model) that are used to measure all categories of derivatives.

Interest rate, foreign exchange, equity, inflation and commodity derivatives, if not traded on regulated markets, are Over The Counter (OTC) instruments, which are bilaterally exchanged with market counterparties and are measured through specific pricing models, fed by input parameters (such as yield, foreign exchange and volatility curves) observed on the market and subject to the monitoring processes illustrated above.

The table below illustrates the main models used to price OTC derivatives on the basis of the category of underlying asset.

Underlying class	Valuation models	Market data and input parameters
Interest rate	Net Present Value, Black, SABR, Libor Market Model, Hull-White at 1 and 2 factors, Mixture of Hull-White at 1 and 2 factors, Bivariate lognormal, Rendistato	Interest rate curves (deposits, FRA, Futures, OIS, swap, basis swap, Rendistato basket), cap/floor/swaption option volatility, correlation between interest rates
Foreign exchange rate	Net present Value FX, Garman-Kohlhagen, Lognormal with Uncertain Volatility (LMUV)	Interest rate curves, spot and forward FX, FX volatility
Equity	Net present Value Equity, Black-Scholes Generalised, Heston, Jump Diffusion	Interest rate curves, underlying asset spot rate, interest rate curves, expected dividends, underlying asset volatility and correlation between underlying assets, "quanto" volatility and correlations
Inflation	Bifactorial Inflation	Nominal and inflation interest rate curves, interest and inflation rate volatility, seasonality ratios of consumer price index, correlation between inflation rates
Commodity	Net present Value Commodity, Generalised Black-Scholes, Independent Forward	Interest rate curves, spot rate, forwards and futures of underlying assets, underlying asset volatility and correlation between underlying assets, "quanto" volatility and correlations

As envisaged by IFRS 13, in determining fair value, the Intesa Sanpaolo Group also takes into account the effect of non-performance risk. This risk includes changes in the counterparty credit rating and changes in the issuer's own credit risk.
For derivatives in particular, the Bilateral Credit Value Adjustment (bCVA) model fully takes into account the effects of changes in the counterparty credit rating, as well as changes in its own credit rating. In fact, the bCVA consists of the sum of two addends, calculated by considering the possibility that both counterparties go bankrupt:

– the CVA (Credit Value Adjustment) is a negative measure that takes into account scenarios whereby the counterparty fails before the bank and the bank has a positive exposure to the counterparty. In these scenarios the bank suffers a loss equal to the cost of replacing the derivative;
– the DVA (Debt Value Adjustment) is a positive measure that takes into account scenarios whereby the bank fails before the counterparty and has a negative exposure to the counterparty. In these scenarios the Bank achieves a gain equal to the cost of replacing the derivative.

The bCVA depends on the exposure, probability of default and the Loss Given Default of the counterparties. Lastly, the bCVA must be calculated taking into account any counterparty risk mitigation agreements, particularly collateral and netting agreements for each individual counterparty. In the event of netting agreements with a specific counterparty, the bCVA is calculated with regard to the portfolio including all transactions subject to netting with that counterparty.
The measurement of creditworthiness use various sources. Specifically:

– in the case of counterparties with CDS spread quoted on the market (including Intesa Sanpaolo), calculation of the bCVA is carried out by considering the neutral probability of default towards risk (namely estimated based on the prices of bonds and not on historical figures) quoted on the market and regarding both the counterparty and the investor, measured on the basis of the listed CDS spread credit curve;
– for Large Corporate counterparties without CDS quoted on the market with significant turnover, the bCVA is calculated by considering the neutral probability of default towards risk of a counterparty associated to the counterparty of the contract (comparable approach). Creditworthiness is measured:
  - o for Project Finance counterparties, using the comparable Industrial CDS spread credit curve;
  - o for other counterparties, using the comparable CDS spread credit curve for the counterparty;
– for illiquid counterparties not included in the above categories, the bCVA is calculated by considering the probability of default of the counterparty and of the Intesa Sanpaolo Group, determined by using the credit curve obtained by the default probability matrices.

On the other hand, for counterparties in default, an estimate of the counterparty risk consistent with the provisioning percentage applied to on-balance sheet exposures is carried out.
The prior Credit Risk Adjustment (CRA) calculation model is still valid for a residual number of products for which the bCVA model is still under development.

III. Model for pricing structured credit products

Regarding ABSs, if significant prices are not available, valuation techniques are used that take into account parameters that can be gathered from an active market (level 2 inputs).
In this case, the cash flows are obtained from info providers or specialised platforms; the spreads are gathered from the new issues and/or from the major investment banks, further strengthened by a qualitative analysis relative to the performance of the underlying assets presumed from periodic investor reports and aimed at highlighting structural aspects that are not (or not fully) encompassed by the analyses described above, relating to the actual future ability to pay the expected cash flows and analyses of relative value with respect to other similar structures. The results of these analyses are subject to backtesting

with actual sales prices.

With regard to debt securities and complex credit derivatives (funded and unfunded CDOs) the fair value is determined based on a quantitative model which estimates joint losses on collateral, with a simulation of the relevant cash flows which uses copula functions.
The most significant factors considered in the simulation – for each collateral – are the risk-neutral probability of default derived from market spreads, recovery rates, the correlation between the value of collaterals present in the structure and the expected residual life of the contract.
For spreads, the valuation process incorporates, as promptly as possible, all the market inputs (including synthetic indexes such as LCDX, Levx and CMBX) considered to be significant: consensus parameters calculated by multicontribution platforms and market spread estimates made available by major dealers are used.
The Market Data Reference Guide, which sets out credit spread contribution sources, was moreover integrated with specific policies for the other inputs such as correlations and recovery rates.
For specific types of collateral, such as trust preferred securities, the probability of default is estimated using the Expected Default Frequency from Moody's - KMV.
In order to incorporate high market dislocation and intense market illiquidity phenomena in valuations, a series of corrections have been prepared for valuations referred to the main input parameters; in particular:
– stress of recovery rates: expected recovery rates on the assets held as collateral in every deal have been decreased by 25% (50% for underlying REITS);
– stress of asset value correlation: inter and intra correlations have been increased by 15% or 25% depending on the type of product;
– stress of spreads: the spreads, used to determine the marginal distributions of defaults, have been increased by 10%;
– stress of expected residual lives: the latter have been increased by 1 year.
Each of these modules contributes to the definition of a sensitivity grid of the value to the single parameter; results are then aggregated assuming independence between the single elements.

The valuation framework used for the CDO Cash Flows also manages the Waterfall effects. The latter entails the correct definition of the payment priorities according to the seniority of the various tranches and the contractual clauses. In general these provide for the diversion of the capital and interest payments from the lower tranches of the Capital Structure to the higher tranches, upon the occurrence of Trigger Events, such as the failure of the Overcollateralisation and Interest Coverage tests.

After this valuation, credit analyses on underlying assets were fine-tuned to incorporate further valuation elements not included in the quantitative models. In particular, a Qualitative Credit Review is provided for and entails an accurate analysis of credit aspects referred to the specific structure of the ABS/CDO and to the collateral present. This is to identify any present or future weaknesses which emerge from the characteristics of the underlying assets, which could have been missed by rating agencies and as such not fully considered in the valuations described in the previous point. The results of this analysis are condensed in certain objective elements (such as Past Due, Weighted Average Delinquency, etc.) which are summarised in an indicator representing credit quality. On the basis of the value of this synthetic indicator, specific thresholds have been identified which correspond to a number of downgrades, so to proceed to a consistent adjustment in the valuation. Lastly, for this class of products, an additional adjustment may be applied, subject to an authorisation procedure that, above a certain warning threshold, involves both the area of the Chief Risk Officer and the Manager responsible for preparing the Company's financial reports.

With respect to credit derivatives on index tranches, off-the-run series are valued at level 3 when no reliable and verifiable quotes are available from the Risk Management Department. Fair value is determined based on the quotes of series being issued, adjusted to reflect the different underlying.

IV. Valuation of equities with relative and absolute models

Financial instruments for which fair value is determined using level 2 inputs also include equities measured based on direct transactions, that is significant transactions on the stock registered in a time frame considered to be sufficiently short with respect to measurement date and in constant market conditions, using, therefore, the "relative" valuation models based on multipliers. Multipliers are used under the comparable companies' or comparable transactions' approach. In the former case, reference is made to a sample of comparable listed companies, therefore the stock prices from which the multiples to measure the investment are deducted. In the latter case, reference is made to the trading prices of the market related to comparable companies registered in a time frame considered to be sufficiently short with respect to measurement date and in constant market conditions.

Equities to which the above "relative" models are not applied are valued using "absolute" valuation models. In particular, these models are based on flows which substantially anticipate the measurement of the stock value by estimating the cash flows it can generate over time, discounted using a rate that is in line with the risk level of the instrument, equity models or equity-income models.

V. The pricing model for hedge funds

The determination of the fair value of a hedge fund is the result of an analytical process that involves two distinct approaches applied respectively to funds managed through the use of a Management Account Fund infrastructure, which ensures full daily transparency of the assets underlying the funds, and funds not managed according to such a platform.

For funds managed in the Managed Account platform, the Net Asset Value (NAV) provided by the Fund Administrator is considered as the fund's fair value. It is not deemed necessary to apply the two prudential adjustments described below to the NAV, since:
– the adjustment for counterparty risk is not necessary because the Managed Account platform is subject to limited

recourse clauses and non-petition provisions, through which each Managed Account Fund achieves contractual separation/segregation of assets and manager. Intesa Sanpaolo effectively holds 100% of the quotas of the MAF;
– the adjustment for illiquidity risk is not necessary because there is a delivery in kind clause, according to which the fund's assets may be transferred to Intesa Sanpaolo's books and liquidated, where necessary.

Moreover, a due diligence confirmed that the pricing model used by the Fund Administrator is consistent with the Intesa Sanpaolo's Fair Value Policy.
If the daily full transparency analysis were to bring to light additional elements of risk, mark-to-market adjustments would be applied in accordance with Intesa Sanpaolo's Fair Value Policy.
The platform's characteristics make it possible to perform an analysis of the financial instruments underlying the funds and to assign the fair value hierarchy level based on prevalence, in terms of percentage of NAV, of the weight of assets priced according to the various levels.

For funds not managed in the Managed Account platform, the operating NAV (Net Asset Value) provided by the Fund Administrator is used. However, this value may be prudentially adjusted by the Risk Management Department, during the valuation of inventories for accounting purposes, on the basis of an individual valuation process aimed at verifying specific idiosyncratic risks, mainly identified as follows:
– counterparty risk
– illiquidity risk.

Specifically, the first risk driver – counterparty risk - relates to the risk that the assets of the fund are exposed to when a single service provider is entrusted with prime brokerage or custodian activities, which is a potential source of risk in the case of default. The resulting prudential adjustment to the operational NAV differs according to whether this activity is concentrated in a single name or is diversified across several service providers.
With regard to the illiquidity drivers, these relate to the risk intrinsic to the pricing of the fund assets, therefore, the prudential adjustment is applied based on the availability of prices or certain weaknesses in the pricing policies used by the fund.
The application of the foregoing prudential adjustments (counterparty risk and illiquidity risk) is subject to an authorisation procedure that, above a certain warning threshold, involves both the area of the Chief Risk Officer and the Manager responsible for preparing the Company's financial reports.

VI. Other level 2 and 3 valuation models

Loans are included among financial instruments whose fair value is determined on a recurring basis through level 2 inputs. In particular, for medium- and long-term assets and liabilities measurement is carried out by discounting future cash flows. This is based on the discount rate adjustment approach, in which the risk factors connected to the granting of loans are taken into consideration in the rate used to discount future cash flows.

As required by IFRS 13, the table below highlights, for financial assets and liabilities measured at level 3 fair value, quantitative information on the significant, unobservable inputs used in the fair value measurement.

(thousands of euro)

Financial assets/ liabilities	Valuation technique	Main non-observable input	Minimum value of range of changes	Maximum value of range of changes	Unit	Favourable changes in FV	Unfavourable changes in FV
Securities	Discounting Cash Flows	Credit Spread	-27	70	%	2,149	-5,572
Structured securities	Black model	Volatility	13	28	%	8	-78
Structured securities	Two-factor model	Correlation	-11	24	%	31	-228
ABSs	Discounting Cash Flows	Credit Spread	-45	111	%	1,832	-4,525
ABSs	Discounting Cash Flows	Recovery rate	-8	0	%	-	-1,022
CDO / CLOs	Gaussian copula	Credit Spread	-27	70	%	3,667	-9,507
CDO / CLOs	Gaussian copula	Joint default correlation	-5	10	%	59	-118
CDO / CLOs	Gaussian copula	Recovery rate	-25	10	%	794	-1,985
OTC derivatives subject to FV adjustment for CVA/DVA	bCVA	Loss Given Default Rate (LGD)	0	100	%	15,003	-39,654
OTC derivatives subject to FV adjustment for CVA/DVA	bCVA	Probability of default (PD) based on counterparty's internal rating	CCC	AA	Internal Rating	100	-168
OTC Derivatives - Interest Rate Cap/Floor	Black model with volatility of the SABR model	Cap-floor volatility on 12-month Euribor	21.70	54.60	%	1,483	-2,680
OTC Derivatives - Interest Rate Cap/Floor on CMS Spread	Bivariate log-normal model	Correlation between underlying options on 15Y - 7Y CMS	91.61	97.78	%	88	-37
OTC Derivatives - Equity basket option	Black - Scholes model	Correlation between underlying equity baskets	43.90	79.65	%	226	-5
OTC Derivatives - Equity option	Black - Scholes model	Underlying volatility	28.88	60.27	%	391	-3,400
OTC Derivatives - Equity Basket Option	Black - Scholes model	Correlation between underlying equity baskets	-47.70	79.65	%	992	-539
OTC Derivatives - Commodity Asian Options	Independent Forward model	Volatility for the underlying Power Italia (PW IT TERNA)	9.50	44.00	%	68	1,546

A.4.2 Valuation processes and sensitivity

For a description of the valuation processes used by the Group for instruments measured at level 3 in a recurring and non-recurring manner, see paragraphs A.4.1 and A.4.5 respectively.

As required by IFRS 13, for the financial assets and liabilities measured at level 3 fair value the following table indicates the effects of a change in one or more non-observable parameters used in the valuation techniques adopted to determine the fair value.

Financial assets/liabilities	Non-observable parameters	Sensitivity (thousands of euro)	Change in non-observable parameter
Held for trading and available for sale securities	Credit spread	-46	1 bp
Held for trading and available for sale securities	Volatility	7	1%
Held for trading and available for sale securities	Correlation	-5	1%
Held for trading and available for sale securities	Recovery rate	-207	1%
OTC Derivatives - Interest rate	Cap-floor volatility on 12-month Euribor	-127	1%
OTC Derivatives - Interest rate	Correlation for spread options between swap rates (7 and 15 yr	-203	0.1
OTC Derivatives - Commodity	Volatility for the underlying Power Italia (PW IT Terna)	43	1%
OTC Derivatives - Equity	Correlation between underlying equity baskets	142	0.1
OTC Derivatives - Equity	Historical correlation between Telecom IT and Telco	65	0.1
OTC Derivatives - Equity	Historical volatility Prelios	121	1%

Moreover, the sensitivity analysis performed on level 3 structured credit products highlights a negative change in fair value, referring to complex credit derivatives, for an amount not material when the following parameters change:
– risk-neutral probability of default derived from market spreads (10%);
– recovery rate (from 5% to 25%, based on the type of risk of the underlying product);
– correlation between the value of collaterals present in the structure (from 25% to 80%, based on the type of risk of the underlying product);
– expected residual life of the contract (one-year increase over the expected term).

A.4.3. Fair value hierarchy

With regard to financial assets and liabilities measured at fair value on a recurring basis, the Intesa Sanpaolo Group carries out level changes based on the following guidelines.
For debt securities, the transition from level 3 to level 2 occurs if the significant parameters used as inputs in the valuation technique are, as at the reference date of, observable on the market. The transition from level 3 to level 1, on the other hand, takes place when, as at the reference date, the presence of an active market has been successfully identified, as defined by IFRS 13. The transition from level 2 to level 3 occurs when, as at the reference date, some of the significant parameters in the fair value measurement are not directly observable on the market.
For OTC derivatives, valuation of the "credit risk free" component determines the choice of the initial level of the fair value hierarchy, according to the level of observability of market parameters. Calculation of the component linked to the risk of insolvency of the counterparty/issuer, with unobservable parameters, may involve reclassification to level 3. In particular, this occurs when:
– the counterparty has a non-performing credit status;
– with regard to the netting set, the ratio of the bilateral Credit Value Adjustment (bCVA) component and the total fair value is higher than a significant threshold and there is significant sensitivity to downgrading.

For equity instruments recognised among assets available for sale, change of the level occurs:
– when inputs observable on the market (e.g., prices defined based on comparable transactions on the same instrument between independent and informed counterparties) have become available during the period. In this case, the Group reclassifies from level 3 to level 2;
– when the directly or indirectly observable elements used as the basis for the valuation cease to exist, or when they are no longer up to date (e.g., comparable transactions that are no longer recent or multiples that are no longer applicable). In this case, the Group uses valuation techniques that use unobservable inputs.

A.4.4. Other information

For information regarding the highest and best use as required by IFRS 13, refer to the description at the bottom of Table A.4.5.4 with regard to non-financial assets.
The Intesa Sanpaolo Group does not exercise the exception envisaged under paragraph 48 of IFRS 13 regarding application of the principle to financial assets and liabilities with positions offset one another with regard to market risk and counterparty risk.

Quantitative information

A.4.5. Fair value hierarchy

A.4.5.1 Assets and liabilities measured at fair value on a recurring basis: fair value by level

(millions of euro)

Assets / liabilities at fair value	31.12.2013			31.12.2012		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Financial assets held for trading	16,964	31,310	739	12,143	50,579	824
2. Financial assets designated at fair value through profit or loss	34,333	3,087	235	31,944	4,537	406
3. Financial assets available for sale	105,498	4,196	5,608	89,445	5,264	2,500
4. Hedging derivatives	-	7,533	1	-	11,649	2
5. Property and equipment	-	-	-	-	-	-
6. Intangible assets	-	-	-	-	-	-
Total	**156,795**	**46,126**	**6,583**	**133,532**	**72,029**	**3,732**
1. Financial liabilities held for trading	7,080	31,753	435	5,335	46,200	660
2. Financial liabilities designated at fair value through profit or loss	-	30,733	-	-	27,047	-
3. Hedging derivatives	-	7,577	13	-	10,757	19
Total	**7,080**	**70,063**	**448**	**5,335**	**84,004**	**679**

In addition to the transfers relating to financial assets and liabilities measured at level 3 as detailed in the tables below, note that the following transfers were made in 2013:

– from level 1 to level 2:
  - o financial assets held for trading for 49 million euro (book value as at 31 December 2013);
  - o financial assets available for sale for 102 million euro (book value as at 31 December 2013);
  - o financial liabilities held for trading for 336 million euro (book value as at 31 December 2013).

– from level 2 to level 1:
  - o financial assets held for trading for 257 million euro (book value as at 31 December 2013);
  - o financial assets available for sale for 396 million euro (book value as at 31 December 2013);
  - o financial liabilities held for trading for 300 million euro (book value as at 31 December 2013).

Transfers between fair values levels derive from the empirical observation of phenomena inherent in the instrument in question or its market.
The transfer from level 1 to level 2 is due to an adequate number of contributors no longer being present, namely to the limited number of investors holding the existing float. This cases often occur when approaching maturity of the instruments. Conversely, securities that have limited liquidity and number of negotiations upon issue – classified, therefore, as level 2 – are transferred to level 1 when the existence of an active market is identified.

The caption "3. Financial assets available for sale" – level 3 – includes 3,182 million euro referring to the new stakes issued by the Bank of Italy in application of Law Decree 133 of 30 November 2013, converted into Law no. 5 of 29 January 2014, following the amendments to the Articles of Association approved by the Shareholders' Meeting of the Bank of Italy on 23 December 2013.

A.4.5.2.Annual changes in assets measured at fair value on a recurring basis (level 3)

(millions of euro)

	Financial assets held for trading	Financial assets designated at fair value through profit or loss	Financial assets available for sale	Hedging derivatives	Property and equipment	Intangible assets
1. Initial amount	**824**	**406**	**2,500**	**2**	**-**	**-**
2. Increases	**710**	**222**	**6,437**	**-**	**-**	**-**
2.1 Purchases	277	10	2,512	-	-	-
2.2 Gains recognised in:	94	28	111	-	-	-
2.2.1 Income statement	*94*	*28*	*10*	-	-	-
- of which capital gains	*78*	*22*	*-*	-	-	-
2.2.2 Shareholders' equity	*X*	*X*	*101*	-	-	-
2.3 Transfers from other levels	299	24	286	-	-	-
2.4 Other increases	40	160	3,528	-	-	-
3. Decreases	**-795**	**-393**	**-3,329**	**-1**	**-**	**-**
3.1 Sales	-400	-34	-2,400	-	-	-
3.2 Reimbursements	-83	-	-99	-	-	-
3.3 Losses recognized in:	-184	-53	-257	-1	-	-
3.3.1 Income statement	*-184*	*-53*	*-183*	*-1*	-	-
- of which capital losses	*-109*	*-48*	*-176*	*-1*	-	-
3.3.2 Shareholders' equity	*X*	*X*	*-74*	-	-	-
3.4 Transfers to other levels	-48	-1	-336	-	-	-
3.5 Other decreases	-80	-305	-237	-	-	-
4. Final amount	**739**	**235**	**5,608**	**1**	**-**	**-**

Sub-caption "2.4 Other increases" includes recognition, for 3,182 million euro, of new stakes issued by the Bank of Italy in application of Law Decree no. 133 of 30 November 2013, converted into Law no. 5 of 29 January 2014, following the amendments to the Articles of Association approved by the Shareholders' Meeting of the Bank of Italy on 23 December 2013.

A.4.5.3 Annual changes in financial liabilities measured at fair value on a recurring basis (level 3)

(millions of euro)

	Financial liabilities held for trading	Financial liabilities designated at fair value through profit or loss	Hedging derivatives
1. Initial amount	**660**	**-**	**19**
2. Increases	**123**	**-**	**2**
2.1 Issues	9	-	2
2.2 Losses recognised in:	18	-	-
2.2.1 Income statement	*18*	-	-
- of which capital losses	*18*	-	-
2.2.2 Shareholders' equity	*X*	*X*	*X*
2.3 Transfers from other levels	60	-	-
2.4 Other increases	36	-	-
3. Decreases	**-348**	**-**	**-8**
3.1 Reimbursements	-40	-	-
3.2 Repurchases	-65	-	-
3.3 Gains recognised in:	-242	-	-8
3.3.1 Income statement	*-242*	-	*-8*
- of which capital gains	*-172*	-	*-8*
3.3.2 Shareholders' equity	*X*	*X*	*X*
3.4 Transfers to other levels	-	-	-
3.5 Other decreases	-1	-	-
4. Final amount	**435**	**-**	**13**

"Financial liabilities held for trading" refer to derivative contracts with a negative fair value.

Transfers from and to other levels described in the above tables were carried out in accordance with the guidelines described in paragraph A.4.3 - Fair value hierarchy.

For more exhaustive information on the sensitivity of financial instruments to changes in the main input parameters, reference should be made to the analyses of the trading book in Part E of these Notes to the consolidated financial statements.

A.4.5.4 Assets and liabilities not measured at fair value or measured at fair value on a non-recurring basis: fair value by level

(millions of euro)

Assets/liabilities not measured at fair value or measured at fair value on a non-recurring basis	31.12.2013			
	Book value	Level 1	Level 2	Level 3
1. Investments held to maturity	2,051	755	1,295	-
2. Due from banks	26,673	83	16,568	9,919
3. Loans to customers	343,991	1,188	227,132	122,251
4. Investment property	127	-	-	219
5. Non-current assets held for sale and discontinued operations	-	-	-	-
Total	**372,842**	**2,026**	**244,995**	**132,389**
1. Due to banks	52,244	528	33,319	17,894
2. Due to customers	228,890	299	190,806	37,791
3. Securities issued				
4. Liabilities associated with non-current assets	138,051	61,395	75,949	1,569
Total	**419,185**	**62,222**	**300,074**	**57,254**

Financial assets and liabilities

For assets and liabilities not measured at fair value (securities held to maturity, loans and loans represented by securities, amounts due to customers and securities issued), the Group measures fair value by calculating the present value of future cash flows at a rate that incorporates the estimate of the main risks and uncertainties associated with the financial instrument to be measured (discount rate adjustment approach).

In particular, the interest rate used to discount the future cash flows is determined by taking into account the following risk factors:

– interest rate risk, which represents the rate offered by the market for each unit of capital provided to risk-free counterparties;
– credit risk, which is the premium for having provided capital to counterparties with insolvency risk;
– the cost of liquidity connected to credit.

For fixed rate instruments, the cash flows are those envisaged by the contracts. For floating rate instruments, the future cash flows are determined based on forward rates, implicit in the zero coupon interest rate curves observed at the various fixing dates and differentiated by indexation type.

The value of the risk premium (credit spread) is determined per individual position, through acquisition of the risk class (LGD) and rating (PD). These amounts, together with the average residual financial life, constitute the guideline for acquisition of the credit spread. The spread curve is determined based on the same rules for securities issued by Intesa Sanpaolo as well.

The following assumptions were used in determining the fair values indicated in table A.4.5.4:

– for debt securities classified under held to maturity and for loans represented by securities, the same rules envisaged for the fair value measurement of other categories of securities are used;
– for securities issued, the rules used are the same as those applied to securities under assets;
– the book value is calculated as the reasonable approximation of fair value for:
  o demand financial items (assets and liabilities) or financial items with an original maturity equal to or less than 12 months which, in the table, are presented in the column corresponding to level 2 of the fair value hierarchy; except for demand loans presented in the column corresponding to level 3 of the fair value hierarchy;
  o non-performing assets, which in the table are included in the column corresponding to level 3 of the fair value hierarchy.

Non-financial assets

Regarding investment property, for which the fair value is calculated only for the purposes of information to be provided in the Notes to the consolidated financial statements, reference is made to values determined, mainly via independent expert opinions, considering transactions at current prices in an active market for similar real estate properties, in the same location and conditions as well as subject to similar conditions in terms of rentals and other contracts.

A. 5 – INFORMATION ON "DAY ONE PROFIT/LOSS"

Under IAS 39, financial instruments shall be initially recognised at fair value. The fair value of a financial instrument on initial recognition is normally the "transaction price", i.e. the fair value of the consideration given or received in relation to, respectively, financial assets and liabilities.

The fact that, upon initial recognition, the fair value of a financial instrument coincides with the transaction price is always intuitively verifiable in the case of transactions falling under level 1 of the fair value hierarchy. Also in the case of level 2, which is based on quotes that can be derived indirectly from the market (Comparable Approach), the fair value and the price often coincide upon initial recognition. Any differences between the price and the fair value are usually allocated to the so-called commercial margins. Commercial margins are taken to the income statement when the financial instrument is initially measured.

Conversely, with respect to level 3 instruments, which have more discretion in fair value measurement, no definite reference benchmark is available to compare the transaction price with. For the same reason, the calculation of any commercial margin to be taken to the income statement is also difficult. In this event, the instrument is always initially recognised at cost. Subsequent measurement shall not include the difference between cost and fair value identified upon initial recognition (Subsequent or Day-One-Profit - DOP).

This difference shall be recognised in the income statement only when it arises from changes of the factors over which market participants base their valuations when fixing prices (including the time effect). Where the instrument has a definite maturity and no model is available to monitor the changes to the factors over which prices are based, the DOP can be recognised in the income statement systematically over the life of such instrument.

When a level 3 instrument is reclassified to level 2, the residual deferred Day-One-Profits are recognised in the income statement. Similarly, in the event of "on the book" transactions falling under the Bank's investing activities, the Day-One-Profits earned on level 3 transactions (including in the above "on the book" management) are taken to the income statement when the Group entity (the investment bank) carries out transactions which substantially eliminate the risks of the level 3 instrument which generated the DOP.

The above regulation applies only to those instruments which fall in one of the classes which can be recognised at fair value through profit and loss (Fair value Option and Trading book). Indeed, only for the latter, the difference between the transaction price and the fair value would be taken to the income statement upon initial recognition.

The following table shows the amount deferred in the balance sheet, indicating the portion taken to the income statement.

(millions of euro)

1. Initial amount	**35**
2. Increases	**-**
2.1 New transactions	-
3. Decreases	**-18**
3.1 Releases to the income statement	-18
4. Final amount	**17**

Part B – Information on the consolidated balance sheet

ASSETS

SECTION 1 - CASH AND CASH EQUIVALENTS - CAPTION 10

1.1 Cash and cash equivalents: breakdown

(millions of euro)

	31.12.2013	31.12.2012
a) Cash	3,899	3,914
b) On demand deposits with Central Banks	2,626	1,387
TOTAL	**6,525**	**5,301**

SECTION 2 - FINANCIAL ASSETS HELD FOR TRADING - CAPTION 20

2.1 Financial assets held for trading: breakdown

(millions of euro)

	31.12.2013			31.12.2012		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
A. Cash assets						
1. Debt securities	14,228	2,251	259	10,341	6,134	332
1.1 structured securities	*149*	*109*	*7*	*45*	*424*	*21*
1.2 other debt securities	*14,079*	*2,142*	*252*	*10,296*	*5,710*	*311*
2. Equities	517	-	-	297	1	1
3. Quotas of UCI	1,469	256	97	1,045	265	153
4. Loans	-	-	-	-	8	-
4.1 reverse repurchase agreements	-	-	-	-	-	-
4.2 other	-	-	-	-	*8*	-
Total A	**16,214**	**2,507**	**356**	**11,683**	**6,408**	**486**
B. Derivatives						
1. Financial derivatives	725	27,428	343	398	42,537	322
1.1 trading	*698*	*27,104*	*343*	*381*	*42,220*	*322*
1.2 fair value option	*11*	-	-	*15*	-	-
1.3 other	*16*	*324*	-	*2*	*317*	-
2. Credit derivatives	25	1,375	40	62	1,634	16
2.1 trading	*25*	*1,375*	*27*	*62*	*1,634*	*3*
2.2 fair value option	-	-	-	-	-	-
2.3 other	-	-	*13*	-	-	*13*
Total B	**750**	**28,803**	**383**	**460**	**44,171**	**338**
TOTAL (A+B)	**16,964**	**31,310**	**739**	**12,143**	**50,579**	**824**

2.1 Of which Banking group

(millions of euro)

	31.12.2013			31.12.2012		
	Level 1	**Level 2**	**Level 3**	**Level 1**	**Level 2**	**Level 3**
A. Cash assets						
1. Debt securities	14,036	2,020	253	10,112	5,449	313
1.1 structured securities	*149*	*109*	*7*	*45*	*424*	*21*
1.2 other debt securities	*13,887*	*1,911*	*246*	*10,067*	*5,025*	*292*
2. Equities	517	-	-	297	1	1
3. Quotas of UCI	1,071	256	97	892	265	153
4. Loans	-	-	-	-	8	-
4.1 reverse repurchase agreements	-	-	-	-	-	-
4.2 other	-	-	-	-	*8*	-
Total A	**15,624**	**2,276**	**350**	**11,301**	**5,723**	**467**
B. Derivatives						
1. Financial derivatives	690	27,426	343	372	42,527	322
1.1 trading	*690*	*27,102*	*343*	*372*	*42,220*	*322*
1.2 fair value option	-	-	-	-	-	-
1.3 other	-	*324*	-	-	*307*	-
2. Credit derivatives	25	1,375	40	59	1,634	16
2.1 trading	*25*	*1,375*	*27*	*59*	*1,634*	*3*
2.2 fair value option	-	-	-	-	-	-
2.3 other	-	-	*13*	-	-	*13*
Total B	**715**	**28,801**	**383**	**431**	**44,161**	**338**
TOTAL (A+B)	**16,339**	**31,077**	**733**	**11,732**	**49,884**	**805**

2.1 Of which Insurance companies

(millions of euro)

	31.12.2013			31.12.2012		
	Level 1	**Level 2**	**Level 3**	**Level 1**	**Level 2**	**Level 3**
A. Cash assets						
1. Debt securities	192	231	6	229	685	19
1.1 structured securities	-	-	-	-	-	-
1.2 other debt securities	*192*	*231*	*6*	*229*	*685*	*19*
2. Equities	-	-	-	-	-	-
3. Quotas of UCI	398	-	-	153	-	-
4. Loans	-	-	-	-	-	-
4.1 reverse repurchase agreements	-	-	-	-	-	-
4.2 other	-	-	-	-	-	-
Total A	**590**	**231**	**6**	**382**	**685**	**19**
B. Derivatives						
1. Financial derivatives	35	2	-	26	10	-
1.1 trading	*8*	*2*	-	*9*	-	-
1.2 fair value option	*11*	-	-	*15*	-	-
1.3 other	*16*	-	-	*2*	*10*	-
2. Credit derivatives	-	-	-	3	-	-
2.1 trading	-	-	-	*3*	-	-
2.2 fair value option	-	-	-	-	-	-
2.3 other	-	-	-	-	-	-
Total B	**35**	**2**	**-**	**29**	**10**	**-**
TOTAL (A+B)	**625**	**233**	**6**	**411**	**695**	**19**

2.2 Financial assets held for trading: borrower/issuer breakdown

(millions of euro)

	31.12.2013	Of which: Banking group	Of which: Insurance companies	Of which: Other companies	31.12.2012
A) CASH ASSETS					
1. Debt securities	**16,738**	*16,309*	*429*	-	**16,807**
a) Governments and Central Banks	10,155	*9,959*	*196*	-	9,627
b) Other public entities	205	*205*	-	-	163
c) Banks	3,992	*3,783*	*209*	-	4,429
d) Other issuers	2,386	*2,362*	*24*	-	2,588
2. Equities	**517**	*517*	-	-	**299**
a) Banks	83	*83*	-	-	14
b) Other issuers	434	*434*	-	-	285
- insurance companies	*28*	*28*	-	-	*15*
- financial institutions	*26*	*26*	-	-	*15*
- non-financial companies	*380*	*380*	-	-	*255*
- other	-	-	-	-	-
3. Quotas of UCI	**1,822**	*1,424*	*398*	-	**1,463**
4. Loans	**-**	**-**	**-**	**-**	**8**
a) Governments and Central Banks	-	-	-	-	-
b) Other public entities	-	-	-	-	2
c) Banks	-	-	-	-	-
d) Other counterparties	-	-	-	-	6
Total A	**19,077**	*18,250*	*827*	-	**18,577**
B) DERIVATIVES					
a) Banks	19,069	*19,032*	*37*	-	30,909
b) Customers	10,867	*10,867*	-	-	14,060
Total B	**29,936**	*29,899*	*37*	-	**44,969**
TOTAL (A+B)	**49,013**	*48,149*	*864*	-	**63,546**

2.3 Cash financial assets held for trading: annual changes

(millions of euro)

	Debt securities	Equities	Quotas of UCI	Loans	Total
A. Initial amount	**16,807**	**299**	**1,463**	**8**	**18,577**
B. Increases	**594,552**	**15,487**	**8,489**	**-**	**618,528**
B.1 purchases	590,103	15,145	7,999	-	613,247
of which business combinations	-	-	-	-	-
B.2 positive fair value differences	84	26	92	-	202
B.3 other changes	4,365	316	398	-	5,079
C. Decreases	**-594,621**	**-15,269**	**-8,130**	**-8**	**-618,028**
C.1 sales	-581,684	-14,745	-7,953	-8	-604,390
of which business combinations	-	-	-	-	-
C.2 reimbursements	-9,384	-	-3	-	-9,387
C.3 negative fair value differences	-87	-8	-7	-	-102
C.4 trasfers to other portfolios	-	-	-	-	-
C.5 other changes	-3,466	-516	-167	-	-4,149
D. Final amount	**16,738**	**517**	**1,822**	**-**	**19,077**

2.3 Of which Banking group

(millions of euro)

	Debt securities	Equities	Quotas of UCI	Loans	Total
A. Initial amount	**15,874**	**299**	**1,310**	**8**	**17,491**
B. Increases	**593,816**	**15,487**	**7,862**	**-**	**617,165**
B.1 purchases	590,098	15,145	7,707	-	612,950
of which business combinations	-	-	-	-	-
B.2 positive fair value differences	70	26	80	-	176
B.3 other changes	3,648	316	75	-	4,039
C. Decreases	**-593,381**	**-15,269**	**-7,748**	**-8**	**-616,406**
C.1 sales	-580,620	-14,745	-7,674	-8	-603,047
of which business combinations	-	-	-	-	-
C.2 reimbursements	-9,291	-	-3	-	-9,294
C.3 negative fair value differences	-84	-8	-7	-	-99
C.4 trasfers to other portfolios	-	-	-	-	-
C.5 other changes	-3,386	-516	-64	-	-3,966
D. Final amount	**16,309**	**517**	**1,424**	**-**	**18,250**

2.3 Of which Insurance companies

(millions of euro)

	Debt securities	Equities	Quotas of UCI	Loans	Total
A. Initial amount	**933**	**-**	**153**	**-**	**1,086**
B. Increases	**736**	**-**	**627**	**-**	**1,363**
B.1 purchases	5	-	292	-	297
of which business combinations	-	-	-	-	-
B.2 positive fair value differences	14	-	12	-	26
B.3 other changes	717	-	323	-	1,040
C. Decreases	**-1,240**	**-**	**-382**	**-**	**-1,622**
C.1 sales	-1,064	-	-279	-	-1,343
of which business combinations	-	-	-	-	-
C.2 reimbursements	-93	-	-	-	-93
C.3 negative fair value differences	-3	-	-	-	-3
C.4 trasfers to other portfolios	-	-	-	-	-
C.5 other changes	-80	-	-103	-	-183
D. Final amount	**429**	**-**	**398**	**-**	**827**

SECTION 3 - FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT AND LOSS - CAPTION 30

3.1 Financial assets designated at fair value through profit and loss: breakdown

(millions of euro)

	31.12.2013			31.12.2012		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt securities	14,512	2,839	129	19,069	4,340	256
1.1 structured securities	-	-	-	-	-	-
1.2 other debt securities	*14,512*	*2,839*	*129*	*19,069*	*4,340*	*256*
2. Equities	1,868	-	-	1,905	-	-
3. Quotas of UCI	17,914	63	106	10,946	1	150
4. Loans	39	185	-	24	196	-
4.1 structured	-	-	-	-	-	-
4.2 other	*39*	*185*	-	*24*	*196*	-
Total	**34,333**	**3,087**	**235**	**31,944**	**4,537**	**406**
Cost	**33,377**	**3,021**	**299**	**29,884**	**4,400**	**455**

3.1 Of which Banking group

(millions of euro)

	31.12.2013			31.12.2012		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt securities	24	828	18	21	974	-
1.1 structured securities	-	-	-	-	-	-
1.2 other debt securities	*24*	*828*	*18*	*21*	*974*	-
2. Equities	-	-	-	-	-	-
3. Quotas of UCI	9	-	106	-	-	144
4. Loans	-	-	-	-	-	-
4.1 structured	-	-	-	-	-	-
4.2 other	-	-	-	-	-	-
Total	**33**	**828**	**124**	**21**	**974**	**144**
Cost	**45**	**828**	**161**	**21**	**875**	**168**

The Group has classified in this category some debt securities with embedded derivatives or debt securities subject to financial hedging and equity investments, directly or through funds, in companies involved in the venture capital business.

3.1 Of which Insurance companies

(millions of euro)

	31.12.2013			31.12.2012		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt securities	14,488	2,011	111	19,048	3,366	256
1.1 structured securities	-	-	-	-	-	-
1.2 other debt securities	*14,488*	*2,011*	*111*	*19,048*	*3,366*	*256*
2. Equities	1,868	-	-	1,905	-	-
3. Quotas of UCI	17,905	63	-	10,946	1	6
4. Loans	39	185	-	24	196	-
4.1 structured	-	-	-	-	-	-
4.2 other	*39*	*185*	-	*24*	*196*	-
Total	**34,300**	**2,259**	**111**	**31,923**	**3,563**	**262**
Cost	**33,332**	**2,193**	**138**	**29,863**	**3,525**	**287**

Assets designated at fair value essentially included assets with respect to insurance policies where the total risk is borne by the policyholders (so-called Class D).

3.2 Financial assets designated at fair value through profit and loss: borrower/issuer breakdown

(millions of euro)

	31.12.2013	*Of which:*			31.12.2012
		Banking group	*Insurance companies*	*Other companies*	
1. Debt securities	**17,480**	*870*	*16,610*	-	**23,665**
a) Governments and Central Banks	14,031	*605*	*13,426*	-	18,263
b) Other public entities	12	*12*	-	-	18
c) Banks	2,951	*227*	*2,724*	-	4,599
d) Other issuers	486	*26*	*460*	-	785
2. Equities	**1,868**	-	*1,868*	-	**1,905**
a) Banks	296	-	*296*	-	530
b) Other issuers	1,572	-	*1,572*	-	1,375
- insurance companies	*92*	-	*92*	-	*71*
- financial institutions	*69*	-	*69*	-	*58*
- non-financial companies	*1,099*	-	*1,099*	-	*1,027*
- other	*312*	-	*312*	-	*219*
3. Quotas of UCI	**18,083**	**115**	**17,968**	**-**	**11,097**
4. Loans	**224**	-	*224*	-	**220**
a) Governments and Central Banks	-	-	-	-	-
b) Other public entities	-	-	-	-	-
c) Banks	212	-	*212*	-	213
d) Other counterparties	12	-	*12*	-	7
TOTAL	**37,655**	*985*	*36,670*	-	**36,887**

3.3 Financial assets designated at fair value through profit and loss: annual changes

(millions of euro)

	Debt securities	Equities	Quotas of UCI	Loans	Total
A. Initial amount	**23,665**	**1,905**	**11,097**	**220**	**36,887**
B. Increases	**3,622**	**1,243**	**14,083**	**22**	**18,970**
B.1 purchases	1,499	697	9,089	4	11,289
of which business combinations	-	-	-	-	-
B.2 positive fair value differences	493	216	867	3	1,579
B.3 other changes	1,630	330	4,127	15	6,102
C. Decreases	**-9,807**	**-1,280**	**-7,097**	**-18**	**-18,202**
C.1 sales	-2,137	-753	-6,356	-7	-9,253
of which business combinations	-	-	-	-	-
C.2 reimbursements	-921	-	-	-	-921
C.3 negative fair value differences	-711	-141	-341	-1	-1,194
C.4 other changes	-6,038	-386	-400	-10	-6,834
D. Final amount	**17,480**	**1,868**	**18,083**	**224**	**37,655**

3.3 Of which Banking group

(millions of euro)

	Debt securities	Equities	Quotas of UCI	Loans	Total
A. Initial amount	**995**	**-**	**144**	**-**	**1,139**
B. Increases	**800**	**-**	**9**	**-**	**809**
B.1 purchases	779	-	9	-	788
of which business combinations	-	-	-	-	-
B.2 positive fair value differences	18	-	-	-	18
B.3 other changes	3	-	-	-	3
C. Decreases	**-925**	**-**	**-38**	**-**	**-963**
C.1 sales	-849	-	-	-	-849
of which business combinations	-	-	-	-	-
C.2 reimbursements	-3	-	-	-	-3
C.3 negative fair value differences	-3	-	-38	-	-41
C.4 other changes	-70	-	-	-	-70
D. Final amount	**870**	**-**	**115**	**-**	**985**

3.3 Of which Insurance companies

(millions of euro)

	Debt securities	Equities	Quotas of UCI	Loans	Total
A. Initial amount	**22,670**	**1,905**	**10,953**	**220**	**35,748**
B. Increases	**2,822**	**1,243**	**14,074**	**22**	**18,161**
B.1 purchases	720	697	9,080	4	10,501
of which business combinations	-	-	-	-	-
B.2 positive fair value differences	475	216	867	3	1,561
B.3 other changes	1,627	330	4,127	15	6,099
C. Decreases	**-8,882**	**-1,280**	**-7,059**	**-18**	**-17,239**
C.1 sales	-1,288	-753	-6,356	-7	-8,404
of which business combinations	-	-	-	-	-
C.2 reimbursements	-918	-	-	-	-918
C.3 negative fair value differences	-708	-141	-303	-1	-1,153
C.4 other changes	-5,968	-386	-400	-10	-6,764
D. Final amount	**16,610**	**1,868**	**17,968**	**224**	**36,670**

SECTION 4 - FINANCIAL ASSETS AVAILABLE FOR SALE - CAPTION 40

4.1 Financial assets available for sale: breakdown

(millions of euro)

	31.12.2013			31.12.2012		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt securities	102,354	3,610	826	86,895	4,656	778
1.1 Structured securities	*3*	*-*	*-*	*4*	*-*	*-*
1.2 Other debt securities	*102,351*	*3,610*	*826*	*86,891*	*4,656*	*778*
2. Equities	832	438	4,153	1,029	522	1,101
2.1 Measured at fair value	*832*	*438*	*4,136*	*1,029*	*513*	*1,082*
2.2 Measured at cost	*-*	*-*	*17*	*-*	*9*	*19*
3. Quotas of UCI	2,312	116	623	1,521	81	589
4. Loans	-	32	6	-	5	32
TOTAL	**105,498**	**4,196**	**5,608**	**89,445**	**5,264**	**2,500**

Loans, as illustrated in Part A – Accounting policies, refer to portions of syndicated loans underwritten and destined to be subsequently sold.

Financial assets available for sale (equities measured at fair value – level 3) include the new stakes issued by the Bank of Italy in application of Law Decree 133 of 30 November 2013, converted into Law 5 of 29 January 2014, and as a consequence of the amendments to the articles of association approved by the Bank of Italy's general meeting on 23 December 2013 and entered into force on 31 December 2013.
The above provision of law authorised the Bank of Italy to apply several amendments to its articles of association and to increase its share capital from 156,000 euro to 7,500,000,000 euro. Following the share capital increase, the central bank's capital is now represented by registered shares of 25,000 euro each.
The major changes to shareholders' rights brought about by the amendments to the Statute also deeply change the nature of the stake in the Bank of Italy compared to their characteristics before the reform. As a result of these amendments, the stake previously held (127,266 shares) were cancelled and replaced by the same number of new shares, in accordance with the requirements of IAS 39.
The initial carrying value of the new shares corresponds to their nominal value, which was made to coincide with their fair value in compliance with the document "Updating the valuation of Bank of Italy's equity capital" published by the Bank of Italy and the Ministry of the Economy and Finance on 9 November 2013. Accordingly, the value of the stake in the Bank of Italy in the 2013 financial statements comes to 3,182 million euro.
In accordance with IAS 39, the difference between the carrying value of the cancelled shares (624 million euro) and the carrying value of the new shares (3,182 million euro), 2,558 million euro, was recognised in the income statement under Profits (Losses) on investments in associates and companies subject to joint control.
Since the Bank of Italy's new Statute set a maximum limit (at the level of the economic group) of 3% on stake ownership, the Intesa Sanpaolo Group, which collectively holds 42.42% of capital, is to dispose of the shares in excess of the above limit. Accordingly, the new shares have been recognised among Financial assets available for sale and no longer among Investments in associates and companies subject to joint control.

For further information concerning the above transaction, refer to the more thorough illustration provided in the Executive Summary in the Report on Operations.

4.1 Of which Banking group

(millions of euro)

	31.12.2013			31.12.2012		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt securities	51,988	2,816	538	47,090	3,051	370
1.1 Structured securities	*3*	*-*	*-*	*4*	*-*	*-*
1.2 Other debt securities	*51,985*	*2,816*	*538*	*47,086*	*3,051*	*370*
2. Equities	115	438	4,008	539	522	967
2.1 Measured at fair value	*115*	*438*	*3,991*	*539*	*513*	*948*
2.2 Measured at cost	*-*	*-*	*17*	*-*	*9*	*19*
3. Quotas of UCI	434	31	617	409	39	583
4. Loans	-	32	6	-	5	32
TOTAL	**52,537**	**3,317**	**5,169**	**48,038**	**3,617**	**1,952**

Caption 2.1, Equities measured at fair value – level 3, includes 3,182 million euro associated with the new stake issued by the Bank of Italy in application of Law Decree 133 of 30 November 2013, converted into Law 5 of 29 January 2014, and as a consequence of the amendments to the Statute approved by the Bank of Italy's general meeting on 23 December 2013.

4.1 Of which Insurance companies

(millions of euro)

	31.12.2013			31.12.2012		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt securities	50,366	794	288	39,805	1,605	333
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	*50,366*	*794*	*288*	*39,805*	*1,605*	*333*
2. Equities	717	-	145	490	-	134
2.1 Measured at fair value	*717*	-	*145*	*490*	-	*134*
2.2 Measured at cost	-	-	-	-	-	-
3. Quotas of UCI	1,878	84	6	1,112	42	6
4. Loans	-	-	-	-	-	-
TOTAL	**52,961**	**878**	**439**	**41,407**	**1,647**	**473**

4.1 Of which Other companies

As at 31 December 2013 there was 1 million euro in assets attributable to other companies consisting of level-2 quotas of UCI, whereas there were 75 million euro attributable to other level-3 debt securities at the end of 2012.

4.2 Financial assets available for sale: borrower/issuer breakdown

(millions of euro)

	31.12.2013	*Of which:*			31.12.2012
		Banking group	*Insurance companies*	*Other companies*	
1. Debt securities	**106,790**	***55,342***	***51,448***	-	**92,329**
a) Governments and Central Banks	97,296	*52,599*	*44,697*	-	81,374
b) Other public entities	291	*239*	*52*	-	189
c) Banks	5,491	*1,607*	*3,884*	-	6,883
d) Other issuers	3,712	*897*	*2,815*	-	3,883
2. Equities	**5,423**	***4,561***	***862***	-	**2,652**
a) Banks	3,382	*3,355*	*27*	-	288
b) Other issuers	2,041	*1,206*	*835*	-	2,364
- insurance companies	*202*	-	*202*	-	*543*
- financial institutions	*431*	*425*	*6*	-	*424*
- non-financial companies	*1,408*	*781*	*627*	-	*1,397*
- other	-	-	-	-	-
3. Quotas of UCI	**3,051**	***1,082***	***1,968***	*1*	**2,191**
4. Loans	**38**	***38***	**-**	-	**37**
a) Governments and Central Banks	-	-	-	-	-
b) Other public entities	-	-	-	-	-
c) Banks	6	*6*	-	-	5
d) Other counterparties	32	*32*	-	-	32
TOTAL	**115,302**	***61,023***	***54,278***	*1*	**97,209**

Among equities, the sub-caption Banks includes 3,182 million euro associated with the new stake issued by the Bank of Italy in application of Law Decree 133 of 30 November 2013, converted into Law 5 of 29 January 2014, and as a consequence of the amendments to the Statute approved by the Bank of Italy's general meeting on 23 December 2013.
Equities issued by non-financial companies include several positions resulting from the conversion of loans for immaterial amounts.

4.3 Financial assets available for sale with specific hedges

(millions of euro)

	31.12.2013	*Of which:*			31.12.2012
		Banking group	*Insurance companies*	*Other companies*	
1. Financial assets with specific fair value hedges	**44,010**	***43,989***	***21***	-	**36,138**
a) Interest rate risk	43,966	*43,945*	*21*	-	36,094
b) Price risk	-	-	-	-	-
c) Foreign exchange risk	-	-	-	-	-
d) Credit risk	-	-	-	-	-
e) Various risks	44	*44*	-	-	44
2. Financial assets with specific cash flow hedges	**300**	***300***	**-**	-	**-**
a) Interest rate risk	300	*300*	-	-	-
b) Foreign exchange risk	-	-	-	-	-
c) Other	-	-	-	-	-
TOTAL	**44,310**	***44,289***	***21***	**-**	**36,138**

4.4 Financial assets available for sale: annual changes

(millions of euro)

	Debt securities	Equities	Quotas of UCI	Loans	Total
A. Initial amount	**92,329**	**2,652**	**2,191**	**37**	**97,209**
B. Increases	**111,087**	**4,471**	**2,131**	**10**	**117,699**
B.1 purchases	103,831	427	1,829	7	106,094
of which business combinations	-	-	-	-	-
B.2 positive fair value differences	1,436	275	61	3	1,775
B.3 write-backs recognised in:	1	6	-	-	7
- income statement	*1*	*X*	-	-	*1*
- shareholders' equity	-	*6*	-	-	*6*
B.4 transfers from other portfolios	-	-	-	-	-
B.5 other changes	5,819	3,763	241	-	9,823
C. Decreases	**-96,626**	**-1,700**	**-1,271**	**-9**	**-99,606**
C.1 sales	-57,778	-1,008	-1,023	-8	-59,817
of which business combinations	-	-	-	-	-
C.2 reimbursements	-32,747	-41	-32	-	-32,820
C.3 negative fair value differences	-712	-98	-52	-1	-863
C.4 impairment losses recognised in:	-3	-260	-34	-	-297
- income statement	*-3*	*-260*	*-34*	-	*-297*
- shareholders' equity	-	-	-	-	-
C.5 transfers to other portfolios	-	-29	-	-	-29
C.6 other changes	-5,386	-264	-130	-	-5,780
D. Final amount	**106,790**	**5,423**	**3,051**	**38**	**115,302**

4.4 Of which Banking group

(millions of euro)

	Debt securities	Equities	Quotas of UCI	Loans	Total
A. Initial amount	**50,511**	**2,028**	**1,031**	**37**	**53,607**
B. Increases	**78,641**	**3,934**	**202**	**10**	**82,787**
B.1 purchases	75,957	110	60	7	76,134
of which business combinations	-	-	-	-	-
B.2 positive fair value differences	1,081	212	48	3	1,344
B.3 write-backs recognised in:	1	6	-	-	7
- income statement	*1*	*X*	-	-	*1*
- shareholders' equity	-	*6*	-	-	*6*
B.4 transfers from other portfolios	-	-	-	-	-
B.5 other changes	1,602	3,606	94	-	5,302
C. Decreases	**-73,810**	**-1,401**	**-151**	**-9**	**-75,371**
C.1 sales	-40,242	-813	-33	-8	-41,096
of which business combinations	-	-	-	-	-
C.2 reimbursements	-31,143	-41	-32	-	-31,216
C.3 negative fair value differences	-581	-97	-38	-1	-717
C.4 impairment losses recognised in:	-3	-239	-34	-	-276
- income statement	*-3*	*-239*	*-34*	-	*-276*
- shareholders' equity	-	-	-	-	-
C.5 transfers to other portfolios	-	-29	-	-	-29
C.6 other changes	-1,841	-182	-14	-	-2,037
D. Final amount	**55,342**	**4,561**	**1,082**	**38**	**61,023**

Sub-caption B.5, Other changes, includes the recognition, for 3,182 million euro, of the new stake issued by the Bank of Italy in application of Law Decree 133 of 30 November 2013, converted into Law 5 of 29 January 2014, and as a consequence of the amendments to the Statute approved by the Bank of Italy's general meeting on 23 December 2013.

4.4 Of which Insurance companies

(millions of euro)

	Debt securities	Equities	Quotas of UCI	Loans	Total
A. Initial amount	**41,743**	**624**	**1,160**	**-**	**43,527**
B. Increases	**32,446**	**537**	**1,928**	**-**	**34,911**
B.1 purchases	27,874	317	1,769	-	29,960
of which business combinations	-	-	-	-	-
B.2 positive fair value differences	355	63	13	-	431
B.3 write-backs recognised in	-	-	-	-	-
- income statement	-	*X*	-	-	-
- shareholders' equity	-	-	-	-	-
B.4 transfers from other portfolios	-	-	-	-	-
B.5 other changes	4,217	157	146	-	4,520
C. Decreases	**-22,741**	**-299**	**-1,120**	**-**	**-24,160**
C.1 sales	-17,461	-195	-990	-	-18,646
of which business combinations	-	-	-	-	-
C.2 reimbursements	-1,604	-	-	-	-1,604
C.3 negative fair value differences	-131	-1	-14	-	-146
C.4 impairment losses recognised in	-	-21	-	-	-21
- income statement	-	*-21*	-	-	*-21*
- shareholders' equity	-	-	-	-	-
C.5 transfers to other portfolios	-	-	-	-	-
C.6 other changes	-3,545	-82	-116	-	-3,743
D. Final amount	**51,448**	**862**	**1,968**	**-**	**54,278**

4.4 Of which Other companies

The sale of -75 million euro of debt securities and other changes of +1 million euro relating to quotas of UCI (the remainder at year-end consist solely of 1 million euro of quotas of UCI) were recognised in 2013.

Impairment tests for financial assets available for sale

As required under IFRS, financial assets available for sale are subjected to impairment testing to assess whether there is objective evidence to consider that the carrying value of such assets is not fully recoverable.
The Intesa Sanpaolo Group's policy for managing impairment testing calls for the verification of the presence of impairment indicators and the determination of any losses.
The impairment indicators are essentially divided into two categories: indicators deriving from internal factors relating to the company being valued, and therefore qualitative, and - for equities - external quantitative indicators deriving from the market values of the company.
Within the first category, the following indicators are considered significant: the generation of negative economic results or in any case a significant variance with respect to the targets budgeted or established in the multi-year plans disclosed to the market, the announcement/start-up of insolvency proceedings or restructuring plans, and the downgrading by more than two categories of the rating issued by a specialist company. With respect to the second category, a significant or prolonged reduction in fair value below the initial recognition value is particularly important. Specifically, in relation to the initial recognition value, a fair value reduction of over 30% is considered "significant", and a continuous reduction of over 24 months is considered a "prolonged" reduction. If one of these thresholds is exceeded, impairment of the security is carried out. If these thresholds are not exceeded but other impairment indicators are present, recognition of the impairment must also be corroborated by the result of specific analyses of the security and the investment.
The amount of the impairment is calculated with reference to the fair value of the financial asset.

The analyses performed identified the need to recognise impairment losses on several equity investments; the main write-downs regarded Banca delle Marche S.p.A. (72 million euro), Assicurazioni Generali S.p.A. (58 million euro of impairment losses were recognised in the first half of 2013; subsequently, the securities were sold on the market, realising a capital gain of 82 million euro) and Giochi Preziosi S.p.A. (34 million euro).

SECTION 5 - INVESTMENTS HELD TO MATURITY - CAPTION 50

5.1 Investments held to maturity: breakdown

(millions of euro)

	31.12.2013				31.12.2012			
	Book value	Fair value			Book value	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
1. Debt securities	2,051	755	1,295	-	2,148	1,835	190	-
Structured securities	-	-	-	-	-	-	-	-
Other	*2,051*	*755*	*1,295*	-	*2,148*	*1,835*	*190*	-
2. Loans	-	-	-	-	-	-	-	-
TOTAL	**2,051**	**755**	**1,295**	**-**	**2,148**	**1,835**	**190**	**-**

For the illustration of the criteria for the determination of the fair value reference should be made to Part A – Accounting policies.

5.1 Of which Banking group

(millions of euro)

	31.12.2013				31.12.2012			
	Book value	Fair value			Book value	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
1. Debt securities	2,051	755	1,295	-	2,148	1,835	190	-
Structured securities	-	-	-	-	-	-	-	-
Other	*2,051*	*755*	*1,295*	-	*2,148*	*1,835*	*190*	-
2. Loans	-	-	-	-	-	-	-	-
TOTAL	**2,051**	**755**	**1,295**	**-**	**2,148**	**1,835**	**190**	**-**

5.2 Investments held to maturity: borrowers/issuers

(millions of euro)

	31.12.2013	*Of which:*			31.12.2012
		Banking group	*Insurance companies*	*Other companies*	
1. Debt securities	**2,051**	*2,051*	-	-	**2,148**
a) Governments and Central Banks	1,780	*1,780*	-	-	1,781
b) Other public entities	-	-	-	-	-
c) Banks	212	*212*	-	-	226
d) Other issuers	59	*59*	-	-	141
2. Loans	**-**	-	-	-	**-**
a) Governments and Central Banks	-	-	-	-	-
b) Other public entities	-	-	-	-	-
c) Banks	-	-	-	-	-
d) Other counterparties	-	-	-	-	-
TOTAL	**2,051**	*2,051*	-	-	**2,148**
TOTAL FAIR VALUE	**2,050**	*2,050*	-	-	**2,025**

5.3 Investments held to maturity with specific hedges

As at 31 December 2013, no investments held to maturity with specific hedges were recorded.

5.4 Investments held to maturity: annual changes

(millions of euro)

	Debt securities	Loans	Total
A. Initial amount	**2,148**	**-**	**2,148**
B. Increases	**324**	**-**	**324**
B.1 purchases	97	-	97
of which business combinations	-	-	-
B.2 write-backs	1	-	1
B.3 transfers from other portfolios	-	-	-
B.4 other changes	226	-	226
C. Decreases	**-421**	**-**	**-421**
C.1 sales	-50	-	-50
of which business combinations	-	-	-
C.2 reimbursements	-137	-	-137
C.3 impairment losses	-1	-	-1
C.4 transfers to other portfolios	-	-	-
C.5 other changes	-233	-	-233
D. Final amount	**2,051**	**-**	**2,051**

5.4 Of which Banking group

(millions of euro)

	Debt securities	Loans	Total
A. Initial amount	**2,148**	**-**	**2,148**
B. Increases	**324**	**-**	**324**
B.1 purchases	97	-	97
of which business combinations	-	-	-
B.2 write-backs	1	-	1
B.3 transfers from other portfolios	-	-	-
B.4 other changes	226	-	226
C. Decreases	**-421**	**-**	**-421**
C.1 sales	-50	-	-50
of which business combinations	-	-	-
C.2 reimbursements	-137	-	-137
C.3 impairment losses	-1	-	-1
C.4 transfers to other portfolios	-	-	-
C.5 other changes	-233	-	-233
D. Final amount	**2,051**	**-**	**2,051**

SECTION 6 – DUE FROM BANKS – CAPTION 60

6.1 Due from banks: breakdown

(millions of euro)

	31.12.2013				31.12.2012
	Book value	Fair value			Book value
		Level 1	Level 2	Level 3	
A. Due from Central Banks	**4,737**	**-**	**1,556**	**3,180**	**8,555**
1. Time deposits	962				883
2. Compulsory reserve	3,501				7,567
3. Repurchase agreements	261				89
4. Other	13				16
B. Due from banks	**21,936**	**83**	**15,012**	**6,739**	**27,978**
1. Loans	20,684	-	13,939	6,725	26,150
1.1 Current accounts and deposits	*6,594*				*10,529*
1.2 Time deposits	*1,305*				*2,171*
1.3 Other loans	*12,785*				*13,450*
- Reverse repurchase agreements	*3,661*				*8,609*
- Financial leases	*9*				*6*
- Other	*9,115*				*4,835*
2. Debt securities	1,252	83	1,073	14	1,828
2.1 Structured	*-*				*-*
2.2 Other	*1,252*				*1,828*
TOTAL	**26,673**	**83**	**16,568**	**9,919**	**36,533**
TOTAL Fair value 31.12.2012					**36,432**

The fair value is indicated only where required by specific instructions from the Bank of Italy.

Non-performing loans due from banks amounted to 49 million euro as at 31 December 2013 and 41 million euro as at 31 December 2012.

6.1 Of which Banking group

(millions of euro)

	31.12.2013				31.12.2012
	Book value	Fair value			Book value
		Level 1	Level 2	Level 3	
A. Due from Central Banks	**4,737**	**-**	**1,556**	**3,180**	**8,555**
1. Time deposits	962				883
2. Compulsory reserve	3,501				7,567
3. Repurchase agreements	261				89
4. Other	13				16
B. Due from banks	**21,327**	**83**	**14,422**	**6,720**	**27,442**
1. Loans	20,127	-	13,401	6,706	25,664
1.1 Current accounts and deposits	*6,037*				*10,043*
1.2 Time deposits	*1,305*				*2,171*
1.3 Other loans	*12,785*				*13,450*
- Reverse repurchase agreements	*3,661*				*8,609*
- Financial leases	*9*				*6*
- Other	*9,115*				*4,835*
2. Debt securities	1,200	83	1,021	14	1,778
2.1 Structured	*-*				*-*
2.2 Other	*1,200*				*1,778*
TOTAL	**26,064**	**83**	**15,978**	**9,900**	**35,997**
TOTAL Fair value 31.12.2012					**35,896**

The fair value is indicated only where required by specific instructions from the Bank of Italy.

6.1 Of which Insurance companies

(millions of euro)

	31.12.2013				31.12.2012
	Book value	Fair value			Book value
		Level 1	Level 2	Level 3	
A. Due from Central Banks	**-**	**-**	**-**	**-**	**-**
1. Time deposits	-				-
2. Compulsory reserve	-				-
3. Repurchase agreements	-				-
4. Other	-				-
B. Due from banks	**609**	**-**	**590**	**19**	**535**
1. Loans	557	-	538	19	485
1.1 Current accounts and deposits	*557*				*485*
1.2 Time deposits	-				-
1.3 Other loans	-				-
- Reverse repurchase agreements	-				-
- Financial leases	-				-
- Other	-				-
2. Debt securities	52	-	52	-	50
2.1 Structured	-				-
2.2 Other	*52*				*50*
TOTAL	**609**	**-**	**590**	**19**	**535**
TOTAL Fair value 31.12.2012					**535**

The fair value is indicated only where required by specific instructions from the Bank of Italy.

6.1 Of which Other companies

There were no loans due from banks attributable to other companies as at 31 December 2013, whereas at 31 December 2012 there was 1 million euro of loans relating to current accounts and deposits (total fair value of 1 million euro).

6.2 Due from banks with specific hedges

(millions of euro)

	31.12.2013	31.12.2012
1. Due from banks with specific fair value hedges	**385**	**703**
a) Interest rate risk	352	611
b) Foreign exchange risk	-	-
c) Credit risk	-	-
d) Various risks	33	92
2. Due from banks with specific cash flow hedges	**-**	**-**
a) Interest rate risk	-	-
b) Foreign exchange risk	-	-
c) Other	-	-
TOTAL	**385**	**703**

6.3 Financial leases

Financial lease receivables included under Due from banks were immaterial as at 31 December 2013.

SECTION 7 – LOANS TO CUSTOMERS – CAPTION 70

7.1 Loans to customers: breakdown

(millions of euro)

	31.12.2013						31.12.2012		
	Book value			Fair value			Book value		
	Performing	Non-performing					Performing	Non-performing	
		purchased	other	Level 1	Level 2	Level 3		purchased	other
Loans	**298,053**	**14**	**30,877**	**-**	**217,787**	**120,419**	**331,439**	**39**	**28,275**
1. Current accounts	29,462	-	4,181				34,199	-	3,782
2. Reverse repurchase agreements	15,058	-	-				14,911	-	-
3. Mortgages	143,657	7	15,658				161,653	-	13,950
4. Credit card loans, personal loans and transfer of one fifth of salaries	15,433	-	789				15,389	-	726
5. Finance leases	18,112	7	3,382				20,120	8	3,339
6. Factoring	11,134	-	512				12,013	31	479
7. Other loans	65,197	-	6,355				73,154	-	5,999
Debt securities	**14,863**	**-**	**184**	**1,188**	**9,345**	**1,832**	**16,714**	**-**	**158**
8. Structured securities	-	-	*173*				-	-	*155*
9. Other debt securities	*14,863*	-	*11*				*16,714*	-	*3*
TOTAL	**312,916**	**14**	**31,061**	**1,188**	**227,132**	**122,251**	**348,153**	**39**	**28,433**
TOTAL Fair value 31.12.2012							**346,790**	**39**	**28,433**

The fair value is indicated only where required by specific instructions from the Bank of Italy.

Loans to customers include loans disbursed on public funds under administration for which Group banks hold the risk in the amount of 238 million euro.
The illustration of the criteria to determine fair value is contained in Part A – Accounting policies.

7.1 Of which Banking group

(millions of euro)

	31.12.2013						31.12.2012		
	Book value			Fair value			Book value		
	Performing	Non-performing					Performing	Non-performing	
		purchased	other	Level 1	Level 2	Level 3		purchased	other
Loans	**298,049**	**14**	**30,877**	**-**	**217,782**	**120,419**	**331,419**	**39**	**28,275**
1. Current accounts	29,462	-	4,181				34,199	-	3,782
2. Reverse repurchase agreements	15,058	-	-				14,911	-	-
3. Mortgages	143,657	7	15,658				161,653	-	13,950
4. Credit card loans, personal loans and transfer of one fifth of salaries	15,433	-	789				15,389	-	726
5. Finance leases	18,112	7	3,382				20,120	8	3,339
6. Factoring	11,134	-	512				12,013	31	479
7. Other loans	65,193	-	6,355				73,134	-	5,999
Debt securities	**13,393**	**-**	**184**	**1,186**	**7,878**	**1,831**	**15,615**	**-**	**158**
8. Structured securities	-	-	*173*				-	-	*155*
9. Other debt securities	*13,393*	-	*11*				*15,615*	-	*3*
TOTAL	**311,442**	**14**	**31,061**	**1,186**	**225,660**	**122,250**	**347,034**	**39**	**28,433**
TOTAL Fair value 31.12.2012							**345,671**	**39**	**28,433**

The fair value is indicated only where required by specific instructions from the Bank of Italy.

7.1 Of which Insurance companies

As at 31 December 2013, 7 million euro was attributable to insurance companies, of which 4 million euro was attributable to other performing loans and 3 million euro to other performing debt securities (total fair value of 8 million euro). As at 31 December 2012, loans due from customers were related to insurance companies in the amount of 23 million euro, of which 20 million euro was attributable to other performing loans and 3 million euro to other performing debt securities (total fair value of 23 million euro).

7.1 Of which Other companies

As at 31 December 2013, 1,467 million euro was attributable to other companies, consisting solely of other performing debt securities (total fair value of 1,467 million euro), whereas as at 31 December 2012 there was 1,096 million euro, also attributable to other performing debt securities (a total fair value of 1,096 million euro).

7.2 Loans to customers: borrower/issuer breakdown

(millions of euro)

	31.12.2013			31.12.2012		
	Performing	Non-performing		Performing	Non-performing	
		purchased	other		purchased	other
1. Debt securities	**14,863**	**-**	**184**	**16,714**	**-**	**158**
a) Governments	4,055	-	-	4,595	-	-
b) Other public entities	5,342	-	4	5,946	-	2
c) Other issuers	5,466	-	180	6,173	-	156
- non-financial companies	*1,352*	-	*180*	*1,812*	-	*156*
- financial institutions	*4,044*	-	-	*4,241*	-	-
- insurance companies	*5*	-	-	*25*	-	-
- other	*65*	-	-	*95*	-	-
2. Loans	**298,053**	**14**	**30,877**	**331,439**	**39**	**28,275**
a) Governments	8,754	-	4	11,297	-	6
b) Other public entities	13,079	-	332	14,804	-	234
c) Other counterparties	276,220	14	30,541	305,338	39	28,035
- non-financial companies	*167,172*	*7*	*25,601*	*193,620*	*32*	*23,420*
- financial institutions	*24,745*	-	*728*	*25,614*	-	*487*
- insurance companies	*111*	-	-	*72*	-	-
- other	*84,192*	*7*	*4,212*	*86,032*	*7*	*4,128*
TOTAL	**312,916**	**14**	**31,061**	**348,153**	**39**	**28,433**

7.2 Of which Banking group

(millions of euro)

	31.12.2013			31.12.2012		
	Performing	Non-performing		Performing	Non-performing	
		purchased	other		purchased	other
1. Debt securities	**13,393**	**-**	**184**	**15,615**	**-**	**158**
a) Governments	4,055	-	-	4,595	-	-
b) Other public entities	5,342	-	4	5,946	-	2
c) Other issuers	3,996	-	180	5,074	-	156
- non-financial companies	*1,352*	-	*180*	*1,812*	-	*156*
- financial institutions	*2,577*	-	-	*3,145*	-	-
- insurance companies	*5*	-	-	*25*	-	-
- other	*62*	-	-	*92*	-	-
2. Loans	**298,049**	**14**	**30,877**	**331,419**	**39**	**28,275**
a) Governments	8,754	-	4	11,297	-	6
b) Other public entities	13,079	-	332	14,804	-	234
c) Other counterparties	276,216	14	30,541	305,318	39	28,035
- non-financial companies	*167,172*	*7*	*25,601*	*193,620*	*32*	*23,420*
- financial institutions	*24,743*	-	*728*	*25,596*	-	*487*
- insurance companies	*111*	-	-	*72*	-	-
- other	*84,190*	*7*	*4,212*	*86,030*	*7*	*4,128*
TOTAL	**311,442**	**14**	**31,061**	**347,034**	**39**	**28,433**

7.2 Of which Insurance companies

As at 31 December 2013 there was 7 million euro attributable to insurance companies, of which 2 million euro relating to loans to financial institutions, 3 million euro to debt securities of other issuers and 2 million euro to loans to other parties, whereas as at 31 December 2012 there were 23 million euro, of which 18 million euro relating to loans to financial institutions, 3 million euro to debt securities of other issuers and 2 million euro to loans to other parties.

7.2 Of which Other companies

As at 31 December 2013, 1,467 million euro was attributable to other companies, consisting solely of debt securities issued by financial institutions, whereas as at 31 December 2012 there was 1,096 million euro, consisting of debt securities issued by financial institutions.

7.3 Loans to customers with specific hedges

(millions of euro)

	31.12.2013	31.12.2012
1. Loans to customers with specific fair value hedges	**32,850**	**34,753**
a) Interest rate risk	32,402	34,266
b) Foreign exchange risk	-	-
c) Credit risk	-	-
d) Various risks	448	487
2. Loans to customers with specific cash flow hedges	**-**	**-**
a) Interest rate risk	-	-
b) Foreign exchange risk	-	-
c) Other	-	-
TOTAL	**32,850**	**34,753**

As illustrated in Part A – Accounting policies and Part E – Information on risks and relative hedging policies, loans to customers are hedged via cash flow hedges of floating rate funding represented by securities, to the extent to which this is used to finance fixed rate loans, or via specific fair value hedges.

7.4 Financial leases

(millions of euro)

Time bands	31.12.2013					
	Non-performing loans	Minimum lease payments			Gross investment	
		Capital	*of which guaranteed residual value*	Interest		*of which unguaranteed residual value*
Up to 3 months	683	722	*9*	195	1,600	*1*
Between 3 and 12 months	372	1,802	*25*	545	2,719	*5*
Between 1 and 5 years	1,903	6,137	*85*	2,087	10,127	*7*
Over 5 years	249	9,059	*206*	2,086	11,394	*20*
Unspecified maturity	-	-	-	-	-	-
Total, gross	**3,207**	**17,720**	***325***	**4,913**	**25,840**	***33***
Loans for assets to be leased	182	581	-	-	763	-
Adjustments	-	-189	-	-	-189	-
- collective	-	-189	-	-	-189	-
Total, net	**3,389**	**18,112**	***325***	**4,913**	**26,414**	***33***

SECTION 8 – HEDGING DERIVATIVES – CAPTION 80 OF ASSETS

Concerning the objectives and the strategies underlying hedging transactions see the information provided in Part E – Information on risks and relative hedging policies, Section 2 – Market risks.
Derivatives are considered quoted only if traded on regulated markets.

8.1 Hedging derivatives: breakdown by type of hedge and level

(millions of euro)

	Fair value 31.12.2013			Notional value 31.12.2013	Fair value 31.12.2012			Notional value 31.12.2012
	Level 1	Level 2	Level 3		Level 1	Level 2	Level 3	
A) Financial derivatives	**-**	**7,533**	**1**	**150,609**	**-**	**11,649**	**2**	**181,045**
1) fair value	-	7,502	1	149,926	-	11,619	2	178,545
2) cash flows	-	31	-	683	-	30	-	2,500
3) foreign investments	-	-	-	-	-	-	-	-
B) Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1) fair value	-	-	-	-	-	-	-	-
2) cash flows	-	-	-	-	-	-	-	-
Total	**-**	**7,533**	**1**	**150,609**	**-**	**11,649**	**2**	**181,045**

8.1 Of which Banking group

(millions of euro)

	Fair value 31.12.2013			Notional value 31.12.2013	Fair value 31.12.2012			Notional value 31.12.2012
	Level 1	Level 2	Level 3		Level 1	Level 2	Level 3	
A) Financial derivatives	**-**	**7,533**	**1**	**150,609**	**-**	**11,649**	**2**	**181,045**
1) fair value	-	7,502	1	149,926	-	11,619	2	178,545
2) cash flows	-	31	-	683	-	30	-	2,500
3) foreign investments	-	-	-	-	-	-	-	-
B) Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1) fair value	-	-	-	-	-	-	-	-
2) cash flows	-	-	-	-	-	-	-	-
Total	**-**	**7,533**	**1**	**150,609**	**-**	**11,649**	**2**	**181,045**

8.2 Hedging derivatives: breakdown by hedged portfolio and type of hedge

(millions of euro)

Operations/Type of hedge	Fair value						Cash flows		Foreign investments
	Specific					Generic	Specific	Generic	
	interest rate risk	foreign exchange risk	credit risk	price risk	various risks				
1. Financial assets available for sale	17	-	-	-	1	X	-	X	X
2. Loans	336	-	-	X	-	X	-	X	X
3. Investments held to maturity	X	-	-	X	-	X	-	X	X
4. Portfolio	X	X	X	X	X	-	X	-	X
5. Other transactions	-	29	-	-	-	X	-	X	-
Total assets	**353**	**29**	**-**	**-**	**1**	**-**	**-**	**-**	**-**
1. Financial liabilities	5,772	-	-	X	210	X	2	X	X
2. Portfolio	X	X	X	X	X	1,167	X	-	X
Total liabilities	**5,772**	**-**	**-**	**-**	**210**	**1,167**	**2**	**-**	**-**
1. Forecast transactions	X	X	X	X	X	X	-	X	X
2. Financial assets and liabilities portfolio	X	X	X	X	X	-	X	-	-

8.2 Of which Banking group

(millions of euro)

Operations/Type of hedge	Fair value						Cash flows		Foreign investments
	Specific					Generic	Specific	Generic	
	interest rate risk	foreign exchange risk	credit risk	price risk	various risks				
1. Financial assets available for sale	17	-	-	-	1	X	-	X	X
2. Loans	336	-	-	X	-	X	-	X	X
3. Investments held to maturity	X	-	-	X	-	X	-	X	X
4. Portfolio	X	X	X	X	X	-	X	-	X
5. Other transactions	-	29	-	-	-	X	-	X	-
Total assets	**353**	**29**	**-**	**-**	**1**	**-**	**-**	**-**	**-**
1. Financial liabilities	5,772	-	-	X	210	X	2	X	X
2. Portfolio	X	X	X	X	X	1,167	X	-	X
Total liabilities	**5,772**	**-**	**-**	**-**	**210**	**1,167**	**2**	**-**	**-**
1. Forecast transactions	X	X	X	X	X	X	-	X	X
2. Financial assets and liabilities portfolio	X	X	X	X	X	-	X	-	-

The table indicates positive fair values of hedging derivatives, broken down in relation to asset or liability hedged and type of hedge.
These mainly refer to specific fair value hedges of loans disbursed and liabilities issued, as well as generic fair value hedges of core deposits.

SECTION 9 – FAIR VALUE CHANGE OF FINANCIAL ASSETS IN HEDGED PORTFOLIOS – CAPTION 90

9.1 Fair value change of financial assets in hedged portfolios: breakdown by hedged portfolios

(millions of euro)

	31.12.2013	*Of which:*			31.12.2012
		Banking group	*Insurance companies*	*Other companies*	
1. Positive fair value change	**69**	*69*	-	-	**73**
1.1. of specific portfolios	69	*69*	-	-	73
a) loans	69	*69*	-	-	*73*
b) assets available for sale	-	-	-	-	-
1.2. overall	-	-	-	-	-
2. Negative fair value change	**-**	-	-	-	**-**
2.1. of specific portfolios	-	-	-	-	-
a) loans	-	-	-	-	-
b) assets available for sale	-	-	-	-	-
2.2. overall	-	-	-	-	-
TOTAL	**69**	*69*	-	-	**73**

9.2 Assets hedged by macrohedging of interest rate risk

(millions of euro)

Hedged assets	31.12.2013	31.12.2012
1. Loans	911	11,738
2. Assets available for sale	-	-
3. Portfolio	-	-
TOTAL	**911**	**11,738**

SECTION 10 – INVESTMENTS IN ASSOCIATES AND COMPANIES SUBJECT TO JOINT CONTROL – CAPTION 100

10.1 Investments in companies subject to joint control (carried at equity) and in companies subject to significant influence: information on equity stakes

		Registered office	Type of relationship (a)	Investment		Votes available %
				Direct ownership	% held	
	A. COMPANIES SUBJECT TO JOINT CONTROL					
1	Allfunds Bank S.A. Share capital 27.040.620 euro in shares of 30 euro	Madrid	7	Intesa Sanpaolo	50.00	50.00
2	Augusto S.r.l. Share capital 10.000 euro in shares of 1 euro	Milano	7	Intesa Sanpaolo	5.00	5.00
3	Colombo S.r.l. Share capital 10.000 euro in shares of 1 euro	Milano	7	Intesa Sanpaolo	5.00	5.00
4	Diocleziano S.r.l. Share capital 10.000 euro in shares of 1 euro	Milano	7	Intesa Sanpaolo	5.00	5.00
5	Enerpoint Energy S.r.l. Share capital 10.600.000 euro in shares of 1 euro	Desio	7	Equiter	50.00	50.00
6	Green Initiative Carbon Asset s (GICA) S.a. in liquidation (formerly Green Initiative Carbon Asset s (GICA) S.a.) Share capital Chf 4.000.000 in shares of Chf 100	Lugano	7	Equiter	25.00	25.00
7	Leonardo Technology S.p.A. Share capital 160.000 euro in shares of 1 euro	Milano	7	Intesa Sanpaolo	25.00	25.00
8	Manucor S.p.A. Share capital 10.000.000 euro in shares of 1 euro	Milano	7	Intesa Sanpaolo	72.75	45.50
9	MIR Capital Management S.A. Share capital 31.000 euro in shares of 1 euro	Luxembourg	7	Private Equity International	50.00	50.00
10	MIR Capital S.C.A. Sicar Share capital 44.230 euro in shares of 1 euro	Luxembourg	7	Private Equity International	50.00	50.00
11	PBZ Croatia Osiguranje Public Limited Company for Compulsory Pension Fund Management Share capital HRK 56.000.000 in shares of HRK 1.000	Zagreb	7	Privredna Banka Zagreb	50.00	50.00
12	Tangenziali Esterna S.p.A. Share capital 464.945.000 euro in shares of 1 euro	Milano	7	Intesa Sanpaolo	2.58	2.58
13	Tangenziali Esterne di Milano S.p.A. Share capital 220.244.608,25 euro in shares of 0,75 euro	Milano	7	Intesa Sanpaolo	17.53	17.53
14	Themys Investimenti S.p.A. Share capital 202.926 euro in shares of 1 euro	Milano	7	IMI Investimenti	50.00	50.00
15	Vub Generali Dochodkova Spravcovska Spolocnost A.s. Share capital 10.090.976 euro in shares of 33.194 euro	Bratislava	7	Vseobecna Uverova Banka	50.00	50.00
	B. COMPANIES SUBJECT TO SIGNIFICANT INFLUENCE					
1	A.I.2 S.r.l. Share capital 108.592.544 euro in shares of 1 euro	Roma	4	In.Fra.	19.28	19.28
2	A4 Holding S.p.A. Share capital 127.485.288,60 euro in shares of 72,30 euro	Verona	4	Re Consult Infrastrutture Equiter	28.94 6.41	28.94 6.41
3	Aeroporti Holding S.r.l. Share capital 50.000.000 euro in shares of 1 euro	Caselle Torinese	4	Equiter	35.31	35.31
4	Alitalia - Compagnia Aerea Italiana S.p.A. (b) Share capital 319.384.806,13 euro in shares of 0,04 euro	Fiumicino	4	Intesa Sanpaolo	22.07	22.07
5	Ambienta Società di Gestione del Risparmio S.p.A. Share capital 1.500.000 euro in shares of 100 euro	Milano	4	Equiter	20.00	20.00
6	Autostrada Pedemontana Lombarda S.p.A. Share capital 268.361.000 euro in shares of 1.000 euro	Assago	4	Equiter Intesa Sanpaolo	14.98 4.50	14.98 4.50
7	Autostrade Lombarde S.p.A. Share capital 466.984.840 euro in shares of 1 euro	Brescia	4	Intesa Sanpaolo	42.51	42.51
8	Banca Impresa Lazio S.p.A. Share capital 10.000.000 euro in shares of 10.000 euro	Roma	4	Intesa Sanpaolo	12.00	12.00
9	Bank of Qingdao co. LTD Share capital CNY 2.555.980.000 in shares of CNY 1	Quindao	4	Intesa Sanpaolo	20.00	20.00
10	Be Think, Solve, Execute S.p.A. Share capital 27.109.164,87 euro in shares of 0,30 euro	Roma	4	Imi Investimenti	22.06	22.06
11	Cassa di Risparmio di Fermo S.p.A. Share capital 39.241.087,50 euro in shares of 51,65 euro	Fermo	4	Intesa Sanpaolo	33.33	33.33
12	Class Digital Service S.r.l. Share capital 100.000.000 euro in shares of 0,01 euro	Milano	4	Intesa Sanpaolo	31.25	31.25
13	Cr Firenze Mutui S.r.l. Share capital 10.000 euro	Conegliano Veneto	8	C.R. di Firenze	10.00	10.00
14	Emisys Capital SGR S.p.A. Share capital 1.400.000 euro in shares of 1 euro	Milano	4	Imi Investimenti	35.00	35.00

		Registered office	Type of relation-ship (a)	Investment Direct ownership	% held	Votes available %
15	Euromilano S.p.A. Share capital 7.668.000 euro in shares of 100 euro	Milano	4	Intesa Sanpaolo	39.45	39.45
16	Eurotlx Società di Intermediazione Mobiliare S.p.A. Share capital 5.000.000 euro in shares of 1 euro	Milano	4	Banca Imi	15.00	15.00
17	Fenice S.r.l. Share capital 23.345.263,13 euro in shares of 0,01 euro	Milano	4	Intesa Sanpaolo	11.64	11.64
18	Gcl Holdings L.P. S.a.r.l. Share capital 51.995,00 euro in shares of 1,25 euro	Luxembourg	4	Intesa Sanpaolo	21.95	21.95
19	I. Tre Iniziative Immobiliari Industriali S.p.A. Share capital 510.000 euro in shares of 0,51 euro	Arquà Polesine	4	C.R. del Veneto	20.00	20.00
20	Immobiliare Novoli S.p.A. Share capital 8.640.000 euro in shares of 0,96 euro	Firenze	4	C.R. Firenze	25.00	25.00
21	Intesa Soditic Trade Finance Limited Share capital Usd 5.000.000 in shares of Usd 1	Londra	4	Intesa Sanpaolo Holding International	24.00	24.00
22	Iren S.p.A. Share capital 1.276.225.677 euro in shares of 1 euro	Torino	4	Equiter	2.27	2.45
23	Ism Investimenti S.p.A. Share capital 6.654.902 euro in shares of 1 euro	Mantova	4	Imi Investimenti	27.36	27.36
24	Italconsult S.p.A. Share capital 20.483.420 euro in shares of 1 euro	Roma	4	Intesa Sanpaolo	40.00	40.00
25	Italfondiario S.p.A. Share capital 20.000.000 euro in shares of 1 euro	Roma	4	Intesa Sanpaolo	11.25	11.25
26	Lauro Sessantuno S.p.A. Share capital 7.963.383 euro in shares of 1 euro	Milano	4	Intesa Sanpaolo	18.85	18.85
27	LKS 2 S.A. Share capital 15.141.815,49 euro in shares of 0,01 euro	Luxembourg	4	T T 1 Lux	29.50	29.50
28	Mandarin Capital Management S.A. Share capital 271.000 euro in shares of 10 euro	Luxembourg	4	Private Equity International	20.00	20.00
29	Mandarin Capital Partners II S.c.A. Sicar Share capital 31.000 euro in shares of 1 euro	Luxembourg	4	Private Equity International	47.46	47.46
30	Mater-Bi S.p.A. Share capital 14.560.000 euro in shares of 0,52 euro	Milano	4	Intesa Sanpaolo	34.48	34.48
31	Mezzanove Capital Management S.a.r.l. Share capital 12.500 euro in shares of 25 euro	Luxembourg	4	Private Equity International	47.00	47.00
32	Misr Alexandria for Financial Investments Mutual Fund Co. Share capital EGP 30.000.000 in shares of EGP 100	Cairo	4	Bank of Alexandria	25.00	25.00
33	Misr International Towers Co. Share capital EGP 40.000.000 in shares of EGP 10	Cairo	4	Bank of Alexandria	27.86	27.86
34	Nh Hoteles S.A. Share capital 616.543.576 euro in shares of 2 euro	Madrid	4	Private Equity International Intesa Sanpaolo	2.64 1.88	2.64 1.88
35	Nh Italia S.p.A. Share capital 233.846.717,53 euro in shares of 233,85 euro	Milano	4	Intesa Sanpaolo	44.50	44.50
36	Nuovo Trasporto Viaggiatori S.p.A. Share capital 148.953.918 euro in shares of 1 euro	Roma	4	Imi Investimenti	20.00	20.00
37	Penghua Fund Management Co. Ltd. Share capital CNY 150.000.000 in shares of CNY 1	Shenzhen	4	Eurizon Capital SGR	49.00	49.00
38	Pietra S.r.l. Share capital 40.000 euro in shares of 1 euro	Milano	4	Intesa Sanpaolo	22.22	22.22
39	Pirelli & C. S.p.A. Share capital 1.345.380.536,73 euro in shares of 2,76 euro	Milano	4	Intesa Sanpaolo	1.58	1.62
40	Portocittà S.p.A. Share capital 3.533.248 euro in shares of 1 euro	Trieste	4	Intesa Sanpaolo C.R. del Friuli Venezia Giulia	12.50 12.50	12.50 12.50
41	Prelios Sgr S.p.A. Share capital 24.558.763 euro in shares of 1 euro	Milano	4	Intesa Sanpaolo	10.00	10.00
42	R.C.N. Finanziaria S.p.A. Share capital 32.135.988 euro in shares of 0,50 euro	Mantova	4	Intesa Sanpaolo	23.96	23.96
43	Risanamento S.p.A. Share capital 105.159.429,88 euro in shares of 0,13 euro	Milano	4	Intesa Sanpaolo	35.97	35.97
44	Sagat S.p.A. Share capital 12.911.481 euro in shares of 5,16 euro	Caselle Torinese	4	Equiter	12.40	12.40
45	Sirti S.p.A. Share capital 95.892.274 euro in shares of 0,20 euro	Milano	4	Banca Imi	26.84	26.84
46	Slovak Banking Credit Bureau s.r.o. Share capital 9.958,17 euro in shares of 3.319,39 euro	Bratislava	4	Vseobecna Uverova Banka	33.33	33.33
47	Smia S.p.A. Share capital 1.473.229,50 euro in shares of 0,05 euro	Roma	4	Intesa Sanpaolo Banca Fideuram C.R. di Firenze C.R. di Civitavecchia	38.33 0.63 0.42 0.16	38.33 0.63 0.42 0.16

		Registered office	Type of relationship (a)	Investment Direct ownership	% held	Votes available %
48	Società di Progetto Autostrada Diretta Brescia Milano S.p.A. Share capital 332.117.693 euro in shares of 1 euro	Brescia	4	Intesa Sanpaolo	0.05	0.05
49	Solar Express S.r.l. Share capital 116.000 euro in shares of 1 euro	Firenze	4	Intesa Sanpaolo	40.00	40.00
50	Telco S.p.A. Share capital 879.206.510,06 euro in shares of 0,21 euro	Milano	4	Intesa Sanpaolo	7.34	11.62
51	Termomeccanica S.p.A. Share capital 3.666.635,96 euro in shares of 0,52 euro	La Spezia	4	Intesa Sanpaolo	35.05	35.05
52	Umbria Export Società Consortile a.r.l. Share capital 108.500 euro in shares of 0,01 euro	Perugia	4	C.R. dell'Umbria	33.87	33.87
53	Unimatica S.p.A. Share capital 500.000 euro in shares of 500 euro	Bologna	4	Infogroup	25.00	25.00
54	UPA Servizi S.p.A. Share capital 1.504.278 euro in shares of 1 euro	Padova	4	C.R. del Veneto	44.32	44.32
55	Varese Investimenti S.p.A. Share capital 4.350.000 euro in shares of 10 euro	Varese	4	Intesa Sanpaolo	40.00	40.00
56	AL.FA.-Un'Altra Famiglia dopo di noi-Impresa Sociale in voluntary liquidation S.r.l. (formerly AL.FA.-Un'Altra Famiglia dopo di noi-Impresa Sociale S.r.l.) Share capital 214.641 euro in shares of 1 euro	Milano	4	Intesa Sanpaolo	42.86	42.86
57	Cargoitalia S.p.A. in liquidation Share capital 8.700.000 euro in shares of 1 euro	Milano	4	Intesa Sanpaolo	33.33	33.33
58	Consorzio Bancario SIR S.p.A. in liquidation Share capital 1.515.151,42 euro in shares of 0,01 euro	Roma	4	Intesa Sanpaolo Banca di Credito Sardo	32.86 5.63	32.86 5.63
59	Europrogetti e Finanza S.p.A. in liquidation Share capital 5.636.400 suddiviso in azioni da Euro 0,30	Roma	4	Intesa Sanpaolo	15.97	15.97
60	Impianti S.r.l. in liquidation Share capital 92.952 euro in shares of 1 euro	Milano	4	Intesa Sanpaolo Banca di Trento e Bolzano	26.27 1.69	26.27 1.69
61	Sviluppo Industriale S.p.A. in voluntary liquidation Share capital 628.444,32 euro in shares of 22,26 euro	Pistoia	4	C.R. di Pistoia e Lucchesia	28.27	28.27
62	United Valves Co. (Butterfly) in liquidation Share capital EGP 5.000.000 in shares of EGP 500	Cairo	4	Bank of Alexandria	25.00	25.00

(a) Type of relationship:
1 - majority of voting rights at Ordinary Shareholders' Meeting;
2 - dominant influence at Ordinary Shareholders' Meeting;
3 - agreements with other Shareholders;
4 - companies subject to significant influence;
5 - unitary management as defined in Art. 26.1 of "Legislative Decree 87/92";
6 - unitary management as defined in Art. 26.2 of "Legislative Decree 87/92";
7 - joint control;
8 - majority of risks and benefits (SIC 12).

(b) Note that the figure for the parent company includes the value of Alitalia, held since October 2008 (representing a 1.48% stake)

The illustration of the criteria and the methods for the definition of the consolidation area and the motivations which determine that a company is subject to joint control or significant influence is contained in Part A – Accounting policies, to which reference should be made.

10.2 Investments in companies subject to joint control and companies subject to significant influence: financial highlights

(millions of euro)

	Total assets	Revenues	Net income (loss)	Shareholders' equity	Book value	Fair value Lev. 1
A. COMPANIES CARRIED AT EQUITY						
A.1. Subject to joint control (*)					**184**	
Allfunds Bank S.A.	465	385	35	184	116	
Augusto S.r.l.	-	-	-	-	-	
Colombo S.r.l.	-	-	-	-	-	
Diocleziano S.r.l.	-	-	-	-	-	
Enerpoint Energy S.r.l.	21	8	2	14	7	
Leonardo Technology S.p.A.	246	53	-1	14	2	
Manucor S.p.A.	107	127	-1	1	-	
Mir Capital Management S.A.	-	-	-	-	-	
Mir Capital S.C.A. Sicar (a)	46	4	1	46	23	
PBZ Croatia Osiguranje Public Limited Company for Compulsory Pension Fund Management	16	7	3	15	7	
Tangenziale Esterna S.p.A.	234	-	-	234	6	
Tangenziali Esterne di Milano S.p.A.	88	-	-	88	15	
Themys Investimenti S.p.A. (a)	-	-	-	-	-	
Vub Generali Dochodkova Spravcovska Spolocnost A.s.	17	6	3	16	8	
Green Initiative Carbon Asset s (GICA) S.a. in liquidation	-	-	-	-	-	
A.2. Investments in associates (*)					**1,778**	
A.I.2 s.r.l.	166	-	-	166	32	
A4 Holding S.p.A.	1,596	603	19	505	391	
Aeroporti Holding S.r.l.	55	-	-	53	15	
Alitalia - Compagnia Aerea Italiana S.p.A.	2,816	1,671	-129	179	38	
Ambienta Società di Gestione del Risparmio S.p.A.	3	5	-	2	-	
Autostrada Pedemontana Lombarda S.p.A.	617	9	-3	251	51	
Autostrade Lombarde S.p.A.	497	5	3	473	208	
Banca Impresa Lazio S.p.A.	58	1	-1	6	-	
Bank Of Qingdao Co. LTD	16,432	811	140	983	243	
Be Think, Solve, Execute S.p.A.	116	63	2	47	11	8
Cassa di Risparmio di Fermo S.p.A.	1,699	65	6	156	52	
Class Digital Service S.r.l. (a)	28	-	-	6	5	
Cr Firenze Mutui S.r.l.	-	-	-	-	-	
Emisys Capital SGR S.p.A. (a)	2	-	-	2	1	
Euromilano S.p.A.	391	11	-7	22	8	
Eurotlx S.p.A.	14	8	1	10	2	
Fenice S.r.l.	70	-	-	70	8	
Gcl Holdings L.P. S.a.r.l.	843	239	-16	155	34	
I. Tre Iniziative Immobiliari Industriali S.p.A.	9	1	-	1	-	
Immobiliare Novoli S.p.A.	208	-	-2	9	1	
Intesa Soditic Trade Finance Limited	8	1	-	5	1	
Iren S.p.A.	6,721	2,522	94	1,784	30	32
Ism Investimenti S.p.A.	104	-	-2	39	10	
Italconsult S.p.A.	35	-	-	25	10	
Italfondiario S.p.A.	62	22	-1	34	3	
Lauro Sessantuno S.p.A. (a)	610	-	-	610	115	
LKS 2 S.A.	151	-	-	151	45	
Mandarin Capital Management S.A.	6	6	-	5	1	
Mandarin Capital Partners II S.C.A. Sicar	3	-	-	3	2	
Mater-Bi S.p.A.	180	140	-6	48	17	
Mezzanove Capital Management S.a.r.l.	-	-	-	-	-	
Misr Alexandria for Financial Investments Mutual Fund Co.	17	1	1	17	4	
Misr International Towers Co.	18	2	1	15	4	
Nh Hoteles S.A.	2,825	961	-10	1,065	62	61
Nh Italia S.r.l.	701	196	-4	273	125	
Nuovo Trasporto Viaggiatori S.p.A.	902	180	-77	65	11	
Penghua Fund Management Co. Ltd.	157	106	29	115	109	
Pietra S.r.l.	29	-	-	24	5	
Pirelli & C. S.p.A.	7,357	4,650	262	2,334	35	97
Portocittà S.r.l.	3	-	-3	1	-	

(millions of euro)

	Total assets	Revenues	Net income (loss)	Shareholders' equity	Book value	Fair value Liv. 1
Prelios Sgr S.p.A.	38	25	3	25	18	
R.C.N. Finanziaria S.p.A.	-	-	-	-	-	
Risanamento S.p.A.	-	-	-	-	6	63
Sagat S.p.A.	166	67	-1	63	18	
Sirti S.p.A.	-	-	-	-	-	
Slovak Banking Credit Bureau s.r.o.	1	2	-	-	-	
Smia S.p.A.	39	3	-	29	12	
Società di Progetto Autostrada Diretta Brescia Milano S.p.A.	1,040	41	-4	312	-	
Solar Express S.r.l.	5	2	-	5	2	
Telco S.p.A.	3,293	39	-204	877	-	
Termomeccanica S.p.A.	308	204	6	101	30	
Umbria Export Società Consortile a.r.l.	1	-	-	-	-	
Unimatica S.p.A.	3	3	-	1	-	
UPA Servizi S.p.A.	11	15	1	5	2	
Varese Investimenti S.p.A.	4	-	-	4	1	
AL.FA.-Un'Altra Famiglia dopo di noi-Impresa Sociale S.r.l. in voluntary liquidation	-	-	-	-	-	
Cargoitalia S.p.A. in liquidation	65	53	-	9	-	
Collegamento Ferroviario Genova-Milano S.p.A. in liquidation	-	-	-	-	-	
Consorzio Bancario SIR S.p.A. in liquidation	-	-	-	-4	-	
Europrogetti e Finanza S.p.A. in liquidation	7	1	-	-12	-	
Impianti S.r.l. in liquidation	-	-	-	-2	-	
Sviluppo Industriale S.p.A. in voluntary liquidation	-	-	-	-	-	
United Valves Co. (Butterfly) in liquidation	-	-	-	-	-	
Total companies carried at equity					**1,962**	
Other minority interests (b)					29	
Totale					**1,991**	

(*) The figures indicated refer to financial statements being approved

a) Newly incorporated/acquired company

b) Mainly includes marginal companies: i) in liquidation and/or terminating activities and ii) at the start-up phase or subsidiaries consolidated at equity due to immateriality, with no balance sheet.

According to the Bank of Italy's instructions, the fair value of equity investments is indicated only for listed companies subject to significant influence.

10.3 Investments in associates and in companies subject to joint control: annual changes

(millions of euro)

	31.12.2013	Of which:			31.12.2012
		Banking group	*Insurance companies*	*Other companies*	
A. Initial amount	**2,706**	*2,337*	-	*369*	**2,630**
B. Increases	**491**	*462*	-	*29*	**369**
B.1 purchases	341	*323*	-	*18*	283
of which business combinations	-	-			-
B.2 write-backs	-	-	-	-	-
B.3 revaluations	129	*122*	-	*7*	86
B.4 other changes	21	*17*	-	*4*	-
C. Decreases	**-1,206**	*-1,200*	-	*-6*	**-293**
C.1 sales	-28	*-22*	-	*-6*	-28
C.2 impairment losses (a)	-381	*-381*	-	-	-209
C.3 other changes	-797	*-797*	-	-	-56
D. Final amount	**1,991**	*1,599*	-	*392*	**2,706**
E. Total revaluations	**2,057**	*2,043*	-	*14*	**1,928**
F. Total impairment losses	**1,496**	*1,496*	-	-	**1,115**

(a) Includes - 211 million due to losses on investments in associates and companies subject to joint control carried at equity.

For information concerning the Bank of Italy stake, refer to the account given in the Report on Operations and Section 4.1 of these Notes to the consolidated financial statements.
Sub-caption C.3 other changes, includes the cancellation, for 624 million euro, of the old stake issued by the Bank of Italy in application of Law Decree 133 of 30 November 2013, converted into Law 5 of 29 January 2014, and as a consequence of the amendments to the Statute approved by the Bank of Italy's general meeting on 23 December 2013.

10.4 Commitments referred to investments in companies subject to joint control

As at 31 December 2013 there were no particularly significant commitments referred to companies subject to joint control.

10.5 Commitments referred to investments in companies subject to significant influence

The Parent Company subscribed for a mandatorily convertible bond issued by Risanamento.

The instrument contains an embedded derivative on shares of the issuer, which entailed the recognition among Commitments for put options issued of approximately 169 million euro.

Impairment tests of investments

As required under IFRS, equity investments are subjected to impairment testing to assess whether there is objective evidence to consider that the carrying value of the assets is not fully recoverable.

With reference to investments in associates and companies subject to joint control, the process of detection of any impairment involves verification of the presence of impairment indicators and the determination of any write-down. The impairment indicators are essentially divided into two categories: qualitative indicators, such as the generation of negative economic results or in any case a significant variance with respect to the targets budgeted or established in the multi-year plans disclosed to the market, the announcement/start-up of insolvency proceedings or restructuring plans, and the downgrading by more than two categories of the rating issued by a specialist company; quantitative indicators, represented by a reduction in fair value of over 30% below the carrying value or for a period of over 24 months, by market capitalisation lower than the company's net book value, in the case of securities listed on active markets, or by a carrying value of the investment in the separate financial statements higher than the carrying value in the consolidated financial statements of the investee's net assets and goodwill or by distribution by the latter of a dividend that is higher than its total income. If impairment indicators are detected the recoverable amount, represented by the higher of the fair value less costs to sell and the value in use, is calculated and if it proves lower than the carrying value, impairment is recognised.

In particular, where impairment indicators were recorded with respect to certain investments, "fundamental" analyses were carried out based on an estimation of expected discounted cash flows. The results of these assessments led to the recognition of impairment losses. In particular, the most significant impairment losses referred to the investment in Telco S.p.A. (92 million euro) and Alitalia S.p.A. (61 million euro).

In terms of the differences between the market values and the "fundamental" values provided by the values in use, reference is made to the considerations on impairment testing of goodwill in the relative chapter of these Notes to the consolidated financial statements. Furthermore, the estimate of cash flows and discounting rates in the assessment of equity investments was also carried out on a prudential basis.

SECTION 11 – TECHNICAL INSURANCE RESERVES REASSURED WITH THIRD PARTIES – CAPTION 110

11.1 Technical insurance reserves reassured with third parties: breakdown

(millions of euro)

	31.12.2013	31.12.2012
A. Non-life business	**11**	**10**
A.1 premiums reserves	4	5
A.2 claims reserves	7	5
A.3 other reserves	-	-
B. Life business	**3**	**3**
B.1 mathematical reserves	1	2
B.2 reserves for amounts to be disbursed	2	1
B.3 other reserves	-	-
C. Technical reserves for investment risks to be borne by the insured	-	-
C.1 reserves for contracts with disbursements connected with investment funds and market indices	-	-
C.2 reserves from pension fund management	-	-
D. Total insurance reserves carried by reinsurers	**14**	**13**

11.2 Change in caption 110 Technical insurance reserves reassured with third parties

Technical insurance reserves reassured with third parties recorded no significant changes during the year as at 31 December 2013.

SECTION 12 – PROPERTY AND EQUIPMENT – CAPTION 120

12.1 Property and equipment used in operations: breakdown of assets measured at cost

(millions of euro)

	31.12.2013	*Of which:*			31.12.2012
		Banking group	*Insurance companies*	*Other companies*	
1. Property and equipment owned	4,911	*4,856*	*31*	*24*	4,996
a) land	1,466	*1,443*	*22*	*1*	1,474
b) buildings	2,725	*2,694*	*8*	*23*	2,743
c) furniture	278	*277*	*1*	-	302
d) electronic equipment	378	*378*	-	-	397
e) other	64	*64*	-	-	80
2. Property and equipment acquired under finance lease	18	*18*	-	-	17
a) land	7	*7*	-	-	7
b) buildings	9	*9*	-	-	9
c) furniture	-	-	-	-	-
d) electronic equipment	1	*1*	-	-	-
e) other	1	*1*	-	-	1
Total	**4,929**	*4,874*	*31*	*24*	**5,013**

12.2 Investment property: breakdown of assets measured at cost

(millions of euro)

	31.12.2013				31.12.2012
	Book value	**Fair value**			**Book value**
		Level 1	Level 2	Level 3	
1. Property and equipment owned	**127**	**-**	**-**	**219**	**96**
a) land	*31*	-	-	*44*	*27*
b) buildings	*96*	-	-	*175*	*69*
2. Property and equipment acquired under finance lease	**-**	**-**	**-**	**-**	**-**
a) land	-	-	-	-	-
b) buildings	-	-	-	-	-
TOTAL	**127**	**-**	**-**	**219**	**96**

12.2 Of which Banking group

(millions of euro)

	31.12.2013				31.12.2012
	Book value	**Fair value**			**Book value**
		Level 1	Level 2	Level 3	
1. Property and equipment owned	**123**	**-**	**-**	**215**	**96**
a) land	*31*	-	-	*44*	*27*
b) buildings	*92*	-	-	*171*	*69*
2. Property and equipment acquired under finance lease	**-**	**-**	**-**	**-**	**-**
a) land	-	-	-	-	-
b) buildings	-	-	-	-	-
TOTAL	**123**	**-**	**-**	**215**	**96**

12.2 Of which Other companies

As at 31 December 2013, 4 million euro was attributable to owned buildings (level-3 fair value of 4 million euro), whereas as at 31 December 2012 there were no property and equipment held for investment purposes attributable to other companies.

12.3 Property and equipment used in operations: breakdown of revalued assets

Not applicable to the Group.

12.4 Investment property: breakdown of assets measured at fair value

Not applicable to the Group.

12.5 Property and equipment used in operations: annual changes

(millions of euro)

	Land	Buildings	Furniture	Electronic equipment	Other	Total
A. Gross initial carrying amount	**1,487**	**4,285**	**1,051**	**3,054**	**437**	**10,314**
A.1 Total net adjustments	-6	-1,533	-749	-2,657	-356	-5,301
A.2 Net initial carrying amount	**1,481**	**2,752**	**302**	**397**	**81**	**5,013**
B. Increases	**1**	**179**	**28**	**148**	**55**	**411**
B.1 Purchases	-	125	27	139	15	306
of which business combinations	-	-	-	-	-	-
B.2 Capitalised improvement costs	-	43	-	-	-	43
B.3 Write-backs	-	-	-	-	-	-
B.4 Positive fair value differences recognised in:	-	-	-	-	-	-
a) shareholders' equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
B.5 Positive foreign exchange differences	-	-	-	-	-	-
B.6 Transfer from investment property	-	-	-	-	-	-
B.7 Other changes	1	11	1	9	40	62
C. Decreases	**-9**	**-197**	**-52**	**-166**	**-71**	**-495**
C.1 Sales	-2	-11	-	-1	-3	-17
of which business combinations	-	-	-	-	-	-
C.2 Depreciation	-	-118	-50	-160	-17	-345
C.3 Impairment losses recognised in:	-1	-28	-	-	-1	-30
a) shareholders' equity	-	-	-	-	-	-
b) income statement	*-1*	*-28*	-	-	*-1*	*-30*
C.4 Negative fair value differences recognised in:	-	-	-	-	-	-
a) shareholders' equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
C.5 Negative foreign exchange differences	-	-	-	-	-	-
C.6 Transfer to:	-3	-22	-	-	-	-25
a) investment property	*-3*	*-22*	-	-	-	*-25*
b) non-current assets held for sale and discontinued operations	-	-	-	-	-	-
C.7 Other changes	-3	-18	-2	-5	-50	-78
D. Net final carrying amount	**1,473**	**2,734**	**278**	**379**	**65**	**4,929**
D.1 Total net adjustments	7	1,679	799	2,817	374	5,676
D.2 Gross final carrying amount	**1,480**	**4,413**	**1,077**	**3,196**	**439**	**10,605**
E. Measurement at cost	**-**	**-**	**-**	**-**	**-**	**-**

12.5 Of which Banking group

(millions of euro)

	Land	Buildings	Furniture	Electronic equipment	Other	Total
A. Gross initial carrying amount	**1,464**	**4,223**	**1,047**	**3,053**	**433**	**10,220**
A.1 Total net adjustments	-6	-1,525	-747	-2,656	-353	-5,287
A.2 Net initial carrying amount	**1,458**	**2,698**	**300**	**397**	**80**	**4,933**
B. Increases	**1**	**178**	**28**	**148**	**55**	**410**
B.1 Purchases	-	125	27	139	15	306
of which business combinations	-	-	-	-	-	-
B.2 Capitalised improvement costs	-	43	-	-	-	43
B.3 Write-backs	-	-	-	-	-	-
B.4 Positive fair value differences recognised in	-	-	-	-	-	-
a) shareholders' equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
B.5 Positive foreign exchange differences	-	-	-	-	-	-
B.6 Transfer from investment property	-	-	-	-	-	-
B.7 Other changes	1	10	1	9	40	61
C. Decreases	**-9**	**-173**	**-51**	**-166**	**-70**	**-469**
C.1 Sales	-2	-11	-	-1	-3	-17
of which business combinations	-	-	-	-	-	-
C.2 Depreciation	-	-113	-50	-160	-17	-340
C.3 Impairment losses recognised in	-1	-15	-	-	-1	-17
a) shareholders' equity	-	-	-	-	-	-
b) income statement	*-1*	*-15*	-	-	*-1*	*-17*
C.4 Negative fair value differences recognised in	-	-	-	-	-	-
a) shareholders' equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
C.5 Negative foreign exchange differences	-	-	-	-	-	-
C.6 Transfer to	-3	-22	-	-	-	-25
a) investment property	*-3*	*-22*	-	-	-	*-25*
b) non-current assets held for sale and discontinued operations	-	-	-	-	-	-
C.7 Other changes	-3	-12	-1	-5	-49	-70
D. Net final carrying amount	**1,450**	**2,703**	**277**	**379**	**65**	**4,874**
D.1 Total net adjustments	7	1,653	797	2,816	371	5,644
D.2 Gross final carrying amount	**1,457**	**4,356**	**1,074**	**3,195**	**436**	**10,518**
E. Measurement at cost	**-**	**-**	**-**	**-**	**-**	**-**

12.5 Of which Insurance companies

As at 31 December 2013, 31 million euro was attributable to insurance companies, of which 22 million euro related to land, 8 million euro to buildings and 1 million euro to furniture.

12.5 Of which Other companies

As at 31 December 2013, 24 million euro was attributable to other companies, of which 23 million euro was attributable to buildings, and 1 million euro to land.

12.6 Investment property: annual changes

(millions of euro)

	Total		Of which:					
			Banking group		*Insurance companies*		*Other companies*	
	Land	Buildings	*Land*	*Buildings*	*Land*	*Buildings*	*Land*	*Buildings*
A. Gross initial carrying amount	**27**	**118**	*27*	*118*	-	-	-	-
A.1 Total net adjustments	-	-49	-	*-49*	-	-	-	-
A.2 Net initial carrying amount	**27**	**69**	*27*	*69*	-	-	-	-
B. Increases	**12**	**68**	*12*	*62*	-	-	-	*6*
B.1 Purchases	-	3	-	*3*	-	-	-	-
of which business combinations	-	-	-	-	-	-	-	-
B.2 Capitalised improvement costs	-	-	-	-	-	-	-	-
B.3 Positive fair value differences	-	-	-	-	-	-	-	-
B.4 Write-backs	-	-	-	-	-	-	-	-
B.5 Positive foreign exchange differences	-	-	-	-	-	-	-	-
B.6 Transfer from property used in operations	3	22	*3*	*22*	-	-	-	-
B.7 Other changes	9	43	*9*	*37*	-	-	-	*6*
C. Decreases	**-8**	**-41**	*-8*	*-39*	-	-	-	*-2*
C.1 Sales	-1	-33	*-1*	*-33*	-	-	-	-
of which business combinations	-	-	-	-	-	-	-	-
C.2 Depreciation	-	-6	-	*-4*	-	-	-	*-2*
C.3 Negative fair value differences	-	-	-	-	-	-	-	-
C.4 Impairment losses	-	-1	-	*-1*	-	-	-	-
C.5 Negative foreign exchange differences	-	-	-	-	-	-	-	-
C.6 Transfer to other assets	-	-	-	-	-	-	-	-
a) property used in operations	-	-	-	-	-	-	-	-
b) non-current assets held for sale and discontinued operations	-	-	-	-	-	-	-	-
C.7 Other changes	-7	-1	*-7*	*-1*	-	-	-	-
D. Final carrying amount	**31**	**96**	*31*	*92*	-	-	-	*4*
D.1 Total net adjustments	-	56	-	54	-	-	-	2
D.2 Gross final carrying amount	**31**	**152**	*31*	*146*	-	-	-	*6*
E. Fair value measurement	**44**	**175**	*44*	*171*	-	-	-	*4*

12.7 Commitments to purchase property and equipment

Commitments to purchase property and equipment as at 31 December 2013 came to approximately 95 million euro and mostly referred to the construction of the New Headquarters in Torino.

SECTION 13 – INTANGIBLE ASSETS - CAPTION 130

13.1 Intangible assets: breakdown by type of asset

(millions of euro)

	31.12.2013		Of which:						31.12.2012	
			Banking group		*Insurance companies*		*Other companies*			
	Finite useful life	Indefinite useful life	Finite useful life	Indefinite useful life	Finite useful life	Indefinite useful life	Finite useful life	Indefinite useful life	Finite useful life	Indefinite useful life
A.1 Goodwill	**X**	**3,899**	*X*	*3,405*	*X*	*494*	*X*	-	**X**	**8,681**
A.1.1 Group	x	3,899	*x*	*3,405*	*x*	*494*	*x*	-	x	8,681
A.1.2 Minority interests	x	-	*x*	-	*x*	-	*x*	-	x	-
A.2 Other intangible assets	**1,690**	**1,882**	*1,367*	*1,882*	*323*	-	-	-	**3,654**	**2,384**
A.2.1 Assets measured at cost	1,690	1,882	*1,367*	*1,882*	*323*	-	-	-	3,654	2,384
a) Internally generated intangible assets	*619*	-	*619*	-	-	-	-	-	*579*	-
b) Other assets	*1,071*	*1,882*	*748*	*1,882*	*323*	-	-	-	*3,075*	*2,384*
A.2.2 Assets measured at fair value	-	-	-	-	-	-	-	-	-	-
a) Internally generated intangible assets	-	-	-	-	-	-	-	-	-	-
b) Other assets	-	-	-	-	-	-	-	-	-	-
Total	**1,690**	**5,781**	*1,367*	*5,287*	*323*	*494*	-	-	**3,654**	**11,065**

The allocation of goodwill between "Cash Generating Units" is reported in the following table.

(millions of euro)

CGUs/Goodwill	31.12.2013	31.12.2012
Banca dei Territori	1,859	5,043
Corporate and Investment Banking	-	867
Eurizon Capital	1,038	1,038
Banca Fideuram	1,002	1,002
International Subsidiary Banks	-	731
Bank of Alexandria (Egypt)	-	
Pravex Bank (Ukraine)	-	-
Total	**3,899**	**8,681**

13.2 Intangible assets: annual changes

(millions of euro)

	Goodwill	Other intangible assets: internally generated		Other intangible assets: other		Total
		Finite useful life	Indefinite useful life	Finite useful life	Indefinite useful life	
A. Gross initial carrying amount	**20,259**	**2,210**	**-**	**7,869**	**2,384**	**32,722**
A.1 Total net adjustments	-11,578	-1,631	-	-4,794	-	-18,003
A.2 Net initial carrying amount	**8,681**	**579**	**-**	**3,075**	**2,384**	**14,719**
B. Increases	**8**	**287**	**-**	**94**	**-**	**389**
B.1 Purchases	-	-	-	91	-	91
of which business combinations	-	-	-	-	-	-
B.2 Increases of internally generated intangible assets	X	276	-	-	-	276
B.3 Write-backs	X	-	-	-	-	-
B.4 Positive fair value differences recognised in	-	-	-	-	-	-
- shareholders' equity	X	-	-	-	-	-
- income statement	X	-	-	-	-	-
B.5 Positive foreign exchange differences	-	-	-	-	-	-
B.6 Other changes	8	11	-	3	-	22
C. Decreases	**-4,790**	**-247**	**-**	**-2,098**	**-502**	**-7,637**
C.1 Sales	-	-	-	-	-	-
of which business combinations	-	-	-	-	-	-
C.2 Impairment losses	-4,676	-247	-	-2,089	-502	-7,514
- Amortisation	X	-246	-	-508	-	-754
- Write-downs recognised in	-4,676	-1	-	-1,581	-502	-6,760
shareholders' equity	*X*	-	-	-	-	-
income statement	*-4,676*	*-1*	-	*-1,581*	*-502*	*-6,760*
C.3 Negative fair value differences recognised in	-	-	-	-	-	-
- shareholders' equity	X	-	-	-	-	-
- income statement	X	-	-	-	-	-
C.4 Transfer to non-current assets held for sale and discontinued operations	-	-	-	-9	-	-9
C.5 Negative foreign exchange differences	-9	-	-	-	-	-9
C.6 Other changes	-105	-	-	-	-	-105
D. Net final carrying amount	**3,899**	**619**	**-**	**1,071**	**1,882**	**7,471**
D.1 Total net adjustments	16,254	1,878	-	6,883	502	25,517
E. Gross final carrying amount	**20,153**	**2,497**	**-**	**7,954**	**2,384**	**32,988**
F. Measurement at cost	**-**	**-**	**-**	**-**	**-**	**-**

13.2 Of which Banking group

(millions of euro)

	Goodwill	Other intangible assets: internally generated		Other intangible assets: other		Total
		Finite useful life	Indefinite useful life	Finite useful life	Indefinite useful life	
A. Gross initial carrying amount	**19,000**	**2,203**	**-**	**6,933**	**2,384**	**30,520**
A.1 Total net adjustments	-11,469	-1,624	-	-4,237	-	-17,330
A.2 Net initial carrying amount	**7,531**	**579**	**-**	**2,696**	**2,384**	**13,190**
B. Increases	**-**	**287**	**-**	**94**	**-**	**381**
B.1 Purchases	-	-	-	91	-	91
of which business combinations	-	-	-	-	-	-
B.2 Increases of internally generated intangible assets	X	276	-	-	-	276
B.3 Write-backs	X	-	-	-	-	-
B.4 Positive fair value differences recognised in	-	-	-	-	-	-
- shareholders' equity	X	-	-	-	-	-
- income statement	X	-	-	-	-	-
B.5 Positive foreign exchange differences	-	-	-	-	-	-
B.6 Other changes	-	11	-	3	-	14
C. Decreases	**-4,126**	**-247**	**-**	**-2,042**	**-502**	**-6,917**
C.1 Sales	-	-	-	-	-	-
of which business combinations	-	-	-	-	-	-
C.2 Impairment losses	-4,012	-247	-	-2,033	-502	-6,794
- Amortisation	X	-246	-	-452	-	-698
- Write-downs recognised in	-4,012	-1	-	-1,581	-502	-6,096
shareholders' equity	*X*	-	-	-	-	-
income statement	*-4,012*	*-1*	-	*-1,581*	*-502*	*-6,096*
C.3 Negative fair value differences recognised in	-	-	-	-	-	-
- shareholders' equity	X	-	-	-	-	-
- income statement	X	-	-	-	-	-
C.4 Transfer to non-current assets held for sale and discontinued operations	-	-	-	-9	-	-9
C.5 Negative foreign exchange differences	-9	-	-	-	-	-9
C.6 Other changes	-105	-	-	-	-	-105
D. Net final carrying amount	**3,405**	**619**	**-**	**748**	**1,882**	**6,654**
D.1 Total net adjustments	15,481	1,871	-	6,270	502	24,124
E. Gross final carrying amount	**18,886**	**2,490**	**-**	**7,018**	**2,384**	**30,778**
F. Measurement at cost	**-**	**-**	**-**	**-**	**-**	**-**

13.2 Of which Insurance companies

(millions of euro)

	Goodwill	Other intangible assets: internally generated		Other intangible assets: other		Total
		Finite useful life	Indefinite useful life	Finite useful life	Indefinite useful life	
A. Gross initial carrying amount	**1,230**	**7**	**-**	**936**	**-**	**2,173**
A.1 Total net adjustments	-88	-7	-	-557	-	-652
A.2 Net initial carrying amount	**1,142**	**-**	**-**	**379**	**-**	**1,521**
B. Increases	**-**	**-**	**-**	**-**	**-**	**-**
B.1 Purchases	-	-	-	-	-	-
of which business combinations	-	-	-	-	-	-
B.2 Increases of internally generated intangible assets	X	-	-	-	-	-
B.3 Write-backs	X	-	-	-	-	-
B.4 Positive fair value differences recognised in	-	-	-	-	-	-
- shareholders' equity	X	-	-	-	-	-
- income statement	X	-	-	-	-	-
B.5 Positive foreign exchange differences	-	-	-	-	-	-
B.6 Other changes	-	-	-	-	-	-
C. Decreases	**-648**	**-**	**-**	**-56**	**-**	**-704**
C.1 Sales	-	-	-	-	-	-
of which business combinations	-	-	-	-	-	-
C.2 Impairment losses	-648	-	-	-56	-	-704
- Amortisation	X	-	-	-56	-	-56
- Write-downs recognised in	-648	-	-	-	-	-648
shareholders' equity	*X*	-	-	-	-	-
income statement	*-648*	-	-	-	-	*-648*
C.3 Negative fair value differences recognised in	-	-	-	-	-	-
- shareholders' equity	X	-	-	-	-	-
- income statement	X	-	-	-	-	-
C.4 Transfer to non-current assets held for sale and discontinued operations	-	-	-	-	-	-
C.5 Negative foreign exchange differences	-	-	-	-	-	-
C.6 Other changes	-	-	-	-	-	-
D. Net final carrying amount	**494**	**-**	**-**	**323**	**-**	**817**
D.1 Total net adjustments	736	7	-	613	-	1,356
E. Gross final carrying amount	**1,230**	**7**	**-**	**936**	**-**	**2,173**
F. Measurement at cost	**-**	**-**	**-**	**-**	**-**	**-**

13.2 Of which Other companies

(millions of euro)

	Goodwill	Other intangible assets: internally generated		Other intangible assets: other		Total
		Finite useful life	Indefinite useful life	Finite useful life	Indefinite useful life	
A. Gross initial carrying amount	**29**	**-**	**-**	**-**	**-**	**29**
A.1 Total net adjustments	-21	-	-	-	-	-21
A.2 Net initial carrying amount	**8**	**-**	**-**	**-**	**-**	**8**
B. Increases	**8**	**-**	**-**	**-**	**-**	**8**
B.1 Purchases	-	-	-	-	-	-
of which business combinations	-	-	-	-	-	-
B.2 Increases of internally generated intangible assets	X	-	-	-	-	-
B.3 Write-backs	X	-	-	-	-	-
B.4 Positive fair value differences recognised in	-	-	-	-	-	-
- shareholders' equity	X	-	-	-	-	-
- income statement	X	-	-	-	-	-
B.5 Positive foreign exchange differences	-	-	-	-	-	-
B.6 Other changes	8	-	-	-	-	8
C. Decreases	**-16**	**-**	**-**	**-**	**-**	**-16**
C.1 Sales	-	-	-	-	-	-
of which business combinations	-	-	-	-	-	-
C.2 Impairment losses	-16	-	-	-	-	-16
- Amortisation	X	-	-	-	-	-
- Write-downs recognised in	-16	-	-	-	-	-16
shareholders' equity	*X*	-	-	-	-	-
income statement	*-16*	-	-	-	-	*-16*
C.3 Negative fair value differences recognised in	-	-	-	-	-	-
- shareholders' equity	X	-	-	-	-	-
- income statement	X	-	-	-	-	-
C.4 Transfer to non-current assets held for sale and discontinued operations	-	-	-	-	-	-
C.5 Negative foreign exchange differences	-	-	-	-	-	-
C.6 Other changes	-	-	-	-	-	-
D. Net final carrying amount	**-**	**-**	**-**	**-**	**-**	**-**
D.1 Total net adjustments	37	-	-	-	-	37
E. Gross final carrying amount	**37**	**-**	**-**	**-**	**-**	**37**
F. Measurement at cost	**-**	**-**	**-**	**-**	**-**	**-**

13.3 Other information

There were no significant commitments to purchase intangible assets as at 31 December 2013.

Information on intangible assets and goodwill

The application of IFRS 3 to the accounting of acquisitions often leads to the recognition of new intangible assets and goodwill. In the case of the Intesa Sanpaolo Group, the merger between Banca Intesa and Sanpaolo IMI and the subsequent acquisitions (of the asset management portfolio of former Nextra, CR Firenze, Pravex Bank, Intesa Vita, the bank branches and Banca Monte Parma) led to the recognition of significant amounts for intangible assets and goodwill.

The table below summarises the values and trends of these intangible assets and goodwill, subdivided by operating divisions, which primarily correspond to the cash-generating units (CGUs), namely the groups of assets subject to impairment testing on goodwill in order to determine the recoverable amount.

(millions of euro)

CGU	Financial statements 31.12.2012	Amortisation	Other changes 2013 (a)	Adjustments	Financial statements 31.12.2013
BANCA DEI TERRITORI	**8,694**	**-239**	**-54**	**-4,669**	**3,732**
- Intangible asset management - distribution	109	-54	-	-	55
- Intangible assets insurance - product. and distribut.	366	-55	-	-	311
- Intangible core deposits	1,669	-130	-	-1,539	-
- Intangible brand name	1,507	-	-	-	1,507
- Goodwill	5,043	-	-54	-3,130	1,859
CORPORATE AND INVESTMENT BANKING	**1,369**	**-**	**-43**	**-1,326**	**-**
- Intangible brand name	502	-	-	-502	-
- Goodwill	867	-	-43	-824	-
EURIZON CAPITAL	**1,139**	**-51**	**-**	**-**	**1,088**
- Intangible asset management - production	101	-51	-	-	50
- Goodwill	1,038	-	-	-	1,038
BANCA FIDEURAM	**1,955**	**-131**	**-**	**-42**	**1,782**
- Intangible asset management - product. and distribut. (b)	533	-128	-	-	405
- Intangible core deposits	45	-3	-	-42	-
- Intangible brand name	375	-	-	-	375
- Goodwill	1,002	-	-	-	1,002
INTERNATIONAL SUBSIDIARY BANKS	**731**	**-**	**-9**	**-722**	**-**
- Goodwill	731	-	-9	-722	-
BANK OF ALEXANDRIA (Egypt)	**-**	**-**	**-**	**-**	**-**
PRAVEX BANK (Ukraine)	**-**	**-**	**-**	**-**	**-**
GROUP TOTAL	**13,888**	**-421**	**-106**	**-6,759**	**6,602**
- Intangible asset management	743	-233	-	-	510
- Intangible assets insurance	366	-55	-	-	311
- Intangible core deposits	1,714	-133	-	-1,581	-
- Intangible brand name	2,384	-	-	-502	1,882
- Goodwill	8,681	-	-106	-4,676	3,899

(a) Other changes mainly include the exchange-rate effect of international subsidiaries (-9 million euro), the effect of the organisational restructuring that resulted in the transfer of customers and product companies from CeIB to BdT (51 million euro) and the effect relating to the value of several put options issued on minority interests in subsidiaries (-97 million euro).

(b) The caption includes intangible assets of the Banca Fideuram CGU relating to the production and distribution of asset management products and the production and distribution of insurance products.

Intangible assets recognised include intangible assets linked to customers, represented by the measurement of asset management and insurance portfolio and of core deposits. Such assets, all with a finite life, are originally measured by discounting the income margin cash flows over a period representing the residual life, contractual or estimated, of relationships existing at the time of the business combination.

The brand name, an intangible asset linked to marketing, was also measured. This asset is considered to have an indefinite life since it is expected to contribute for an indefinite period of time to the formation of income flows.

During the year no acquisition transactions were undertaken pursuant to IFRS 3.

For the intangible assets with a finite life, the amortisation for the year was recognised to the income statement (under Net adjustments to/recoveries on intangible assets) for a total of 421 million euro gross of the tax effect (approximately 288 million euro net).

The organisational restructuring process took concrete form in 2013, involving a change in the scope of responsibility of the Banca dei Territori and Corporate and Investment Banking CGUs. Specifically, customers with turnover of between 2.5 million euro and 350 million euro and the product companies Leasint, Centro Leasing, Mediofactoring and Centro Factoring were transferred from the Corporate and Investment Banking CGU to the Banca dei Territori CGU. In accordance with IAS 36, the share of goodwill associated with the assets involved in the organisational restructuring was re-determined, taking account of the changed composition of the CGUs. The analyses conducted resulted in a transfer of goodwill of 51 million euro from the Corporate and Investment Banking CGU to the Banca dei Territori CGU.

Based on IAS 36, both intangible assets with an indefinite useful life and goodwill are submitted to impairment testing on an annual basis to verify recoverability of their value. In addition, intangible assets with a finite useful life must be tested for impairment whenever there is evidence of impairment indicators. The recoverable amount consists of the higher of the fair value less costs to sell and the value in use.
Lastly, it should be mentioned that IAS 36, for the purpose of calculating the value in use of intangibles subject to impairment testing, states that reference must be made to cash flows arising from intangible asset in its current condition (as at the impairment test date), with no distinction between cash flows arising from the asset initially recognised according to IFRS 3 and those relating to the asset outstanding at the impairment test date. This because it would be difficult, especially with regard to extraordinary transactions between businesses or changes in the asset following significant turnover in volumes, customers, contracts, etc., to separate flows relating to the original asset from others.
This concept can also be applied in impairment testing of goodwill to calculate the value in use of the CGUs, for which the cash flows have to be considered with regard to all assets and liabilities of that CGU and not only the assets and liabilities for which goodwill was recognised on application of IFRS 3.

As in previous financial statements, given the volatility of the financial markets and the available market values for calculation of the recoverable amount, which generally remain depressed, values in use were used in the impairment tests for the 2013 financial statements.

Furthermore, the methods and assumptions of the impairment test procedures for intangible assets and goodwill defined by management were approved by the Management Board prior to approval of the draft financial statements for 2013.

Impairment testing of intangibles

Asset management portfolio

The intangible asset recognised in Intesa Sanpaolo’s financial statements is regarded as having a “finite useful life.” Accordingly, for the purposes of the 2013 financial statements, analyses were conducted on the main indicators of the value of this asset, which were also monitored throughout the year (these include asset volume trends and redemption rates, changes in product unit profitability, operating cost levels and cost of capital).
During 2013 there was a generally consistent trend throughout the year towards an overall increase in the value of the assets compared to the figure as at the end of 2012. Consequently, the value of the assets under management (AUM) considered was higher at the end of 2013 than in December 2012.
Among the other factors analysed, product unit profitability remained at levels similar to those of 2012, whereas operating costs in 2013 were lower than forecast in the budget and actually recorded in 2012. The trend in redemption rates, on the other hand, did not constitute a meaningful sign that the intangible asset may have become impaired. The modest increase in the cost of capital for the CGUs considered in the overall analyses conducted was not regarded as an indicator of impairment.
The above tests did not result in the identification of any impairment indicators for the AUM intangible asset.

For the 2013 financial statements, the amortisation of the asset for the year was recognised to the income statement, decreasing its carrying amount (a total of 233 million euro, gross of the tax effect, which represents approximately one-third of the carrying amount of the AUM intangible as at 31 December 2012).

The following table presents AUM values at the end of 2013 and the change in such volumes compared to the end of the previous year.

(millions of euro)

Assets Under Management	AUM volumes	
	31.12.2013	Change compared to 31.12.2012
AUM production - Eurizon Capital [(a)]	173,534	+ 12.5%
AUM distribution - Eurizon Capital	68,824	+ 13.0%
AUM production and distribution - Banca Fideuram [(b)]	65,201	+ 11.6%

[(a)] The caption includes also funds held by insurance companies and managed by Eurizon Capital.

[(b)] The caption includes intangible assets of the Banca Fideuram CGU relating to the production and distribution of asset management products and the production and distribution of insurance products. The caption includes the value of the contribution of third party products.

The following table presents a summary of the values of AUM intangibles, broken down by the CGU to which they pertain.

(millions of euro)

CGU	Financial statements 31.12.2012	Amortisation	Financial statements 31.12.2013
Banca dei Territori			
Intangibile asset management - distribution	109	-54	55
Eurizon Capital			
Intangibile asset management - production	101	-51	50
Banca Fideuram			
Intangibile asset management - produc. and distribut. [(a)]	533	-128	405
Total Intangible asset management	**743**	**-233**	**510**

[(a)] The caption includes intangible assets of the Banca Fideuram CGU relating to the production and distribution of asset management products and the production and distribution of insurance products.

Insurance portfolio

Valuation of the insurance portfolio uses models normally applied to determine the embedded value, by discounting flows representing the income margins over a period deemed to express the residual maturity of the insurance portfolio in force outstanding at the valuation date. The resulting value, considered to have a finite life, is amortised at variable rates over a period representing the residual life of the insurance contracts.

For the 2013 financial statements the amortisation of the asset for the year was recognised to the income statement. The amortisation for the year amounted to approximately 15% of the carrying amount of the asset at the end of 2012 (for a total of 55 million euro gross of the tax effect and 37 million net).

The analyses conducted during the year on the main impairment indicators were updated and extended for this type of intangible as well. However, a thorough recalculation of value of the intangible asset was not performed since the performance of the insurance business did not present any particular critical issues in 2013.

Reserves increased considerably, primarily due to subscriptions of class I policies. An analysis of product profitability and operating costs does not yield any indication of possible impairment of the asset. Financial parameters – including as regards the performance of securities in portfolio – were essentially in line with those recorded in 2012.

The table below provides the value of mathematical reserves (including the components that in the IFRS financial statements are classified under financial liabilities of the insurance segment) detailing the various product types that contributed to the initial valuation of the insurance portfolio.

(millions of euro)

Insurance portfolio	**Model technical reserves** [(a)]	
	31.12.2013	**Change compared to 31.12.2012**
Traditional	52,626	+ 16.7%
Pension funds	726	+ 15.8%
Unit-linked	16,378	+ 0.1%
Index-linked	2,814	-39.5%
TOTAL [(b)]	**72,544**	**+ 8.7%**

[(a)] These include the mathematical reserve, the demographic basis reserve, the expenditure reserve and the additional reserves in the event of decease. The figures do not include the reserves of Fideuram Vita (incorporated in 2010 and absorbed into the Banca Fideuram CGU) and are gross of the shadow reserve.

Technical reserves increased by approximately 9% in 2013, coming to 73 billion euro at year-end.
As mentioned above, there was a very significant increase in reserves for traditional products, which came to approximately 53 billion euro. Overall, reserves for this latter type of policy accounted for more than 70% of total reserves. The significant decrease in reserves for index-linked products was due to the choice – first made in 2008 and also applied in the year under review – not to establish and market new products in this segment.

The following table presents an overview of the value of the insurance intangible, attributable solely to the Banca dei Territori CGU.

(millions of euro)

CGU	**Financial statements 31.12.2012**	**Amortisation**	**Financial statements 31.12.2013**
Banca dei Territori			
Intangible assets insurance - produc. and distribut.	366	-55	311

Core deposits

"Core deposits" are "customer-related intangibles", generally recorded in business combinations between banks. The intangible value of core deposits stems from the future benefits for the acquirer deriving from the lower funding cost compared to market parameters and from the more stable form of funding. Basically, the acquirer may obtain funds for its lending and investment activities at a cheaper rate than the interbank interest rate.
The intangible asset is the value of this future margin, called "deposit premium", and the other direct economic components related to deposits (commissions and management costs). The value of the "deposit premium" is therefore linked to the trend of market interest rates and to changes in funding volumes. The valuation of the asset requires the identification of the structural component of funding and, therefore, the exclusion of highly-volatile or non-recurring funding sources.
The value of this asset is determined by discounting the flows representing the income margins generated by deposits over a period deemed to express expected residual maturity at the acquisition date.
This value, considered to have a finite life, is amortised on a straight-line basis over the period of greatest significance in terms of expected future economic benefits (which for the Intesa Sanpaolo Group is equal to 18-24 years).
For the purposes of the 2013 financial statements, the share of amortisation of the asset for the year (133 million euro gross of taxes and 90 million euro net of taxes) was recognised in the income statement. In addition, as these are intangible assets with a finite life, as mentioned previously the existence of impairment indicators has to be verified; if such indicators are detected, impairment testing has to be performed. The scope of reference for the purpose of impairment testing is represented by the contract types considered in the initial measurement of intangible assets for the balances as at 31 December 2013. Verification was performed with regard to the Banca dei Territori and Banca Fideuram, these two being the only CGUs for which the core deposits intangible was recognised.
The following factors were taken into account in order to identify potential impairment indicators, in accordance with the practice in previous years: the total deposit volumes, the trend in mark-down (the difference between the 1-month Euribor rate and the rate paid to the customer on deposits and current accounts) forecast for future years, the cost/income ratio and the cost of capital.
The following table presents a summary of the amount of stable funding of the CGUs included in the scope of reference for the periods considered. The amounts include technical forms related to current accounts and free deposits (and thus excluding term deposit components) held by non-intragroup retail counterparties (referring to customers falling into certain business segments) on the basis of the same criteria defined for the initial recognition of the intangible.

The analyses conducted showed that the volumes of the Banca dei Territori CGU and the Banca Fideuram CGU, which as at 31 December 2013, as shown in the following table, were up moderately overall compared to the end of the previous year, were significantly higher than the balances analysed during the purchase price allocation for the business combinations.

(millions of euro)

CGU	31.12.2013 (a)	Change compared to 31.12.2012
Banca dei Territori	96,909	+ 2.4%
Banca Fideuram	5,138	+ 2.6%
Total [(a)]	**102,047**	**+ 2.5%**

[(a)] The types of funding analysed are those with balances relating to the following economic sectors of business: consumer households, family businesses, tradesmen, ecclesiastical and religious organisations and entities, and assistance and charity institutions. Bearer deposits are included.

However, from the standpoint of profitability the expected mark-down performance was regarded as an indicator of impairment. Indeed, the monetary situation expected for 2014 and the following three years, forecast for the purposes of drawing up the 2014-2017 Business Plan, involves a scenario of very low short-term interest rates. In contrast to the projections formulated in conjunction with the 2012 financial statements, the prospects of growth in the Eurozone at a rate equal to or less than the level of potential development and, at the same time, of significant reductions of estimated inflation rates, represent the main justification for a scenario of stable official rates at levels near zero for a long period yet to come. In addition, the European Central Bank is currently indicating that official rates will remain at present or lower levels for an extended period, without, however, excluding further "decisive action," where necessary.

The worsening of expectations regarding the performance of interbank rates has naturally been reflected in the expected mark-down performance.
According to the most recent estimates available to prepare the 2013 financial statements and used in drawing up the 2014-2017 Business Plan, the mark-down for families is expected to remain at negative levels through the end of 2016 and then to reach only marginally positive values in 2017.

As is clear from the analyses performed, the forecast mark-down performance constituted an evident indicator of impairment. Given the projected performance, it then became necessary to recalculate the value of the intangible asset and the resulting impairment loss, considering that the new interest rate estimates are such as not to allow the value of the core deposits intangible asset in the financial statements (net of amortisation accrued in 2013) to be regarded as recoverable. In short, compared to the analysis of impairment indicators that had been performed for the 2012 financial statements, the significant increase in volumes with respect to those originally measured, along with the fact that the intangible is measured on a very long horizon, was no longer sufficient reassurance in light of the negative impact deriving from projected interest rate performance.
Finally, the results of the additional analyses performed on the remaining factors relevant to the measurement of the intangible (the cost/income ratio and the cost of capital) did not result in any change to the negative conclusions of the analysis of the prospective mark-down performance.

Following the impairment test performed on the intangible asset in question, recalculation entailed the need for a full write-down of the asset, carried at 1,581 million euro in the Intesa Sanpaolo Group's consolidated financial statements, corresponding to 1,539 million euro for the Banca dei Territori CGU and 42 million euro for the Banca Fideuram CGU.

The following table presents a summary of the carrying amount – by pertinent CGU – of the core deposits intangible asset as at 31 December 2012 and changes in 2013, broken down into amortisation for the year and impairment losses as a result of the impairment tests performed.

(millions of euro)

CGU	Financial Statements 31.12.2012	Amortisation	Adjustments	Financial Statements 31.12.2013
Banca dei Territori				
Intangibile core deposits	1,669	-130	-1,539	-
Banca Fideuram				
Intangibile core deposits	45	-3	-42	-
Total	**1,714**	**-133**	**-1,581**	**-**

Brand name
IFRS 3 considers the "brand name" a potential, marketing related intangible asset, which may be recorded in the purchase price allocation process.
For this purpose please note that the term "brand" is used in accounting standards with an extensive meaning and not as a synonym of trademark (the logo and the name). It is considered a general marketing term which defines a set of complementary intangible assets (in addition to the name and the logo, also the competencies, consumer trust, service quality, etc.) which concur to form brand equity.
With reference to acquisition of the Sanpaolo IMI Group, it was decided to limit the analysis to just two brands: the corporate brand Sanpaolo IMI, intended as an "umbrella" brand to which the brands of the network banks were related, and the brand of the subsidiary Banca Fideuram since it is an autonomous entity strongly recognised on the market for the placement of financial products through a network of financial advisors. Both are considered intangibles with indefinite useful life since they are deemed

to contribute indefinitely to the formation of income flows. Market methods and fundamental, flow-based methods have been used in the initial valuation of the two brands. Value was determined as the average of the values obtained using the various methods.
As this intangible asset has no independent cash flows, for impairment testing purposes for the 2013 financial statements it was included in the verification of the retention of goodwill for the various CGUs. As discussed in further detail below, the results of the impairment test indicated a need for an impairment loss on the brand name intangible asset of 502 million euro; in other words, the intangible carried within the Corporate and Investment Banking CGU was fully written down.

Impairment testing of CGUs and goodwill

Definition of Cash Generating Units (CGUs)

For impairment testing purposes, the estimation of the value in use relating to intangible assets with an indefinite life (including goodwill) that do not generate cash flows unless jointly with other business, as per IAS 36, requires the preliminary assignment of such intangible assets to relatively independent business units, able to generate cash flows strongly independent of those produced in other business areas, but interdependent within the business unit generating them.
In IAS/IFRS terminology such business units are known as Cash Generating Units (CGUs). The objective of the impairment test is significant for identification of the CGUs.
IAS 36 indicates the necessity to correlate the level at which the goodwill is tested with the level of internal reporting at which management controls the increases and decreases of such value. Definition of the level closely depends on the organisational models adopted and on the managerial responsibilities governing the operating guidelines and monitoring activity. Organisational models may ignore (and in the case of the Intesa Sanpaolo Group they do ignore) the network of legal entities through which operations are carried out, and are instead very often closely designed around the definition of business operating segments as envisaged by IFRS 8. Furthermore, the identification of CGUs for goodwill impairment test purposes is consistent with the definition of the recoverable amount of an asset - which is in itself the base for impairment tests - according to which the relevant item is the amount that the company expects to recover from that asset, considering any synergies with other assets.

Therefore, in accordance with the criteria applied for the determination of the prices of the business combinations that gave rise to goodwill recognition, the recoverable amount for impairment testing purposes of the CGU to which goodwill is allocated must include not only the value of external (or universal) synergies but also the internal ones, the reason being that the specific acquirer may obtain additional value from the integration of activities obtained through business combinations, according to its business model.
The Intesa Sanpaolo Group's organisational model envisages that:
– decisions on operating policies be assigned to managers of the operational segments;
– strategies, identification of new products or services and commercial penetration initiatives be outlined and directed centrally for each operating division;
– planning processes and reporting systems be managed at the operational segment level;
– specialised transversal areas be defined to provide support and develop products benefiting many subsidiaries;
– the management of financial risks also be highly centralised in order to maintain, also as a result of regulatory provisions, a balance between the capital allocation policies and the financial risks in development of the various business lines;
– the divisions operate in homogenous markets or sectors in terms of economic characteristics and development level.

As a result of this centralisation, income flows are highly dependent on the policies set up at the operational segment level, based on balanced development of the entire division and not of the individual operating areas or legal entities considered individually.
In the Intesa Sanpaolo Group, the operating divisions that over time benefit from the synergies of the business combinations performed and which to various extents have recognised goodwill values are:
– Banca dei Territori;
– Corporate and Investment Banking;
– Eurizon Capital;
– Banca Fideuram;
– International Subsidiary Banks.

For the foregoing reasons, the operating divisions cited above correspond to the Group's CGUs, while also representing the core business areas considered for segment reporting.
Such divisions are considered representative of cash generating units since each constitutes the smallest group of assets generating independent incoming cash flows and, as mentioned above, also the minimum level set by the Parent Company Intesa Sanpaolo for planning and reporting processes. Therefore, this is the minimum level to which goodwill may be allocated and monitored according to non-arbitrary criteria.
The International Subsidiary Banks Division needs specific comments, given the particular structure and conditions under which it operates.
It should firstly be mentioned that the cash flows of the various Group companies forming this business unit were strictly dependent upon policies formulated by Division Governance Centres and Head Office Departments of the Parent Company. These policies were defined and implemented in compliance with a management plan designed to develop the entire Division in an organised manner, and not focusing only on the individual companies' strategies. Specifically, the expansion strategies for the various operating units, the identification and development of new credit, savings and service products, limits to the assumption of financial risk, commercial penetration and operations specialisation initiatives were outlined and steered at central level, following a portfolio strategy, and not devolved to the individual subsidiaries. Therefore there is strong interaction of the flows that, at the same time, requires both single and integrated governance of all companies in the Division, and the central monitoring and control of operations of the overall business activities of the Division.
However, it is important to consider that not all factors affecting the correlation and interdependence of cash flows within the Division can be controlled by the Division's Head Office Departments.

In fact, there are circumstances outside the Group that could have varying levels of impact on the capacity to systematically manage CGU flows and control over their generation. These are circumstances largely determined in the wider sense by the conditions of the environment in which the various entities are located.
Indeed, for Banks operating abroad, the effects of country risk must be considered: i.e. the risk linked to economic, political and institutional events in the country in which the subsidiary and its business activities are based.
In view of the above, if the cash flows that the Parent Company expects from activities generated by a foreign subsidiary are deeply influenced - in terms of extent, quality and trends - by institutional, economic and political circumstances in the country in which the subsidiary is based, this subsidiary cannot be considered an integral part of the single management model for the CGU which it belongs to. The company in such a situation must, therefore, even if only temporarily, be excluded from the CGU, regardless of the Group Management's willingness to keep it within the CGU, due to the abovementioned factors over which the Bank and Group's management clearly have no influence. The flows of the company, in fact, would be influenced to a greater extent by the country's conditions than by the unitary and centralised management policy adopted by the Division, and therefore for impairment testing purposes must be subjected to independent valuation until the conditions for the systemic central control of cash flows of the subsidiary are restored.

With regard to the Ukrainian Pravex Bank, for the purposes of 2008 impairment testing, careful consideration of the economic and institutional events unfolding in Ukraine, which was undergoing a deep economic and currency crisis, and prudent assessment of their impact on the operational variables of the subsidiary in question, especially from the point of view of their interdependence on variables of the entire CGU, resulted in classification of this company as a completely separate CGU, treating it separately from the Group's International Subsidiary Banks Division. This decision was also maintained in subsequent years, considering the continuation of the critical factors that had resulted in the separation of the investee from the Group's International Subsidiary Banks Division. Furthermore, on 23 January 2014 Intesa Sanpaolo signed an agreement governing the sale of 100% of the Ukrainian subsidiary's capital for consideration of 74 million euro. This factor supports the continuing choice in the 2013 financial statements to identify the investee as a separate, independent business, given that it is presumed that when the cash flows of an asset or group of assets derive primarily from sale rather than ongoing use they become less dependent on the cash flows deriving from the other CGUs.
With regard to the subsidiary Bank of Alexandria, for the purposes of 2011 impairment testing the bank was separated from the International Subsidiary Banks CGU due to a profound political crisis. As is common knowledge, a political crisis broke out in Egypt in 2011, resulting in significant consequences for public order, the formation of an interim government and then the commencement of an electoral phase. Since the persisting tensions and uncertainty regarding the time required to stabilise the political situation affect our Group's operating and general policy decisions in the area by limiting the strategies for the uniform and integrated governance of the bank within the International Subsidiary Banks Division, in the 2011 financial statements it was deemed necessary to consider the Egyptian subsidiary separately from the Group's International Subsidiary Banks CGU. A new government was formed in 2012 as a result of parliamentary and presidential elections. Nonetheless, the political situation has remained unstable, generating uncertainties regarding the country's political and economic policies, which have accordingly influenced the bank's strategic decisions. A new phase of political instability began in 2013. In July, following extensive demonstrations in the country, the government that had been formed in 2012 was removed from power with the support of the military and the presidency was entrusted to the chief of the country's Constitutional Court. The new executive, led by the former Minister of Finance, is to hold new elections in a highly polarised country at risk of civil war, while also seeking to deal with some of the foremost issues raised by a gradually deteriorating economic scenario.
For the purposes of the 2013 impairment testing, it was deemed appropriate to maintain the decisions made with respect to the previous financial statements, and thus to consider Pravex Bank and Bank of Alexandria as autonomous, distinct CGUs from the Group's International Subsidiary Banks Division in conducting the impairment test for the consolidated and separate financial statements. However, it bears recalling that the goodwill associated with Pravex Bank and Bank of Alexandria were fully written down in conjunction with the impairment tests for the 2008 and 2011 financial statements, respectively.
In the Bank of Alexandria's case, the separate assessment of the bank for impairment testing purposes, which will continue until conditions in Egypt have been stabilised, does not affect the Group's intention to support the development of its subsidiary.

Book value of the CGUs

The book value of the CGUs must be determined in a manner consistent with the criterion for estimating their recoverable amount. For a banking business the cash flows generated by a CGU cannot be identified without considering the cash flows deriving from financial assets/liabilities, as these represent the core business. In other words, the recoverable amount of the CGUs is influenced by the aforementioned cash flows and therefore the CGUs' book value must include financial assets/liabilities in accordance with the scope of the recoverable amount estimate process.
Consequently, these assets and liabilities must be properly allocated to the associated CGUs.
On this basis (so-called "equity side"), the book value of Intesa Sanpaolo's CGUs may be determined in terms of contribution to consolidated shareholders' equity including the minority interest.
Thus, the carrying value of the CGUs consisting of companies that belong to a single operating division (Eurizon Capital, Banca Fideuram and International Subsidiary Banks) has been determined by summing the individual book values of each company in the Consolidated financial statements, namely the contribution to consolidated shareholders' equity and corresponding to their equity value, taking into account any goodwill (for which "grossing up" is carried out for minority stakes) and intangibles recorded upon acquisition (net of subsequent amortisation and any write-downs) and the consolidation entries.
With regard to the determination of the book value of the other two divisions (Banca dei Territori and Corporate and Investment Banking), given that especially the Parent Company and other companies contribute to the results of both these divisions, and this contribution is not represented in the accounting information, the overall book value of the CGUs cannot be determined on the basis of book values. As a consequence, the use of management figures was required to make the subdivision following a detailed allocation of the intangibles and goodwill to the two CGUs in accordance with the available accounting data. The operational driver has been identified as the "regulatory capital" determined by the Risk Management Department for each operating division: it represents the capital absorption necessary to handle the types of risk envisaged by the regulatory supervision rules.
In the Bank of Alexandria's case, the CGU's book values are derived from its financial statements, while taking any consolidation entries into account.

The resulting book values already take into account the effects of any impairment of the individual assets, including those relating to intangible assets with a finite life.
In the case of Pravex Bank, the book value was written down by 38 million euro to bring it into line with the consideration of 74 million euro that Intesa Sanpaolo will receive from the sale of 100% of the Ukrainian subsidiary's capital under the agreement of 23 January 2014. Accordingly, value in use was also set at 74 million euro, inasmuch as it is presumed that cash flows will derive primarily from sale rather than continuing use of the asset. Accordingly, in the case of Pravex Bank value in use was not calculated through the discounting of cash flows.
Finally, as mentioned above, the organisational restructuring process took concrete form in 2013, involving a change in the scope of responsibility of the Banca dei Territori and Corporate and Investment Banking CGUs. Specifically, customers with turnover of between 2.5 million euro and 350 million euro and the product companies Leasint, Centro Leasing, Mediofactoring and Centro Factoring were transferred from the Corporate and Investment Banking CGU to the Banca dei Territori CGU. In accordance with IAS 36, the share of goodwill associated with the assets involved in the organisational restructuring was determined, taking account of the changed composition of the CGUs. The analyses conducted resulted in a transfer of goodwill of 51 million euro from the Corporate and Investment Banking CGU to the Banca dei Territori CGU.

The table below provides the book values of the CGUs and the goodwill and brand name allocations to each. The values, determined for impairment testing purposes, take into account the portion of goodwill attributable to minority interests (included in the last column with minority interests).

(millions of euro)

Values / CGU	Value as at 31.12.2013 (prior to impairment test)			
	Book value prior to impairment test	*of which goodwill Group share*	*of which brand name*	*of which minority interests*
Banca dei Territori	24,097	*4,989*	*1,507*	*240*
Corporate and Investment Banking	14,571	*824*	*502*	*162*
Eurizon Capital	1,723	*1,038*	-	-
Banca Fideuram	3,181	*1,002*	*375*	-
International Subsidiary Banks	6,143	*722*	-	*83*
Bank of Alexandria (Egypt)	486	-	-	*97*
Pravex Bank (Ukraine)	74	-	-	-
GROUP TOTAL	**50,275**	***8,575***	***2,384***	***582***

Criteria for estimates of CGUs' value in use

The value in use of CGUs is determined by estimating the present value of future cash flows that may be expected to be generated by the CGUs. These cash flows are normally estimated by using the latest publicly available business plan or, in its absence, through the drawing up by management of an internal forecast plan.
The forecasting period for the analysis usually consists of a maximum of five years. The cash flow of the final year of the forecast is projected in perpetuity (through the use of perpetual return formulae, or, alternatively, temporary return formulae, if it is not realistic to expect the assets subject to measurement to generate positive cash flows over the long term), using an appropriate growth rate "g" for the purposes of the so-called "terminal value." The rate "g" is determined by taking the rate of increase in the gross domestic product of the countries in which the cash flows are generated.
Alternatively, terminal value could be determined on the basis of a final sale or liquidation value.
For the determination of the value in use the cash flows must be discounted at a rate that reflects the present valuations of the time value of money and the asset's specific risks. Specifically, the discount rates to be used must incorporate the present market values with reference to the risk free component and the risk premium associated with the equity component observed over a sufficiently long time period to reflect different market conditions and economic cycles. Also, given the diverse risks of the respective operating areas, different Beta coefficients must be used for each CGU. All the resulting rates have been adjusted to take into account the "Country Risk".
The cash flows produced by the international subsidiaries must be estimated in the currency in which they are generated and translated into euro using the spot exchange rate as at the date of the determination of the value in use.

Cash flow estimates

With regard to calculation of the value in use of CGUs for impairment testing purposes for the 2013 financial statements, the volatility of financial markets and the uncertainties regarding the future macroeconomic environment make the definition of near-term future cash flows from operating activities and the identification of growth rates in order to calculate the Terminal value of CGUs particularly complex.

The medium-term forecast scenario taken as a reference differs from that used in the 2012 financial statements. The differences in question primarily derive from the change in expectations regarding the monetary policy scenario and, above all, the decision to adopt relatively conservative scenario assumptions considering the significant uncertainties that will characterise the performance of the European economy in the coming years.

In contrast to the prospective scenario outlined in early 2013 (and used for impairment tests in the 2012 financial statements), the new scenario, internally developed and supported by the medium-term forecasts of other authoritative institutions, envisages short-term rates remaining at very low levels in 2014 and the following three years. The scenario of growth at or below potential and inflation far from the 2% target represent the main justifications for a scenario of official rates stable at levels near zero until the fourth quarter of 2017. In addition, the European Central Bank is currently indicating that official rates will remain at present or lower levels for an extended period, without excluding further "decisive action," where necessary.

With respect to longer-term rates, it is believed that such an extended period of highly accommodating monetary policy may justify a steeper yield curve if the ECB does not adopt extraordinary measures aimed at combating this tendency.

The macro-economic scenario defined for the period 2014-2017 is based on an outlook of reference for the world economy of moderate expansion during the period considered, with a reversal of the trend in 2014, compared to 2013, due to the recovery of the European economy and the more rapid growth of the U.S. economy, within a framework of slowdown for various emerging economies.

After a modest decline in 2013 (-0.4% yoy), growth in the Eurozone is expected to increase to 1% in 2014. This estimate is currently in line with the consensus average (February 2014 survey) and below the European Commission's forecasts. In 2013 the Italian economy recorded a decrease in GDP of -1.9%, exceeding the projections from one year earlier. A slow recovery is projected for the period 2014-17, with growth rates of just over 0.5% in 2014 and of 1% in the following three years. Such estimates, essentially unchanged compared to one year earlier, do not diverge significantly from the consensus average.

Turning to the scenario for the banking industry, on the basis of historical patterns, the resumption of loan growth is expected to lag a few quarters behind the economic recovery. In addition, the ECB's Asset Quality Review (AQR) and the EBA's stress test will presumably result in increased caution in the supply of credit and a focus on protecting capital, both of which will slow the revival of lending. Even once growth has resumed, the performance of loans to businesses will remain very moderate over the entire plan period due to the combined effect of supply and demand factors. In 2014, loans to households are expected to continue to be affected by the difficulties in the real-estate market, the long impact of austerity measures and unemployment. However, on the supply side the restriction on residential mortgages has come to an end. A slow, modest resumption of growth of loans to households could take place in the second half of 2014, supported by low interest rates, in addition to the recovery of the real-estate market in the years 2015-2017. Over the period ending in 2017, the performance of loans to households will continue to be modest, while remaining slightly stronger than that of loans to businesses.

On the funding side, there has been a shift in composition towards deposits over the past two years, whereas bonds placed with customers have declined sharply. In terms of deposits, in 2013 current accounts resumed growth and the performance of time deposits gradually slowed after a period of rapid development. In 2014, funding is expected to show a marginal average annual change and stronger, yet still moderate, growth at year-end. Growth will be concentrated in deposits, fostered by the limited attractiveness of government bonds for investors due to persistent low yields. Bonds will continue to decline in 2014. Growth is expected to resume in 2015, albeit at a slow, moderate pace, and then to continue in the following years as medium-/long-term loans recover. Over the plan period, the growth rate for customer deposits is expected to continue to outpace that for loans.

Turning to bank rates, in a scenario in which credit access conditions will remain cautious, 2014 is expected to see a substantial stabilisation of loan rates, which will continue throughout the plan period due to the lack of change in the monetary and policy rate framework. The average cost of funding in 2014 will be slightly lower than in the previous year, due above all to the knock-on effect of the reduction that occurred in 2013, as well as to the shift in the composition of the aggregate towards deposits, which are less costly than bonds. On the basis of the assumed monetary rate profile, once there is no more room for cuts to the marginal cost of funding the total average cost is expected to stabilise in the years 2015-17. Driven by the decline in the cost of funding and the robustness of the average rate on outstanding loans, in 2014 the spread between funding and lending rates will be slightly higher on average than the low observed during the two-year period 2012-13. Accordingly, the unit profitability of banking business will remain very modest over the entire plan horizon, far from pre-crisis levels.

The mark-down on on-demand deposits has been in negative territory since spring 2012, and it is expected to remain there for the next three years on the basis of very low Euribor rates. The mark-up, which has been exceptionally high since 2012 and remained so throughout 2013, is expected to contract very slowly and gradually due to persistently high, yet gradually improving, credit risk and the low level of monetary rates. Throughout the entire plan period, the mark-up will remain extremely high from an historical perspective.

Turning to the foreign countries in which ISP subsidiaries operate, in the CEE area GDP growth is expected to come to approximately 1.2% in 2014, up from 0.6% in 2013. Growth prospects are shaped by the strong cyclical performances in Slovakia (2.1%) and Hungary (1.5%), driven by the recovery of manufacturing in core Europe, as well as the continuing recessionary phase in Slovenia (-1.4%). For the remainder of the forecasting period, in the CEE area average growth is expected to increase gradually to approximately 2.2% in 2017, with domestic demand projected to strengthen.The SEE area is expected to continue to show a more robust recovery than the CEE countries, with average GDP growth of approximately 1.8% in 2014 and gradual improvement to 2.8% in 2017. The increase of the forecast for 2014 compared to December (1.6%) was due to a revision of growth prospects, especially in Romania. Within the area, a position of weakness continues to be occupied by Croatia, the only CEE/SEE area nation, apart from Slovenia, that still did not emerge from the recession in 2013.

As the external scenario improves, the economic cycle in Russia is expected to recover in 2014, with GDP growth of 2% (following the slowdown to 1.3% in 2013). GDP growth is expected to accelerate in the following years as well, reaching 3% in 2017.

In Egypt, under the assumption that the domestic political scenario will gradually stabilise following the important political events scheduled for 2014 (presidential and legislative elections), economic growth is expected to benefit from gradually increasing

contributions from investments, exports and services (particularly tourism-related services). In the long term, GDP growth is expected to come to slightly below 5%.
The average inflation rate is still falling in both the CEE area and SEE countries – due to weak domestic demand and, in some cases, the base effect tied to previous increases in indirect taxation – and has been revised downwards in forecasts for 2014, when inflation is expected to come to less than 2% in the three countries with ISP subsidiaries in the CEE area, Croatia and Bosnia, and to less than 3% in the other SEE countries, with the exception of Serbia, where inflation has fallen considerably, coming to slightly above 2% in December 2013 (while showing an annual average rate of 7.9%). In both areas, it is projected that inflationary pressures will intensify throughout the three-year period 2015-17 as economic growth strengthens as forecast.
In Russia inflation is expected to slow down gradually in 2014 from 6.5% in December 2013, while still closing the year above the target level of 5%, due in part to the depreciation of the currency. Inflation is also expected to remain above 5% in the longer term, chiefly as a result of supply-side constraints.
In Egypt, the pressure caused by the depreciation of the currency and food products resulted in a significant increase in inflation, with the annualised rate rising to 11.6% in December 2013. The average inflation rate is expected to be over 10% in the two-year period 2014-15 and then to slow down gradually.
Turning to monetary policy, expansionary policies are expected to continue in the CEE/SEE nations in 2014, with stable or slightly decreasing short-term interest rates. The trend is supported by the phase of economic weakness (especially domestic demand) being experienced by the region, modest inflationary pressures and policy rates that at the international level (in the Euro Area in particular) are expected to remain at extraordinary low levels in 2014 as well. In further detail, an official rate cut is still awaited in Serbia, whereas room for manoeuvre in Hungary and Romania now appears limited, considering the cuts already made early in the year.
Outside the CEE and SEE areas, currency pressures do not leave margins for cuts in Russia, whereas a moderate decline is expected in Egypt due to capital inflows from friendly Arab nations that have mitigated tensions surrounding the country’s currency and public debt financing.
Long-term rates, which continued to fall in the first half of 2013 in nations with ISP subsidiaries due to a decrease in the risk premium, then began to rise once more. Despite the expected decline in the risk premium component, the rise of long-term interest rates is projected to continue in 2014 and the medium term as liquidity and monetary rates return to neutral conditions.
The tensions that have arisen in recent months on international equity and bond markets (particularly in emerging nations) have been reflected in exchange rates, with depreciation pressure on the currencies of countries in the positions of greatest financial vulnerability with flexible exchange systems, as well as on the reserves of countries with non-floating exchange systems. In 2014 exchange rates are expected to remain essentially stable in the CEE/SEE countries. By contrast, exchange rates are expected to stabilise around their current values in Egypt and Russia.
Turning to banking aggregates and rates, supply and demand factors are holding back lending performance in CEE/SEE nations with Intesa Sanpaolo Group subsidiaries. Loan volumes are projected to decline in 2014 in all area countries (with the exception of Slovakia and Bosnia) in nominal terms (and all the more so in real terms). During the 2014-17 forecast period, banking aggregates are expected to recover, while remaining below nominal GDP overall.
In 2013 the average (unweighted) profile of loans to the private sector showed a decline in real terms of 5.3% in the CEE countries and of 2.1% in the SEE countries.
In Russia, loan performance remained robust in 2013 (+17%); in Egypt, while improving slightly in nominal terms to 8% in 2014 (from an estimated 7.7% in 2013), loan performance remains negative in real terms.
Deposit performance is expected to improve overall in ISP countries in the CEE/SEE area, with unweighted average growth of 2.7% in 2014 compared to an estimated 3.6% in 2013 – modest, yet stronger overall than loan performance in 2014 as well. Deposits are projected to slow slightly down in Russia and Egypt.
The performance of interest rates on loans and deposits will be affected by changes in market interest rates and liquidity conditions, while following a trend of moderate growth overall (not in Serbia and Egypt).

The following tables present the forecasts of the main macro-economic indicators used.

(%)

Italy	2013	2014	2015	2016	2017
REAL ECONOMY					
Real GDP Italy	-1.9	0.5	1.1	1.3	1.1
Consumer prices Italy	1.2	1.3	1.5	1.4	2.0
Period-end ECB rate	0.25	0.25	0.25	0.25	0.50
3 month Euribor rate	0.22	0.21	0.26	0.35	0.47
BANKING SECTOR					
Loans	-1.8	-1.5	1.0	1.7	2.0
Direct customer deposits	0.6	0.2	2.6	3.0	3.1
Average customer spread	2.00	2.16	2.15	2.16	2.15
Mutual funds	15.9	8.8	6.5	6.3	6.1
Portfolio management	3.2	3.7	3.7	3.9	3.9
Life technical reserves	6.1	6.1	6.8	6.6	6.0

(%)

Values	Countries	Albania	Bosnia -Hercegovina	Croatia	Serbia	Slovenia	Slovak Republic	Hungary	Romania	Russia	Egypt	Ukraine
2013	Real GDP	1.0	0.4	-0.9	2.4	-1.8	0.9	1.1	3.2	1.3	1.7	n.a.
	Inflation	1.9	0.0	2.2	7.9	1.9	1.5	1.7	4.0	6.7	9.5	n.a.
	Increase in loans	-2.5	2.5	-2.5	-4.5	-16.0	3.5	-3.5	-3.4	17.0	7.7	n.a.
	Increase in deposits	2.5	9.6	4.0	3.5	-1.0	4.8	-1.0	6.5	16.0	14.0	n.a.
	Loan interest rates	9.9	n.a.	9.2	18.3	3.5	5.2	6.5	10.6	9.5	12.3	n.a.
	Deposit interest rates	4.3	n.a.	1.5	9.3	1.7	1.1	3.8	4.6	5.6	7.8	n.a.
2014	Real GDP	2.0	1.5	0.0	1.0	-1.4	2.1	1.5	2.6	2.0	3.0	n.a.
	Inflation	2.0	0.6	1.5	4.5	1.6	0.6	1.5	2.5	5.8	10.5	n.a.
	Increase in loans	2.0	3.0	0.0	0.0	-5.0	4.5	-2.9	2.0	12.3	8.0	n.a.
	Increase in deposits	4.0	5.0	2.7	1.5	0.5	3.0	-0.2	5.2	11.0	12.5	n.a.
	Loan interest rates	8.6	n.a.	9.0	16.5	3.5	5.1	5.0	9.0	9.2	11.8	n.a.
	Deposit interest rates	3.0	n.a.	1.3	7.8	1.7	1.0	2.4	3.4	5.2	7.3	n.a.
2015	Real GDP	2.5	2.0	1.0	1.8	0.5	2.4	1.8	2.8	2.5	4.0	n.a.
	Inflation	2.5	1.2	2.4	5.0	2.0	2.2	2.5	3.0	5.6	10.0	n.a.
	Increase in loans	3.0	3.5	2.5	1.5	-0.5	5.0	-1.5	3.0	12.0	8.2	n.a.
	Increase in deposits	4.5	5.2	3.5	2.0	1.0	4.0	1.0	5.4	11.2	11.5	n.a.
	Loan interest rates	8.7	n.a.	9.1	15.5	3.6	5.1	5.2	9.1	9.3	11.2	n.a.
	Deposit interest rates	3.1	n.a.	1.4	6.9	1.8	1.1	2.6	3.5	5.3	6.7	n.a.
2016	Real GDP	2.7	2.5	2.0	2.0	1.0	2.7	2.0	3.0	2.8	4.5	n.a.
	Inflation	3.0	2.0	2.5	4.8	2.1	2.5	2.8	2.7	5.5	9.5	n.a.
	Increase in loans	4.2	4.0	3.5	2.0	1.0	5.2	0.5	4.0	11.8	8.3	n.a.
	Increase in deposits	5.4	5.5	3.7	2.0	2.0	4.2	2.5	5.7	11.5	11.0	n.a.
	Loan interest rates	8.8	n.a.	9.1	14.4	3.9	5.2	5.3	9.1	9.4	11.0	n.a.
	Deposit interest rates	3.2	n.a.	1.4	6.4	2.0	1.2	2.7	3.5	5.4	6.4	n.a.
2017	Real GDP	2.8	2.7	2.3	2.5	1.5	2.8	2.1	3.1	3.0	4.7	n.a.
	Inflation	3.0	2.5	2.5	4.5	2.2	2.5	3.0	2.5	5.3	9.0	n.a.
	Increase in loans	5.0	5.0	4.2	3.0	2.0	5.5	1.5	4.5	11.5	8.4	n.a.
	Increase in deposits	5.6	5.8	4.5	3.0	2.5	4.5	2.8	5.8	11.8	10.5	n.a.
	Loan interest rates	9.0	n.a.	9.2	13.5	4.1	5.3	5.5	9.2	9.5	10.8	n.a.
	Deposit interest rates	3.4	n.a.	1.5	5.8	2.1	1.3	2.9	3.6	5.5	6.2	n.a.

The various CGUs' expected cash flows were estimated by following a two-stage assessment process.
For the first forecast period, i.e. the four-year period 2014-2017, use was made of the individual estimates extrapolated from the 2014-2017 New Business Plan, approved by the Management Board on 27 March 2014. Those projections, following the required logic for the performance of impairment tests, were prepared on the basis of the macro-economic assumptions illustrated above and take account, on the one hand, of a scenario of low short-term interest rates and, on the other, a resumption of industrial production growth, albeit at a modest rate, with positive impacts in terms of a reduction of the cost of credit.
The net income projected for the forecast years of the long-term plan has been adjusted, in accordance with IAS 36, to take account of non-monetary components and the minority-interest share of net income, as well as to exclude the effects of any reorganisation and restructuring transactions. In addition, cash flows include those allocated to the various CGU's deriving from central corporate assets. In accordance with the equity-side approach mentioned above in relation to the determination of the carrying values of CGUs, the cash flows used for impairment testing include the flows correlated with financial assets and liabilities, given that these represent the company's core business.
Among various financial valuation techniques, the value of a company at the end of the flow forecast period, the so-called Terminal value is normally determined by infinite compounding, at an appropriate "g" rate, of the cash flow achievable under normal conditions. This rate, even if subject to time variations, may be assumed to be constant or decreasing (or increasing in rarer circumstances).
As an alternative to the Terminal value estimation methodology, legal provisions also envisage (i) the exit multiple approach and (ii) the approach based on an estimation of the liquidation value of the company. Specifically, with regard to approach (i) it should be mentioned that an exit multiple estimate has complex (and potentially subjective) elements that become even more marked at times of market uncertainty and volatility such as now. Approach (ii) is valid only for companies due to be wound up on termination of the forecasting period, and therefore not applicable with a view to a business as a going concern.
In the decisions to be taken with regard to the criteria for extrapolating cash flows beyond the forecasting period, account must be taken of the market context in which the prospective scenario is being determined.
In the case of the impairment test as at 31 December 2013, in a manner consistent with the period of time covered by the business plan, and given the difficulty inherent in developing longer-term forecasts, the final year of the forecasting period (2017) was deemed a cash flow "under normal conditions" and was thus projected into perpetuity on the basis of the growth factors described below, for the purposes of Terminal value.
The "g" rate was estimated, as a general rule, on the basis of the average 2008-2017 growth rate for the nominal GDP of the countries in which each CGU (or component of the International Subsidiary Banks CGU) operates.
In further detail, nominal GDP is the sum of the real GDP growth rate and the inflation rate. Each component has been calculated as the average for the period 2008-2017.
The decision made in terms of observation period for the growth rates, considering the current particular macroeconomic situation, calls for specific consideration.
Real GDP dynamics have been negative or only marginally positive in most countries in which Intesa Sanpaolo operates in recent years due to the economic crisis. A turnaround from the current scenario of macroeconomic crisis is expected already in 2014, very gradually resulting in a process of growth in the following years.
In order to consider both the entire period of crisis experienced, beginning in 2008, and the prospects of an economic recovery

beginning in 2014, the growth rate for estimating Terminal value was calculated as the average GDP rates for the 2008-2017 period, inasmuch as this period was deemed sufficiently extensive to include and thus average a period of severe crisis and a prospective period of a return to a scenario of economic growth.
The inclusion in the observation period of the final figures for the years from 2008 (which still did not fully show the consequences of the economic crisis) to 2013, as well as the reasonably estimable forecast values for the period 2014-2017, allows a balance to be struck between the previous observation assumptions and a reasonably prudent average rate to be determined.
Expected real GDP and inflation figures used to calculate "g" rate were drawn from forecasts prepared by the Intesa Sanpaolo Research Department for the 2014-2017 Business Plan.
In particular:
– for the "Italian" CGUs (Banca dei Territori, Corporate and Investment Banking, Eurizon Capital and Banca Fideuram), the "g" rate was determined in reference to Italy;
– for each country of operation of the International Subsidiary Banks CGU, "g" was measured in reference to each country;
– for Bank of Alexandria, "g" was determined in specific reference to Egypt.

The above applies as a general rule inasmuch as certain targeted corrective measures were required for certain countries, given the presence of particular situations. Specifically:
– Italy, Croatia and Slovenia present a negative value for their average real growth rate for the period 2008-2017. Since the "g" rate is used to determine Terminal value, it was considered realistic and rational not to assume negative real growth to be projected infinitely. Accordingly, for Italian CGUs, for calculation purposes, real growth was assumed to be zero and the "g" rate thus corresponded with the average increase in inflation for the period 2008-2017.
– for certain foreign countries, the "g" rate, calculated as the 2008-2017 average, was found to exceed the growth rate for the last year of analytical forecasting of GDP (2017); for these countries, a "g" rate equal to the estimated nominal growth rate in 2017 was assumed on a prudential basis.

In addition, as a further element of caution, for each CGU comparisons were made between nominal growth rates, calculated as described above, and the net income growth rates in the final year of the business plan (2017 growth rate); for the International Subsidiary Banks CGU, this analysis related to each bank within the CGU. The lesser of the two values compared was used for the purposes of determining the "g" growth rate for the projection of Terminal value.

Cash flow discounting rates

For the determination of the value in use the cash flows must be discounted at a rate that reflects the present market valuations, the time value of money and the asset's specific risks.
In practice, the first characteristic (current market conditions) translates into the calculation of all benchmarks based on the latest available information as at the reference date of the estimate, so as to best take into account the current market assessments. The second characteristic (consistency between risks/flows and rates) must follow the specificity of flows used for impairment testing of the CGUs. This rate (in its various components) must therefore be decided by observing the specific nature of flows used to assess each CGU, in order to maintain coherence and consistency with the flows. Specifically, consistency becomes important with regard to inflation, country risk and other risk factors that, according to IAS 36, may be expressed in the flows or rate. It is important to point out that a characteristic common to all CGUs recording goodwill (and, in general, intangibles with an indefinite life) is the long-term perspective of flows used to estimate the CGU value in use. In fact, by its very nature goodwill has an indefinite useful life, and therefore future cash flows are normally infinitely projectable.
This long term perspective should be reflected in all discounting rate benchmarks by means of the appropriate selection of each, in such a way that they express normalised conditions in the long term.
The discounting rate should normally include the cost of the various sources of funding of the asset to be assessed, in other words the equity cost and debt cost (i.e. WACC, weighted average capital cost). However, in the case of a banking entity, it is estimated according to an equity-side approach, that is to say by considering only the cost of equity capital (Ke), in a manner consistent with the methods for determining cash flows, which, as stated above, include those deriving from financial assets and liabilities.
The cost of capital is determined using the Capital Asset Pricing Model (CAPM). Based on this model the cost of capital is calculated as the sum of risk-free rate and a risk premium, in turn dependent on the specific risks implicit in the business activities (i.e. both business segment risk and country risk).
The cost of capital is determined net of taxes, in order to ensure consistency with the discounted cash flows.
As the various CGUs of the Intesa Sanpaolo Group operate in different business segments and with different risk factors, the specific costs of capital of each CGU were identified.
It should be noted that since cash flows were determined in nominal terms discounting rates were also determined in nominal terms, meaning that they incorporate inflation expectations.

Entering into the details of the various components that contribute to the determination of discounting rates, it may be remarked that:
– the risk-free component was determined using the December 2013 yield on ten-year German government bonds (and 30-year securities for international banks that operate in countries that in recent years have shown GDP growth rates considerably in excess of those reported in mature countries);
– the equity risk premium – represented by the difference between stock market yield and the Return on Investment on risk-free securities determined in reference to a sufficiently wide time horizon – was calculated on the basis of historical data, given its higher degree of reliability and visibility and also in the light of the current macroeconomic context, which reflects particularly volatile stock market prices generally not representative of economic "fundamentals," while also creating a framework of uncertainty within which it is difficult to formulate reliable forecasts of results in order to estimate the equity risk premium implicit in stock market quotations. Specifically, the geometric mean for the equity risk premium was used, recorded on the US market for the period 1928-2013, adjusted for the differential between the US inflation rate and the German inflation rate (the market used as the basis for risk-free calculation);
– the Beta coefficient, which measures the specific degree of risk of an individual company or business sector, was calculated by identifying a sample of companies, comparable in business terms, for each CGU, and with reference to this sample the median Beta figure used was that recorded on a monthly basis over a five-year period;
– the country risk premium was considered separately to the risk-free component in order to gain a clearer picture of this specific component of the risk factors which, especially for certain countries in which the Group operates, is of particular

importance. This component was determined on the basis of historical data by taking account of two factors: (i) the differential between the historic Return on Investment (ROI) of government securities in the country to which the country risk premium refers, and the ROI on government securities issued in a risk-free country; (ii) adjustment of the premium estimated under (i) considering the higher degree of stock market risk in government securities issued in the country concerned. This component is measured as a ratio of stock market volatility (expressed in terms of standard deviation) and the volatility of the government securities market of the country to which the country risk refers. In this way, the country risk premium is expressed in the prospective terms of an investor in the stock market of the country considered. In the case of Italy in particular, in previous impairment tests starting in 2010 it was prudentially decided to consider the spread between Italian government securities and German government securities observed in December of the reporting year, considering the performances of the yields of Italian and German government securities. In 2013 the stabilisation of the crisis and the first signs of an economic recovery resulted in a significant decrease of the spread between Italian and German government securities, and the average for December 2013 was lower than the country risk premium determined on the basis of historical figures. Accordingly, in contrast to the practice in impairment tests conducted in previous years, this latter value was prudentially taken as the "country risk" for Italy.

The discounting rates, as well as the "g" growth rates, determined in real terms were corrected to nominal values by adding an appropriate inflation rate to them. This rate was determined country by country, using average inflation rates for the period 2008-2017.

Summary of growth rates and discounting rates used

The following table presents a summary for each CGU of the parameters relevant to determining value in use: weighted average 2014-2017 growth rates, the "g" growth rates for Terminal value purposes, the various discounting rates and inflation rates.

Rates/ parameters CGU	Nominal growth rates for 2014 - 2017	Nominal discounting rates		Growth rates "g" over the long term		Inflation rates 2013
		2013	2012	2013	2012	
Banca dei Territori	108.26%	10.21%	9.08%	1.89%	2.28%	1.89%
Corporate and Investment Banking	16.47%	11.21%	10.90%	1.89%	2.28%	1.89%
Eurizon Capital	9.88%	11.30%	10.51%	1.89%	2.28%	1.89%
Banca Fideuram	8.59%	10.10%	9.86%	1.89%	2.28%	1.89%
International Subsidiary Banks (1)	45.96%	12.56% (2)	11.99%	3.45% (3)	5.46%	3.10% (4)
Bank of Alexandria (Egypt)	16.04%	31.75%	25.68%	11.11%	15.21%	10.64%
Pravex Bank (Ukraine)	n.a.	n.a.	24.72%	n.a.	10.43%	n.a.
Weighted average rate	**56.25%**	**10.96%**	**10.16%**	**2.11%**	**2.81%**	**n.m.**

(1) Weighted average rates.

(2) The discounting rates applied for the various international subsidiaries as at 31 December 2013 were as follows: Intesa Sanpaolo Bank Albania (Albania) 16.76%, Banka Koper (Slovenia) 12.46%, Banca Intesa Beograd (Serbia) 21.92%, CIB (Ungheria) 13.89%, Intesa Sanpaolo Romania S.A Commercial Bank (Romania) 14.27%, Banca Intesa ZAO (Russia) 18.90%, PBZ (Croazia) 11.37%, Intesa Sanpaolo Banka Bosna Hercegovina (Bosnia) 19.10%, VUB (Slovacchia) 10.53%.

(3) The growth rates "g" applied for the various international subsidiaries as at 31 December 2013 were as follows: Intesa Sanpaolo Bank Albania (Albania) 5.83%, Banka Koper (Slovenia) 2.32%, Banca Intesa Beograd (Serbia) 7.11%, CIB (Ungheria) 3.97%, Intesa Sanpaolo Romania S.A Commercial Bank (Romania) 5.68%, Banca Intesa ZAO (Russia) 8.46%, PBZ (Croazia) 2.63%, Intesa Sanpaolo Banka Bosna Hercegovina (Bosnia) 2.96%, VUB (Slovacchia) 3.26%.

(4) The inflation rates applied for the various international subsidiaries as at 31 December 2013 were as follows: Intesa Sanpaolo Bank Albania (Albania) 2.71%, Banka Koper (Slovenia) 2.32%, Banca Intesa Beograd (Serbia) 7.21%, CIB (Ungheria) 3.62%, Intesa Sanpaolo Romania S.A Commercial Bank (Romania) 4.34%, Banca Intesa ZAO (Russia) 7.47%, PBZ (Croazia) 2.63%, Intesa Sanpaolo Banka Bosna Hercegovina (Bosnia) 2.13%, VUB (Slovacchia) 2.26%.

Impairment testing results

Due to the negative effects of the current economic scenario on expected cash flows in the near and medium term as a result of the current economic environment, expected interest rate performance and increase in discounting rates, the results of impairment tests indicated a need to recognise impairment of intangible assets with indefinite useful lives for the Banca dei Territori, Corporate and Investment Banking, and International Subsidiary Banks CGUs. In contrast, Banca Fideuram and Eurizon Capital CGUs did not appear to need impairment as their values in use as at 31 December 2013 were found to be higher than the respective carrying values. In accordance with IAS 36, impairment losses were initially allocated to goodwill, up to the difference between value in use and book value and, where this was not sufficient, to the brand name. Such a need was only found to apply in the case of the Corporate and Investment Banking CGU.

The following table presents a breakdown of such adjustments.

(millions of euro)

Values / CGU	Value as at 31 December 2013							
	Book value prior to impairment test (*)	Goodwill prior to impairment test (*)	Brand name prior to impairment test	Impairment		Book value post impairment test (*)	Goodwill post impairment test (*)	Brand name post impairment test
				Goodwill	Brand name			
Banca dei Territori	23,857	4,989	1,507	-3,130	-	20,727	1,859	1,507
Banking	14,409	824	502	-824	-502	13,083	-	-
Eurizon Capital	1,723	1,038	-	-	-	1,723	1,038	-
Banca Fideuram	3,181	1,002	375	-	-	3,181	1,002	375
International Subsidiary Banks	6,060	722	-	-722	-	5,338	-	-
Bank of Alexandria (Egypt)	389	-	-	-	-	389	-	-
Pravex Bank (Ukraine)	74	-	-	-	-	74	-	-
TOTAL	**49,693**	**8,575**	**2,384**	**-4,676**	**-502**	**44,515**	**3,899**	**1,882**

(*) Net of minority interests.

The values in use calculated were slightly higher than the market values, i.e., the security's price quotation, and thus market capitalisation, as well as the target price estimates recently published by investment firms and financial analysts. In further detail, net book value per share of 2.75 euro following the aforementioned impairment losses falls within the upper part of the range (between 2.0 and 2.8 euro) of the values presented in the most recent reports by financial analysts.
In any event, it bears observing that market valuations have different characteristics from the "fundamental" assessment represented by value in use.
The following may be observed regarding the valuations expressed by financial analysts:
– the prospective income flows for the years 2014 and 2015 forecast by analysts were higher on average than the flows considered for the purposes of the impairment test;
– the cost of capital used (where this parameter is explicitly stated) is often determined in overall terms at the Group level and generally at values slightly below the average value determined for the purposes of value in use for impairment tests; where the Group's valuation is prepared according to the sum-of-the-parts method, and thus separately for each operating division, values are generally lower than those used for the impairment tests for all CGUs. In the case of the foreign segment, comparison is difficult because the values are never open for the various foreign countries. Consequently, it is not possible to engage in further considerations regarding the differences, inasmuch as the analysts' documents do not present the criteria followed in determining those rates;
– the growth rates used for the purposes of Terminal value, where explicitly stated, were lower than those used in impairment testing;
– from the methodological standpoint, use was primarily made of multiples (in terms of P/E or ROE) applied to current market quotations or expected profitability for 2014 or 2015; these are thus methods that provide a fair value, rather than a long-term value in use.

It bears observing that the valuations in question were intended for financial investors and thus aimed to determine prices and values in the short term.
The price of Intesa Sanpaolo stock, while recovering, is impacted by the conditions of financial markets, and of the Italian financial markets in particular, which generally remain depressed, while the valuations of analysts, aimed at financial investors and therefore geared toward an estimate of expected prices and values over the short term, place greater emphasis on the current economic situation which, however, particularly penalises Italy (also as a result of its high public debt) and the banking sector. These valuations represent the value potentially obtainable from sale on the market of limited amounts of securities, i.e. the disposal of a minority interest, and are therefore closely pegged to prices and to current market conditions.
Conversely, the value in use is based on the consideration that the value of an asset is a direct expression of the cash flows it is able to generate throughout the period of its use. This value is thus also based on the internal expectations of the company, as opposed to market valuations, which are instead based on the short-term expectations of the market itself.

Finally, it is believed that impairment tests must be performed with the awareness of the fact that, although financial and monetary markets are in the process of returning to normality, the current crisis will continue to have a deep impact on expected short- and medium-term cash flows from operating activities, without however affecting the Intesa Sanpaolo Group's primary sources of income and competitive edges. In consideration of such factors, value in use is considered to be a better expression of the recoverable value of the Group's operating activities in the current market situation because it takes account of projections of moderate growth expected in the medium term.
Accordingly, in developing the valuation model, caution was applied both when estimating projected cash flows and choosing financial parameters:
– expected cash flows do not take account of any effects of future re-organisational measures, except as regards the effects of actions already initiated in 2013;
– expected cash flows take into account the full attribution to CGUs of the financial effects of the services provided by the Corporate Centre;
– the cost of capital was determined analytically, based on market parameters gathered for each CGU according to the various risk levels of the respective businesses, considering the various risk factors analytically as well; furthermore, the average weighted value obtained is largely consistent with the cost of capital of Intesa Sanpaolo expressed by the market and slightly above with the average rates used by investment houses in the most recent reports on Intesa Sanpaolo stock;
– the "g" rate, for the purpose of Terminal value for Italy, which represents the Group's main business area has been set at zero in real terms.

The parameters and information used to test the recoverability of intangible assets with indefinite useful lives are significantly influenced by the macroeconomic environment and financial market trends, which might undergo changes that cannot be predicted at the present time. If in the future the macroeconomic scenario should deteriorate with respect to assumptions, this would have effects on the estimate of the various CGUs' cash flows and on the main assumptions adopted, which could yield results in the financial statements of the coming years different from those outlined in these financial statements.

Sensitivity analyses
Since the value in use is determined by using estimates and assumptions that may contain some level of uncertainty, sensitivity analyses to verify the sensitivity of the results obtained to changes in the parameters and in the underlying hypotheses were carried out, as required by the IFRS.
In particular, for CGUs that present residual values of intangibles with indefinite useful lives, the impact on the value in use of an increase in discounting rates of up to 100 bps and a decrease in the growth rate for Terminal value purposes of up to 50 bps was verified. In addition, analyses were conducted of changes in the value in use resulting from a decrease in the cash flows used for Terminal value purposes.
The table below illustrates the sensitivity (in percentage terms) of the value in use of the CGUs that present residual intangible assets with indefinite useful lives to changes in the "g" rate or discounting rate of -/+10 basis points, as well as a reduction in the cash flows used for Terminal value purposes of 10%.

Sensitivity / CGU	Change in value in use		
	Sensitivity to growth rate "g" - 10 bps	Sensitivity to discount rate + 10 bps	Sensitivity to Terminal value cash flows - 10%
Banca dei Territori	-1.13%	-1.36%	-8.80%
Eurizon Capital	-0.81%	-1.00%	-7.02%
Banca Fideuram	-0.95%	-1.16%	-7.33%

In the case of the Banca dei Territori CGU, a 10% decrease in the Terminal value, a 10 bps decrease in the "g" growth rate or a 10 bps increase in the discounting rate would entail additional impairment losses of 1,835, 236 and 283 million euro, respectively. In the cases of the Eurizon Capital and Banca Fideuram CGUs, the resulting values in use would not be less than the carrying amounts.
The extremely penalising adoption of discounting rates above 100 bps or "g" growth rates below 50 bps (and thus negative in real terms for Italy) would entail greater impairment losses for the Banca dei Territori CGU of 2,550 and 1,126 million euro, respectively.
In other stress testing, with respect to the Eurizon Capital and Banca Fideuram CGUs, not subject to impairment losses, analyses were performed with the aim of determining the limits for the main inputs, beyond which impairment testing of the CGUs would require the recognition of impairment. For the above CGUs, the following table presents the "g" growth rates and discounting rates for each CGU that would result in a value in use in line with its carrying amounts, assuming equal cash flows to be discounted.

Sensitivity / CGU	Growth rate "g"	Difference with respect to rate "g" used	Discount rate	Difference with respect to discount rate used
Eurizon Capital	-2.60%	-449 bps	14.61%	331 bps
Banca Fideuram	-5.25%	-714 bps	15.23%	513 bps

SECTION 14 – TAX ASSETS AND LIABILITIES – CAPTION 140 OF ASSETS AND CAPTION 80 OF LIABILITIES

14.1 Deferred tax assets: breakdown

Deferred tax assets, recognised with regard to deductible temporary differences, totalled 10,979 million euro, of which 10,246 million refers to taxes recorded through profit and loss and 733 million euro for taxes with a balancing entry under shareholders' equity.
The first of these amounts refers to tax losses brought forward, to the portion of tax benefits not offset in relation to adjustments to loans deductible in future years, to provisions for risks and charges, and to the benefit from realignment of the taxable value of goodwill, trademarks and other intangible assets pursuant to Article 15, par. 10, of Law Decree 185/2008 and Law Decree 98/11. Deferred tax assets recorded as a balancing entry under shareholders' equity almost exclusively refer to tax on negative valuation reserves for financial assets available for sale and cash flow hedges.

14.2 Deferred tax liabilities: breakdown

Deferred tax liabilities amounted to 1,339 million euro and the balancing entry is mostly in the income statement (1,021 million euro) as well as in shareholders' equity (318 million euro).

14.3 Changes in deferred tax assets (through profit and loss)

(millions of euro)

	31.12.2013	Of which: Banking group	Of which: Insurance companies	Of which: Other companies	31.12.2012
1. Initial amount	**8,900**	*8,739*	*161*	-	**9,651**
2. Increases	**2,538**	*2,467*	*71*	-	**1,541**
2.1 Deferred tax assets recognised in the period	2,294	*2,238*	*56*	-	1,154
a) related to previous years	*49*	*49*	-	-	*46*
b) due to changes in accounting criteria	-	-	-	-	-
c) value recoveries	-	-	-	-	*3*
d) other	*2,245*	*2,189*	*56*	-	*1,105*
2.2 New taxes or tax rate increases	-	-	-	-	-
2.3 Other increases	244	*229*	*15*	-	378
2.4 Business combinations	-	-	-	-	9
3. Decreases	**-1,192**	*-1,145*	*-47*	-	**-2,292**
3.1 Deferred tax assets eliminated in the period	-986	*-939*	*-47*	-	-832
a) reversals	*-793*	*-785*	*-8*	-	*-541*
b) write-offs	*-40*	*-40*	-	-	*-37*
c) due to changes in accounting criteria	-	-	-	-	-
d) other	*-153*	*-114*	*-39*	-	*-254*
3.2 Tax rate reductions	-	-	-	-	-1
3.3 Other decreases	-206	*-206*	-	-	-1,459
a) changes into tax credits pursuant to Law no. 214/2011	*-72*	*-72*	-	-	*-905*
b) other	*-134*	*-134*	-	-	*-554*
3.4 Business combinations	-	-	-	-	-
4. Final amount	**10,246**	*10,061*	*185*	-	**8,900**

Other increases recorded under point 2.3 mainly include the reversal of netting performed in the previous year.
Other decreases as per point 3.3 essentially include netting performed during the year between deferred tax assets and liabilities.

Other decreases a) changes into tax credits pursuant to Law no. 214/2011 refers to the deferred tax assets pursuant to Law no. 214/2011 deriving from Adjustments to loans deductible in future years and Goodwill, trademarks and other intangibles transformed into tax credits equal in amount to the product of the loss for the year recognised in the financial statements of the consolidated companies as at 31 December 2012 and the ratio of deferred tax assets to the sum of share capital and reserves presented in the aforementioned financial statements, as also shown in the following detail table.

14.3.1 Changes in deferred tax assets eligible for transformation into tax credits (through profit and loss) (Law no. 214/2011)

(millions of euro)

	31.12.2013	Of which: Banking group	Of which: Insurance companies	Of which: Other companies	31.12.2012
1. Initial amount	**5,984**	*5,982*	*2*	-	**6,511**
2. Increases	**2,961**	*2,951*	*10*	-	**562**
3. Decreases	**-301**	*-301*	-	-	**-1,089**
3.1 Reversals	-180	*-180*	-	-	-144
3.2 Changes into tax credits	-72	*-72*	-	-	-905
a) from losses for the year	*-72*	*-72*	-	-	*-905*
b) from fiscal losses	-	-	-	-	-
3.3 Other decreases	-49	*-49*	-	-	-40
4. Final amount	**8,644**	*8,632*	*12*	-	**5,984**

14.4 Changes in deferred tax liabilities (through profit and loss)

(millions of euro)

	31.12.2013	Of which: Banking group	Of which: Insurance companies	Of which: Other companies	31.12.2012
1. Initial amount	**1,636**	*1,301*	*333*	*2*	**2,195**
2. Increases	**288**	*239*	*49*	*-*	**524**
2.1 Deferred tax liabilities recognised in the period	37	*4*	*33*	-	167
a) related to previous years	*4*	*4*	*-*	*-*	*1*
b) due to changes in accounting criteria	*-*	*-*	*-*	*-*	*-*
c) other	*33*	*-*	*33*	*-*	*166*
2.2 New taxes or tax rate increases	-	-	-	-	-
2.3 Other increases	251	*235*	*16*	-	352
2.4 Business combinations	-	-	-	-	5
3. Decreases	**-903**	*-843*	*-58*	*-2*	**-1,083**
3.1 Deferred tax liabilities eliminated in the period	-753	*-695*	*-58*	-	-741
a) reversals	*-332*	*-317*	*-15*	*-*	*-306*
b) due to changes in accounting criteria	*-*	*-*	*-*	*-*	*-*
c) other	*-421*	*-378*	*-43*	*-*	*-435*
3.2 Tax rate reductions	-	-	-	-	-
3.3 Other decreases	-150	*-148*	-	*-2*	-342
3.4 Business combinations	-	-	-	-	-
4. Final amount	**1,021**	*697*	*324*	*-*	**1,636**

Other increases recorded under point 2.3 mainly include the reversal of netting performed in the previous year.
Other decreases as per point 3.3 essentially include netting performed during the year between deferred tax assets and liabilities.

14.5 Changes in deferred tax assets (recorded in equity)

(millions of euro)

	31.12.2013	Of which: Banking group	Of which: Insurance companies	Of which: Other companies	31.12.2012
1. Initial amount	**1,043**	*1,018*	*25*	*-*	**2,728**
2. Increases	**88**	*76*	*12*	*-*	**544**
2.1 Deferred tax assets recognised in the period	79	*67*	*12*	-	467
a) related to previous years	*-*	*-*	*-*	*-*	*-*
b) due to changes in accounting criteria	*-*	*-*	*-*	*-*	*-*
c) other	*79*	*67*	*12*	*-*	*467*
2.2 New taxes or tax rate increases	-	-	-	-	-
2.3 Other increases	9	*9*	-	-	77
2.4 Business combinations	-	-	-	-	-
3. Decreases	**-398**	*-398*	*-*	*-*	**-2,229**
3.1 Deferred tax assets eliminated in the period	-395	*-395*	-	-	-2,221
a) reversals	*-322*	*-322*	*-*	*-*	*-290*
b) write-offs	*-*	*-*	*-*	*-*	*-*
c) due to changes in accounting criteria	*-*	*-*	*-*	*-*	*-350*
d) other	*-73*	*-73*	*-*	*-*	*-1,581*
3.2 Tax rate reductions	-	-	-	-	-1
3.3 Other decreases	-3	*-3*	-	-	-7
3.4 Business combinations	-	-	-	-	-
4. Final amount	**733**	*696*	*37*	*-*	**1,043**

14.6 Changes in deferred tax liabilities (recorded in equity)

(millions of euro)

	31.12.2013	Of which: Banking group	Of which: Insurance companies	Of which: Other companies	31.12.2012
1. Initial amount	**241**	*102*	*139*	-	**1,180**
2. Increases	**168**	*92*	*76*	-	**297**
2.1 Deferred tax liabilities recognised in the period	153	*78*	*75*	-	293
a) related to previous years	-	-	-	-	-
b) due to changes in accounting criteria	-	-	-	-	-
c) other	*153*	*78*	*75*	-	*293*
2.2 New taxes or tax rate increases	-	-	-	-	-
2.3 Other increases	15	*14*	*1*	-	4
2.4 Business combinations	-	-	-	-	-
3. Decreases	**-91**	*-78*	*-13*	-	**-1,236**
3.1 Deferred tax liabilities eliminated in the period	-89	*-76*	*-13*	-	-1,145
a) reversals	*-14*	*-14*	-	-	*-9*
b) due to changes in accounting criteria	-	-	-	-	-
c) other	*-75*	*-62*	*-13*	-	*-1,136*
3.2 Tax rate reductions	-	-	-	-	-1
3.3 Other decreases	-2	*-2*	-	-	-90
3.4 Business combinations	-	-	-	-	-
4. Final amount	**318**	*116*	*202*	-	**241**

Probability test on deferred taxation

IAS 12 requires that deferred tax assets and liabilities be recognised according to the following criteria:

– taxable temporary differences: a deferred tax liability must be recognised for all taxable temporary differences;
– deductible temporary differences: a deferred tax asset must be recognised for all deductible temporary differences to the extent that it is probable that taxable income will be available against which the deductible temporary difference can be utilised. Deferred tax assets not recognised in a given year - inasmuch as the requirements for recognition have not been met - must be recognised during the year in which those requirements are met.

The book value of deferred tax assets must therefore be tested each year to determine whether it is reasonably certain that taxable income will be earned in the future and thus that the deferred tax assets may be recovered.

Given the significant amount of deferred tax assets carried among the Group's assets, including in the 2013 financial statements, as for previous financial statements, an analysis was conducted to verify projections of future profitability sufficient to ensure the recovery of those deferred tax assets and thus justify recognising and continuing to carrying them (a procedure known as a "probability test").

In conducting the probability test for the deferred tax assets carried in the Group's financial statements as at 31 December 2013, as in the case of the 2011 and 2012 financial statements, assets arising from temporary deductible differences associated with impairment losses on loans, goodwill and other intangible assets with indefinite useful lives ("eligible deferred tax assets" and "eligible temporary differences") were considered separately. In this regard, it bears noting that effective the tax period ended 31 December 2011 deferred tax assets (for corporate income tax or IRES) recognised to account for tax losses due to the deferred deduction of eligible temporary differences are eligible for conversion into tax credits (article 2, paragraph 56-*bis*, of Law Decree 225 of 29 December 2010, introduced by article 9 of Law Decree 201 of 6 December 2011). Effective the 2013 tax period, a similar conversion is allowed where the regional business tax (IRAP) return shows a negative net production value in relation to deferred tax assets (IRAP) that refer to eligible temporary differences that have contributed to determining the negative net production value (article 2, paragraph 56-*bis*, of Law Decree 225 of 29 December 2010, introduced by Law 147/2013). The above conversion processes – which are in addition to that already envisaged for cases in which the separate financial statements show a loss for the year (article 2, paragraphs 55 and 56, of Law Decree 225/2010, as most recently amended by Law 147/2013) – have introduced an additional, supplementary recovery method suited to ensuring the recovery of eligible deferred tax assets in all situations, regardless of the company's future profitability. If in a given year there are surplus eligible temporary differences with respect to taxable income or net production value, the recovery of deferred tax assets takes the form not of a decrease in current taxes, but rather the recognition of deferred tax assets on the tax loss or the negative net production value, convertible into tax credits pursuant to article 2, paragraphs 56-bis and 56-*bis*.1, of Law Decree 225/2010. The convertibility of deferred tax assets on tax losses and negative net production values that result from eligible temporary differences is therefore a sufficient condition for the recognition of eligible deferred tax assets, effectively resulting in implicit passage of the associated probability test. This arrangement is also borne out by the joint Bank of Italy, Consob and ISVAP document no. 5 of 15 May 2012 (issued in the context of the Coordination Board for the application of IAS/IFRS) concerning the "Accounting treatment of deferred tax assets deriving from Law 214/2011" and the subsequent IAS ABI document no. 112 of 31 May 2012 ("Tax credits deriving from the transformation of deferred tax assets: clarification from the Bank of Italy, Consob and ISVAP regarding the application of IAS/IFRS").

On this basis, the test consisted of:

a) identifying deferred tax assets, other than those associated with impairment losses on loans, goodwill and other intangible assets with indefinite useful lives ("ineligible deferred tax assets") carried in the consolidated financial statements;
b) analysing such ineligible deferred tax assets and the deferred tax liabilities carried in the consolidated financial statements, distinguishing them by type of origin and thus by foreseeable recovery timing;

c) provisionally determining the amount of the Group's future earnings in order to verify its ability to recover the recognised deferred tax assets set forth in point a) above.

The detailed analysis set out in points b) and c) was not required for deferred tax assets (and thus deferred tax liabilities) recognised for the purposes of regional production tax, inasmuch as almost all of these met the requirements for prospective certain use within the meaning of article 2, paragraph 56-bis.1, of Law Decree 225/2010.

The analysis conducted indicated a taxable base that was more than sufficient and adequate to allow recovery of the deferred tax assets carried in the financial statements as at 31 December 2013.

SECTION 15 - NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS AND RELATED LIABILITIES - CAPTION 150 OF ASSETS AND CAPTION 90 OF LIABILITIES

15.1 Non-current assets held for sale and discontinued operations: breakdown by type of asset

(millions of euro)

	31.12.2013	Of which: Banking group	Of which: Insurance companies	Of which: Other companies	31.12.2012
A. Non-current assets held for sale					
A.1 Financial assets	-	-	-	-	-
A.2 Investments in associates and companies subject to joint control	79	*79*	-	-	-
A.3 Property and equipment	29	*29*	-	-	25
A.4 Intangible assets	-	-	-	-	-
A.5 Other	-	-	-	-	-
Total A	**108**	*108*	-	-	**25**
of which cost	**108**	*108*	-	-	**25**
of which Fair value Level 1	-	-	-	-	-
of which Fair value Level 2	-	-	-	-	-
of which Fair value Level 3	-	-	-	-	-
B. Discontinued operations					
B.1 Financial assets held for trading	-	-	-	-	-
B.2 Financial assets designated at fair value through profit and loss	-	-	-	-	-
B.3 Financial assets available for sale	-	-	-	-	-
B.4 Investments held to maturity	-	-	-	-	-
B.5 Due from banks	-	-	-	-	-
B.6 Loans to customers	-	-	-	-	-
B.7 Investments in associates and companies subject to joint control	-	-	-	-	-
B.8 Property and equipment	-	-	-	-	-
B.9 Intangible assets	-	-	-	-	-
B.10 Other	-	-	-	-	-
Total B	-	-	-	-	-
of which cost	-	-	-	-	-
of which Fair value Level 1	-	-	-	-	-
of which Fair value Level 2	-	-	-	-	-
of which Fair value Level 3	-	-	-	-	-
C. Liabilities associated with non-current assets held for sale					
C.1 Debts	-	-	-	-	-
C.2 Securities	-	-	-	-	-
C.3 Other	-	-	-	-	-
Total C	-	-	-	-	-
of which cost	-	-	-	-	-
of which Fair value Level 1	-	-	-	-	-
of which Fair value Level 2	-	-	-	-	-
of which Fair value Level 3	-	-	-	-	-
D. Liabilities associated with discontinued operations					
D.1 Due to banks	-	-	-	-	-
D.2 Due to customers	-	-	-	-	-
D.3 Securities issued	-	-	-	-	-
D.4 Financial liabilities held for trading	-	-	-	-	-
D.5 Financial liabilities designated at fair value through profit and loss	-	-	-	-	-
D.6 Allowances	-	-	-	-	-
D.7 Other	-	-	-	-	-
Total D	-	-	-	-	-
of which cost	-	-	-	-	-
of which Fair value Level 1	-	-	-	-	-
of which Fair value Level 2	-	-	-	-	-
of which Fair value Level 3	-	-	-	-	-

The caption includes real-estate assets to be sold in the near future by Cassa di Risparmio del Veneto and banks belonging to the Cassa di Risparmio di Firenze Group and the equity investment SIA S.p.A.

15.2 Other information

There is no other significant information to note as at 31 December 2013.

15.3 Information on companies subject to significant influence not carried at equity

As at 31 December 2013, there were no investments in companies subject to significant influence not carried at equity and classified as held for sale.

SECTION 16 – OTHER ASSETS – CAPTION 160

16.1 Other assets: breakdown

(millions of euro)

	Total	*Of which:*		
		Banking group	*Insurance companies*	*Other companies*
Amounts to be debited - under processing	1,494	*1,492*	*2*	-
Amounts due from tax authorities relating to insurance business	1,188	-	*1,188*	-
Amounts to be debited - deriving from securities transactions	712	*698*	*14*	-
Assets originating from financial leases and loan recovery	373	*87*	-	*286*
Leasehold improvements	133	*131*	-	*2*
Checks and other instruments held	128	*128*	-	-
Transit items	88	*88*	-	-
Other	3,793	*3,241*	*545*	*7*
TOTAL 31.12.2013	**7,909**	***5,865***	***1,749***	***295***
TOTAL 31.12.2012	**8,364**	***6,336***	***1,701***	***327***

LIABILITIES

SECTION 1 – DUE TO BANKS – CAPTION 10

1.1 Due to banks: breakdown

(millions of euro)

	31.12.2013	Of which:			31.12.2012
		Banking group	*Insurance companies*	*Other companies*	
1. Due to Central Banks	**26,385**	***26,385***	***-***	***-***	**43,668**
2. Due to banks	**25,859**	***25,829***	***1***	***29***	**29,684**
2.1 Current accounts and deposits	4,094	*4,065*	*-*	*29*	5,787
2.2 Time deposits	5,316	*5,316*	*-*	*-*	5,311
2.3 Loans	15,970	*15,969*	*1*	*-*	18,058
2.3.1 Repurchase agreements	*6,386*	*6,386*	*-*	*-*	*8,344*
2.3.2 Other	*9,584*	*9,583*	*1*	*-*	*9,714*
2.4 Debts for commitments to repurchase own equity instruments	456	*456*	*-*	*-*	500
2.5 Other debts	23	*23*	*-*	*-*	28
TOTAL (Book value)	**52,244**	***52,214***	***1***	***29***	**73,352**
Fair value - Level 1	528	***528***	*-*	*-*	
Fair value - Level 2	33,319	***33,318***	*1*	*-*	
Fair value - Level 3	17,894	***17,865***	*-*	***29***	
TOTAL (fair value)	**51,741**	*51,711*	*1*	*29*	**72,373**

The fair value is indicated only where required by specific instructions from the Bank of Italy.

The illustration of the criteria to determine fair value is contained in Part A – Accounting policies.
Repurchase agreements related to assets sold not derecognised are detailed in Part E - Section C.2.
The amount under Debts for commitments to repurchase own equity instruments refers to put options sold with minority stakes of fully consolidated equity investments as underlying asset, mainly attributable to:

- Put & Call Agreement to purchase 20.88% of Privredna Banka Zagreb for a total of approximately 227 million euro;
- Put & Call Agreement to purchase 9.75% of Bank of Alexandria for a total of approximately 143 million euro;
- Put & Call Agreement to purchase the remaining 13.25% of Banca Intesa Zao for a total of approximately 86 million euro.

The repurchase agreements presented in the table include long-term repurchase transactions with a total carrying amount of 1,108 million euro, of which 652 million euro is attributable to the Parent Company, relating to the various cases described below.
The first of these cases involves de-risking transactions finalised in previous years with the twofold aim of funding the Group's operations (through repurchase transactions), on the one hand, and of reducing credit risks associated with the portfolio of securities issued (through the acquisition of financial guarantees), on the other.
The repurchase transactions, with a carrying amount of 692 million euro (of which 237 million euro attributable to the Parent Company) have as their underlying a non-replaceable portfolio of Italian government securities (with maturities from 2019 to 2033) and, in the case of the Parent Company, securities issued by local and public corporate entities of Eurozone nations (with maturities from 2015 to 2018), hedged against interest rate risk through IRS (asset swap) contracts, already present in the financial statements at the time of execution of the repurchase transactions and recognised among financial assets available for sale and, in the case of the Parent Company, among loans to customers. The maturity and nominal value coincide with those of the securities; the financial guarantees have a shorter duration than the maturity of the underlying securities.
The second case involves amortising transactions with a book value of 129 million euro and total duration of approximately 4 years. These transactions, entirely attributable to the Parent Company, were finalised in previous years in the context of public finance activity and consisting of medium-/long-term repurchase agreements aimed at funding the purchase of securities issued by Italian regions (BOR). These transactions have been undertaken with various counterparties and have maturities that correspond to those of the securities purchased. In addition, an IRS hedging against interest rate risk has also been entered into between the parties. Lastly, the Bank has provided additional collateral for the counterparty.
Considering that it is collateralised, this form of medium-/long-term funding has allowed the Bank to obtain a better net return on its investments in securities than it would have obtained by relying upon other forms of financing with the same time horizon but unsupported by the same guarantee structure.
In the interest of thoroughness, we report the third case, consisting of long-term repurchase agreements with a book value of 286 million euro (entirely attributable to the Parent Company), entered into with the sole purpose of procuring new funding

and entered into by using securities already present in portfolio as the underlying, chiefly loans to customers (already hedged against interest-rate risk by IRS contracts). The maturities of the repurchase agreements (to 2017) are in some cases equal to the maturities of the underlying securities. In all cases, securities sold not derecognised may be replaced.

For recognition purposes, an assessment was conducted on the aims underlying the set of contractual agreements, taking account of the instructions provided by the supervisory authorities in Bank of Italy/Consob/IVASS Document No. 6 of 8 March 2013, "Accounting treatment of 'long-term structured repurchase agreements'."

The analysis focused on the structure, cash flows and risks associated with the transactions in order to verify whether the cases described above may be considered similar to the long-term structured repurchase agreements described in the above Document, and whether, for the purposes of observance of the principle of the prevalence of substance over form, the indicators presented in IAS 39, Guidance on Implementing, paragraph B.6, according to which the substance of a transaction may be considered essentially similar to that of a derivative contract, and, in particular, a credit default swap, were present.

With respect to the first case, the repurchase agreements were not concurrent with the purchases of the securities and execution of the interest rate swaps, inasmuch as the securities and derivative instruments were already present in the portfolio. In addition, the securities were purchased from and the derivatives entered into with market counterparties other than those with which the repurchase agreements were entered into.

With respect to the second case, although the repurchase agreements were concurrent with the purchases of the securities and execution of the interest rate swaps, those agreements were entered into with different counterparties and, in some cases, for nominal values lower than those of the securities.

Lastly, with respect to the third case, the specific purpose for which they were undertaken, demonstrated by the replaceability of the securities underlying the repurchase agreements, excludes a correlation between the various phases and differentiates the transactions from those described in the above-mentioned Document. The securities had already been recognised and the counterparties with which the transactions were undertaken were different.

Consequently, in all cases the analysis shows elements of differentiation from the long-term structured repurchase agreements described in the aforementioned Document and grounds for the inapplicability of the guidelines envisaged in IAS 39, Guidance on Implementing, paragraph B.6. All of the transactions relating to the cases described above have therefore been recognised, considering the individual contractual components separately.

1.2 Breakdown of caption 10 Due to banks: subordinated debts

There are no subordinated debts as at 31 December 2013.

1.3 Breakdown of caption 10 Due to banks: structured debts

There are no structured debts as at 31 December 2013.

1.4 Due to banks with specific hedges

As at 31 December 2013, debts with fair value hedges against interest rate risk amounted to 271 million euro.

1.5 Financial lease payables

There are no financial lease payables due to banks as at 31 December 2013.

SECTION 2 – DUE TO CUSTOMERS – CAPTION 20

2.1 Due to customers: breakdown

(millions of euro)

	31.12.2013	Of which:			31.12.2012
		Banking group	*Insurance companies*	*Other companies*	
1. Current accounts and deposits	149,345	*149,345*	-	-	146,307
2. Time deposits	54,075	*54,075*	-	-	48,352
3. Loans	21,050	*21,050*	-	-	18,092
3.1 Repurchase agreements	*15,633*	*15,633*	-	-	*14,414*
3.2 Other	*5,417*	*5,417*	-	-	*3,678*
4. Debts for commitments to repurchase own equity instruments	340	*340*	-	-	455
5. Other debts	4,080	*4,048*	*32*	-	4,845
TOTAL (Book value)	**228,890**	***228,858***	***32***	-	**218,051**
Fair value - Level 1	299	***267***	***32***	-	
Fair value - Level 2	190,806	***190,806***	-	-	
Fair value - Level 3	37,791	***37,791***	-	-	
TOTAL (fair value)	**228,896**	*228,864*	*32*	-	**218,029**

The illustration of the criteria to determine fair value is contained in Part A – Accounting policies.

Repurchase agreements related to assets sold not derecognised are detailed in Part E - Section C.2.

The amount under Debts for commitments to repurchase own equity instruments refers to put options sold with minority stakes of fully consolidated equity investments as underlying asset, mainly attributable to:

– Put & Call Agreement to purchase the remaining 10.26% of Cassa di Risparmio di Firenze for a total of approximately 168 million euro;
– Put & Call Agreement to purchase 16.52% of Cassa di Risparmio di Pistoia for a total of approximately 85 million euro;
– Put & Call Agreement to purchase the remaining 7.00% of Banca Intesa a.d. Beograd for a total of approximately 42 million euro.

2.2 Breakdown of caption 20 Due to customers: subordinated debts

As at 31 December 2013, the amount under Due to customers included subordinated debts of 11 million euro.

2.3 Breakdown of caption 20 Due to customers: structured debts

There are no structured debts as at 31 December 2013.

2.4 Due to customers with specific hedges

As at 31 December 2013, debts with specific hedges included under Due to customers are immaterial.

2.5 Financial lease payables

As at 31 December 2013, financial lease payables included under Due to customers are immaterial.

SECTION 3 – SECURITIES ISSUED - CAPTION 30

3.1 Securities issued: breakdown

(millions of euro)

	31.12.2013				31.12.2012			
	Book value	Fair value			Book value	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
Securities								
1. bonds	131,810	61,395	70,917	360	149,837	56,004	89,698	144
1.1 structured	*23,991*	*6,536*	*16,966*	*12*	*28,980*	*5,811*	*21,847*	*13*
1.2 other	*107,819*	*54,859*	*53,951*	*348*	*120,857*	*50,193*	*67,851*	*131*
2. other	6,241	-	5,032	1,209	9,470	-	8,250	1,220
2.1 structured	-	-	-	-	-	-	-	-
2.2 other	*6,241*	-	*5,032*	*1,209*	*9,470*	-	*8,250*	*1,220*
TOTAL	**138,051**	**61,395**	**75,949**	**1,569**	**159,307**	**56,004**	**97,948**	**1,364**

Embedded derivatives that have satisfied the conditions set forth by IAS 39 as at their issue date for separation from the host contract as at 31 December 2013 have a negative fair value of 730 million euro.
The illustration of the criteria to determine fair value is contained in Part A – Accounting policies.

3.1 Of which Banking group

(millions of euro)

	31.12.2013				31.12.2012			
	Book value	Fair value			Book value	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
Securities								
1. bonds	131,056	61,395	70,099	262	149,837	56,004	89,698	144
1.1 structured	*23,991*	*6,536*	*16,966*	*12*	*28,980*	*5,811*	*21,847*	*13*
1.2 other	*107,065*	*54,859*	*53,133*	*250*	*120,857*	*50,193*	*67,851*	*131*
2. other	5,962	-	4,753	1,209	9,288	-	8,068	1,220
2.1 structured	-	-	-	-	-	-	-	-
2.2 other	*5,962*	-	*4,753*	*1,209*	*9,288*	-	*8,068*	*1,220*
TOTAL	**137,018**	**61,395**	**74,852**	**1,471**	**159,125**	**56,004**	**97,766**	**1,364**

3.1 Of which Insurance companies

As at 31 December 2013, insurance companies accounted for 502 million euro, relating entirely to other bonds (fair value 664 million euro).

3.1 Of which Other companies

(millions of euro)

	31.12.2013				31.12.2012			
	Book value	Fair value			Book value	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
Securities								
1. bonds	252	-	212	40	-	-	-	-
1.1 structured	-	-	-	-	-	-	-	-
1.2 other	*252*	-	*212*	*40*	-	-	-	-
2. other	279	-	279	-	182	-	182	-
2.1 structured	-	-	-	-	-	-	-	-
2.2 other	*279*	-	*279*	-	*182*	-	*182*	-
TOTAL	**531**	**-**	**491**	**40**	**182**	**-**	**182**	**-**

3.2 Breakdown of caption 30 Securities issued: subordinated securities

The complete list of subordinated securities eligible for regulatory purposes is presented in Part F – Information on capital. The amount of subordinated securities included under Securities issued totalled 13,582 million euro.

3.3 Breakdown of caption 30 Securities issued: securities with specific hedges

(millions of euro)

	31.12.2013	31.12.2012
1. Securities with specific fair value hedges	**106,774**	**119,349**
a) Interest rate risk	104,502	117,877
b) Foreign exchange risk	-	-
c) Various risks	2,272	1,472
2. Securities with specific cash flow hedges	**214**	**237**
a) Interest rate risk	214	237
b) Foreign exchange risk	-	-
c) Other	-	-
TOTAL	**106,988**	**119,586**

SECTION 4 – FINANCIAL LIABILITIES HELD FOR TRADING – CAPTION 40

4.1 Financial liabilities held for trading: breakdown

(millions of euro)

	31.12.2013					31.12.2012				
	Nominal or notional value	Fair value			Fair value (*)	Nominal or notional value	Fair value			Fair value (*)
		Level 1	Level 2	Level 3			Level 1	Level 2	Level 3	
A. CASH LIABILITIES										
1. Due to banks	**2,705**	**2,926**	**3**	**-**	**2,929**	**2,219**	**2,509**	**1**	**-**	**2,510**
2. Due to customers	**107**	**107**	**-**	**-**	**107**	**529**	**533**	**-**	**-**	**533**
3. Debt securities	**-**	**-**	**-**	**-**	**X**	**-**	**-**	**-**	**-**	**X**
3.1 Bonds	-	-	-	-	X	-	-	-	-	X
3.1.1 structured	-	-	-	-	*X*	-	-	-	-	*X*
3.1.2 other bonds	-	-	-	-	*X*	-	-	-	-	*X*
3.2 Other	-	-	-	-	X	-	-	-	-	X
3.2.1 structured	-	-	-	-	*X*	-	-	-	-	*X*
3.2.2 other	-	-	-	-	*X*	-	-	-	-	*X*
Total A	**2,812**	**3,033**	**3**	**-**	**3,036**	**2,748**	**3,042**	**1**	**-**	**3,043**
B. DERIVATIVES										
1. Financial derivatives	**X**	**3,975**	**30,107**	**406**	**X**	**X**	**2,210**	**44,371**	**577**	**X**
1.1 Trading	X	3,974	29,373	275	X	X	2,186	43,886	484	X
1.2 Fair value option	X	1	-	35	X	X	24	-	-	X
1.3 Other	X	-	734	96	X	X	-	485	93	X
2. Credit derivatives	**X**	**72**	**1,643**	**29**	**X**	**X**	**83**	**1,828**	**83**	**X**
2.1 Trading	X	72	1,643	29	X	X	83	1,828	83	X
2.2 Fair value option	X	-	-	-	X	X	-	-	-	X
2.3 Other	X	-	-	-	X	X	-	-	-	X
Total B	**X**	**4,047**	**31,750**	**435**	**X**	**X**	**2,293**	**46,199**	**660**	**X**
TOTAL (A+B)	**X**	**7,080**	**31,753**	**435**	**X**	**X**	**5,335**	**46,200**	**660**	**X**

(*) Fair value calculated excluding changes in creditworthiness of the issuer after issue date.

4.1 Of which Banking group

(millions of euro)

	31.12.2013					31.12.2012				
	Nominal or notional value	Fair value			Fair value (*)	Nominal or notional value	Fair value			Fair value (*)
		Level 1	Level 2	Level 3			Level 1	Level 2	Level 3	
A. CASH LIABILITIES										
1. Due to banks	**2,705**	**2,926**	**3**	**-**	**2,929**	**2,219**	**2,509**	**1**	**-**	**2,510**
2. Due to customers	**107**	**107**	**-**	**-**	**107**	**529**	**533**	**-**	**-**	**533**
3. Debt securities	**-**	**-**	**-**	**-**	**X**	**-**	**-**	**-**	**-**	**X**
3.1 Bonds	-	-	-	-	X	-	-	-	-	X
3.1.1 structured	-	-	-	-	*X*	-	-	-	-	*X*
3.1.2 other bonds	-	-	-	-	*X*	-	-	-	-	*X*
3.2 Other	-	-	-	-	X	-	-	-	-	X
3.2.1 structured	-	-	-	-	*X*	-	-	-	-	*X*
3.2.2 other	-	-	-	-	*X*	-	-	-	-	*X*
Total A	**2,812**	**3,033**	**3**	**-**	**3,036**	**2,748**	**3,042**	**1**	**-**	**3,043**
B. DERIVATIVES										
1. Financial derivatives	**X**	**3,959**	**29,863**	**371**	**X**	**X**	**2,181**	**44,344**	**577**	**X**
1.1 Trading	X	3,959	29,129	275	X	X	2,181	43,862	484	X
1.2 Fair value option	X	-	-	-	X	X	-	-	-	X
1.3 Other	X	-	734	96	X	X	-	482	93	X
2. Credit derivatives	**X**	**26**	**1,637**	**29**	**X**	**X**	**62**	**1,826**	**83**	**X**
2.1 Trading	X	26	1,637	29	X	X	62	1,826	83	X
2.2 Fair value option	X	-	-	-	X	X	-	-	-	X
2.3 Other	X	-	-	-	X	X	-	-	-	X
Total B	**X**	**3,985**	**31,500**	**400**	**X**	**X**	**2,243**	**46,170**	**660**	**X**
TOTAL (A+B)	**X**	**7,018**	**31,503**	**400**	**X**	**X**	**5,285**	**46,171**	**660**	**X**

(*) Fair value calculated excluding changes in creditworthiness of the issuer after issue date.

A.1 Due to banks and A.2 Due to customers include short selling.
B.1 Financial derivatives includes protected-capital securitised derivatives (certificates) amounting to 5,616 million euro; at the end of 2012, these amounted to 3,054 million euro.

4.1 Of which Insurance companies

(millions of euro)

	31.12.2013					31.12.2012				
	Nominal or notional value	Fair value			Fair value (*)	Nominal or notional value	Fair value			Fair value (*)
		Level 1	Level 2	Level 3			Level 1	Level 2	Level 3	
A. CASH LIABILITIES										
1. Due to banks	-	-	-	-	-	-	-	-	-	-
2. Due to customers	-	-	-	-	-	-	-	-	-	-
3. Debt securities	-	-	-	-	**X**	-	-	-	-	**X**
3.1 Bonds	-	-	-	-	X	-	-	-	-	X
3.1.1 structured	-	-	-	-	*X*	-	-	-	-	*X*
3.1.2 other bonds	-	-	-	-	*X*	-	-	-	-	*X*
3.2 Other	-	-	-	-	X	-	-	-	-	X
3.2.1 structured	-	-	-	-	*X*	-	-	-	-	*X*
3.2.2 other	-	-	-	-	*X*	-	-	-	-	*X*
Total A	-	-	-	-	-	-	-	-	-	-
B. DERIVATIVES										
1. Financial derivatives	**X**	**16**	**244**	**35**	**X**	**X**	**29**	**27**	**-**	**X**
1.1 Trading	X	15	244	-	X	X	5	24	-	X
1.2 Fair value option	X	1	-	35	X	X	24	-	-	X
1.3 Other	X	-	-	-	X	X	-	3	-	X
2. Credit derivatives	**X**	**46**	**6**	**-**	**X**	**X**	**21**	**2**	**-**	**X**
2.1 Trading	X	46	6	-	X	X	21	2	-	X
2.2 Fair value option	X	-	-	-	X	X	-	-	-	X
2.3 Other	X	-	-	-	X	X	-	-	-	X
Total B	**X**	**62**	**250**	**35**	**X**	**X**	**50**	**29**	**-**	**X**
TOTAL (A+B)	**X**	**62**	**250**	**35**	**X**	**X**	**50**	**29**	**-**	**X**

(*) Fair value calculated excluding changes in creditworthiness of the issuer after issue date.

4.2 Breakdown of caption 40 Financial liabilities held for trading: subordinated liabilities

There are no subordinated liabilities classified under Financial liabilities held for trading as at 31 December 2013.

4.3 Breakdown of caption 40 Financial liabilities held for trading: structured debts

The Group has structured debts of 68 million euro classified under Financial liabilities held for trading as at 31 December 2013.

4.4 Financial cash liabilities (excluding “short selling”) held for trading: annual changes

As at 31 December 2013, Financial cash liabilities is almost exclusively made up of short positions.

SECTION 5 – FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT AND LOSS – CAPTION 50

5.1 Financial liabilities designated at fair value: breakdown

(millions of euro)

	31.12.2013					31.12.2012				
	Nominal value	Fair value			Fair value (*)	Nominal value	Fair value			Fair value (*)
		Level 1	Level 2	Level 3			Level 1	Level 2	Level 3	
1.Due to banks	-	-	-	-	-	-	-	-	-	-
1.1 structured	-	-	-	-	*X*	-	-	-	-	*X*
1.2 other	-	-	-	-	*X*	-	-	-	-	*X*
2. Due to customers	30,723	-	30,723	-	30,723	27,038	-	27,038	-	27,038
2.1 structured	-	-	-	-	*X*	-	-	-	-	*X*
2.2 other	*30,723*	-	*30,723*	-	*X*	*27,038*	-	*27,038*	-	*X*
3. Debt securities	10	-	10	-	10	9	-	9	-	9
3.1 structured	-	-	-	-	*X*	-	-	-	-	*X*
3.2 other	*10*	-	*10*	-	*X*	*9*	-	*9*	-	*X*
TOTAL	**30,733**	**-**	**30,733**	**-**	**30,733**	**27,047**	**-**	**27,047**	**-**	**27,047**

(*) Fair value calculated excluding changes in creditworthiness of the issuer after issue date.

5.1 Of which Banking group

(millions of euro)

	31.12.2013					31.12.2012				
	Nominal value	Fair value			Fair value (*)	Nominal value	Fair value			Fair value (*)
		Level 1	Level 2	Level 3			Level 1	Level 2	Level 3	
1.Due to banks	-	-	-	-	-	-	-	-	-	-
1.1 structured	-	-	-	-	X	-	-	-	-	X
1.2 other	-	-	-	-	X	-	-	-	-	X
2. Due to customers	-	-	-	-	-	-	-	-	-	-
2.1 structured	-	-	-	-	X	-	-	-	-	X
2.2 other	-	-	-	-	X	-	-	-	-	X
3. Debt securities	10	-	10	-	10	9	-	9	-	9
3.1 structured	-	-	-	-	X	-	-	-	-	X
3.2 other	*10*	-	*10*	-	X	*9*	-	*9*	-	X
TOTAL	**10**	**-**	**10**	**-**	**10**	**9**	**-**	**9**	**-**	**9**

(*) Fair value calculated excluding changes in creditworthiness of the issuer after issue date.

5.1 Of which Insurance companies

(millions of euro)

	31.12.2013					31.12.2012				
	Nominal value	Fair value			Fair value (*)	Nominal value	Fair value			Fair value (*)
		Level 1	Level 2	Level 3			Level 1	Level 2	Level 3	
1.Due to banks	-	-	-	-	-	-	-	-	-	-
1.1 structured	-	-	-	-	X	-	-	-	-	X
1.2 other	-	-	-	-	X	-	-	-	-	X
2. Due to customers	30,723	-	30,723	-	30,723	27,038	-	27,038	-	27,038
2.1 structured	-	-	-	-	X	-	-	-	-	X
2.2 other	*30,723*	-	*30,723*	-	X	*27,038*	-	*27,038*	-	X
3. Debt securities	-	-	-	-	-	-	-	-	-	-
3.1 structured	-	-	-	-	X	-	-	-	-	X
3.2 other	-	-	-	-	X	-	-	-	-	X
TOTAL	**30,723**	**-**	**30,723**	**-**	**30,723**	**27,038**	**-**	**27,038**	**-**	**27,038**

(*) Fair value calculated excluding changes in creditworthiness of the issuer after issue date.

Liabilities designated at fair value as at 31 December 2013 included amounts collected by the Group's insurance companies through the issuing of mainly financial policies against investments where the risks are borne wholly by subscribers.

5.2 Breakdown of caption 50 Financial liabilities designated at fair value: subordinated liabilities

There are no subordinated liabilities classified under Financial liabilities designated at fair value as at 31 December 2013.

5.3 Financial liabilities designated at fair value: annual changes

(millions of euro)

	Due to banks	Due to customers	Securities issued	Total
A. Initial amount	**-**	**27,038**	**9**	**27,047**
B. Increases	**-**	**8,765**	**1**	**8,766**
B.1 issues	-	7,862	-	**7,862**
B.2 sales	-	-	1	**1**
of which business combinations	-	-	-	-
B.3 positive fair value differences	-	903	-	**903**
B.4 other changes	-	-	-	**-**
C. Decreases	**-**	**-5,080**	**-**	**-5,080**
C.1 purchases	-	-1,192	-	**-1,192**
C.2 reimbursements	-	-3,248	-	**-3,248**
C.3 negative fair value differences	-	-	-	**-**
C.4 other changes	-	-640	-	**-640**
D. Final amount	**-**	**30,723**	**10**	**30,733**

SECTION 6 - HEDGING DERIVATIVES – CAPTION 60

6.1. Hedging derivatives: breakdown by type of hedge and level

(millions of euro)

	Fair value 31.12.2013			Notional value	Fair value 31.12.2012			Notional value
	Level 1	Level 2	Level 3		Level 1	Level 2	Level 3	
A. Financial derivatives	**-**	**7,577**	**13**	**90,020**	**-**	**10,757**	**19**	**102,897**
1. Fair value	-	5,910	13	79,738	-	8,431	19	92,266
2. Cash flows	-	1,667	-	10,282	-	2,326	-	10,631
3. Foreign investments	-	-	-	-	-	-	-	-
B. Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1. Fair value	-	-	-	-	-	-	-	-
2. Cash flows	-	-	-	-	-	-	-	-
TOTAL	**-**	**7,577**	**13**	**90,020**	**-**	**10,757**	**19**	**102,897**

6.1 Of which Banking group

(millions of euro)

	Fair value 31.12.2013			Notional value	Fair value 31.12.2012			Notional value
	Level 1	Level 2	Level 3		Level 1	Level 2	Level 3	
A. Financial derivatives	**-**	**7,571**	**13**	**90,007**	**-**	**10,442**	**19**	**102,344**
1. Fair value	-	5,904	13	79,725	-	8,116	19	91,713
2. Cash flows	-	1,667	-	10,282	-	2,326	-	10,631
3. Foreign investments	-	-	-	-	-	-	-	-
B. Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1. Fair value	-	-	-	-	-	-	-	-
2. Cash flows	-	-	-	-	-	-	-	-
TOTAL	**-**	**7,571**	**13**	**90,007**	**-**	**10,442**	**19**	**102,344**

6.1 Of which Insurance companies

(millions of euro)

	Fair value 31.12.2013			Notional value	Fair value 31.12.2012			Notional value
	Level 1	Level 2	Level 3		Level 1	Level 2	Level 3	
A. Financial derivatives	**-**	**6**	**-**	**13**	**-**	**315**	**-**	**553**
1. Fair value	-	6	-	13	-	315	-	553
2. Cash flows	-	-	-	-	-	-	-	-
3. Foreign investments	-	-	-	-	-	-	-	-
B. Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1. Fair value	-	-	-	-	-	-	-	-
2. Cash flows	-	-	-	-	-	-	-	-
TOTAL	**-**	**6**	**-**	**13**	**-**	**315**	**-**	**553**

6.2. Hedging derivatives: breakdown by hedged portfolio and type of hedge

(millions of euro)

Operations/Type of hedge	Fair value – Specific: interest rate risk	Fair value – Specific: foreign exchange risk	Fair value – Specific: credit risk	Fair value – Specific: price risk	Fair value – Specific: various risks	Fair value: Generic	Cash flow: Specific	Cash flow: Generic	Foreign investm.
1. Financial assets available for sale	1,079	-	-	-	3	X	-	X	X
2. Loans	3,727	-	-	X	119	X	-	X	X
3. Investments held to maturity	X	-	-	X	-	X	-	X	X
4. Portfolio	X	X	X	X	X	31	X	-	X
5. Other transactions	-	-	-	-	-	X	-	X	-
Total assets	**4,806**	**-**	**-**	**-**	**122**	**31**	**-**	**-**	**-**
1. Financial liabilities	846	-	-	X	78	X	6	X	X
2. Portfolio	X	X	X	X	X	40	X	1,661	X
Total liabilities	**846**	**-**	**-**	**-**	**78**	**40**	**6**	**1,661**	**-**
1. Forecast transactions	X	X	X	X	X	X	-	X	X
2. Financial assets and liabilities portfolio	X	X	X	X	X	-	X	-	-

6.2 Of which Banking group

(millions of euro)

Operations/Type of hedge	Fair value – Specific: interest rate risk	Fair value – Specific: foreign exchange risk	Fair value – Specific: credit risk	Fair value – Specific: price risk	Fair value – Specific: various risks	Fair value: Generic	Cash flow: Specific	Cash flow: Generic	Foreign investm.
1. Financial assets available for sale	1,073	-	-	-	3	X	-	X	X
2. Loans	3,727	-	-	X	119	X	-	X	X
3. Investments held to maturity	X	-	-	X	-	X	-	X	X
4. Portfolio	X	X	X	X	X	31	X	-	X
5. Other transactions	-	-	-	-	-	X	-	X	-
Total assets	**4,800**	**-**	**-**	**-**	**122**	**31**	**-**	**-**	**-**
1. Financial liabilities	846	-	-	X	78	X	6	X	X
2. Portfolio	X	X	X	X	X	40	X	1,661	X
Total liabilities	**846**	**-**	**-**	**-**	**78**	**40**	**6**	**1,661**	**-**
1. Forecast transactions	X	X	X	X	X	X	-	X	X
2. Financial assets and liabilities portfolio	X	X	X	X	X	-	X	-	-

The table indicates negative fair values of hedging derivatives, broken down in relation to asset or liability hedged and type of hedge.

These mainly refer to specific fair value hedges of loans disbursed and liabilities issued and generic cash flow hedge derivatives of portfolios of liabilities. These cash flow hedges refer to floating rate securities used to fund fixed rate investments.

There are also generic fair value hedges of core deposits.

6.2 Of which Insurance companies

As at 31 December 2013, 6 million euro was attributable to insurance companies, relating entirely to the fair value hedging of interest rate risk on financial assets available for sale.

SECTION 7 - FAIR VALUE CHANGE OF FINANCIAL LIABILITIES IN HEDGED PORTFOLIOS - CAPTION 70

7.1 Fair value change of financial liabilities in hedged portfolios

(millions of euro)

	31.12.2013	*Of which:*			31.12.2012
		Banking group	*Insurance companies*	*Other companies*	
1. Positive fair value change of financial liabilities	1,057	*1,057*	-	-	1,869
2. Negative fair value change of financial liabilities	-9	*-9*	-	-	-67
TOTAL	**1,048**	*1,048*	-	-	**1,802**

7.2 Financial liabilities hedged by macrohedging of interest rate risk: breakdown

(millions of euro)

	31.12.2013	31.12.2012
1. Debts	-	-
2. Portfolio	34,693	36,564
TOTAL	**34,693**	**36,564**

The balance of the changes in value of liabilities subject to macrohedging (MCH) against interest rate risk is recorded in this caption. Taking advantage of the option that emerged in the definition of the IAS 39 carve out, the Group adopted the abovementioned macrohedging, limited to coverage of core deposits.

SECTION 8 – TAX LIABILITIES – CAPTION 80

For information on this section, see Section 14 of Assets.

SECTION 9 - LIABILITIES ASSOCIATED WITH NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS – CAPTION 90

For information on this section, see Section 15 of Assets.

SECTION 10 – OTHER LIABILITIES – CAPTION 100

10.1 Other liabilities: breakdown

(millions of euro)

	31.12.2013	Of which:		
		Banking group	*Insurance companies*	*Other companies*
Due to suppliers	1,514	*1,476*	*34*	*4*
Amounts due to third parties	265	*265*	-	-
Transit items	64	*64*	-	-
Adjustments for portfolio items to be settled	1,300	*1,300*	-	-
Amounts to be credited and items under processing	1,129	*1,127*	*2*	-
Personnel charges	643	*640*	*3*	-
Due to social security entities	118	*117*	*1*	-
Guarantees given and commitments	552	*552*	-	-
Other items relating to insurance business	2,361	-	*2,361*	-
Due to tax authorities	1,633	*1,166*	*464*	*3*
Other	5,111	*4,409*	*696*	*6*
TOTAL 31.12.2013	**14,690**	***11,116***	***3,561***	***13***
TOTAL 31.12.2012	**18,039**	***11,945***	***6,079***	***15***

SECTION 11 – EMPLOYEE TERMINATION INDEMNITIES – CAPTION 110

11.1 Employee termination indemnities: annual changes

(millions of euro)

	31.12.2013	Of which:			31.12.2012
		Banking group	*Insurance companies*	*Other companies*	
A. Initial amount	**1,354**	***1,350***	***4***	**-**	**1,385**
B. Increases	**161**	***160***	***1***	**-**	**296**
B.1 Provisions in the year	42	*42*	-	-	60
B.2 Other	119	*118*	*1*	-	236
of which business combinations	-	-	-	-	-
C. Decreases	**-174**	***-174***	**-**	**-**	**-327**
C.1 Benefits paid	-83	*-83*	-	-	-205
C.2 Other	-91	*-91*	-	-	-122
of which business combinations	-	-	-	-	-
D. Final amount	**1,341**	***1,336***	***5***	**-**	**1,354**

C.1 refers to benefits paid as at 31 December 2013.
For greater detail on actuarial calculations, see Section 12.3 – Post employment defined benefit plans.

11.2 Other information

The value of employee termination indemnities qualifying as unfunded defined benefit plans totalled 1,341 million euro at the end of 2013, while at the end of 2012 it amounted to 1,354 million euro.

SECTION 12 – ALLOWANCES FOR RISKS AND CHARGES – CAPTION 120

12.1 Allowances for risks and charges: breakdown

(millions of euro)

	31.12.2013	*Of which:*			31.12.2012
		Banking group	*Insurance companies*	*Other companies*	
1. Post employment benefits	**738**	***738***	**-**	**-**	**660**
2. Other allowances for risks and charges	**2,160**	***2,147***	***12***	***1***	**2,939**
2.1 Legal disputes	888	*883*	*5*	-	922
2.2 Personnel charges	486	*481*	*5*	-	1,295
2.3 Other	786	*783*	*2*	*1*	722
TOTAL	**2,898**	***2,885***	***12***	***1***	**3,599**

1 – Post employment benefits include both allowances for defined benefit plans, illustrated in point 12.3 below, and "internal" allowances for defined contribution plans.
The contents of 2 – Other allowances for risks and charges are illustrated in point 12.4 below.

12.2 Allowances for risks and charges: annual changes

(millions of euro)

	Total		*Of which:*					
			Banking group		*Insurance companies*		*Other companies*	
	Post employment benefits	Other allowances	*Post employment benefits*	*Other allowances*	*Post employment benefits*	*Other allowances*	*Post employment benefits*	*Other allowances*
A. Initial amount	**660**	**2,939**	***660***	***2,920***	**-**	***17***	**-**	***2***
B. Increases	**179**	**628**	***179***	***625***	**-**	***3***	**-**	**-**
B.1 Provisions in the year	22	500	*22*	*497*	-	*3*	-	-
B.2 Time value changes	20	25	*20*	*25*	-	-	-	-
B.3 Changes due to discount rate variations	-	1	-	*1*	-	-	-	-
B.4 Other	137	102	*137*	*102*	-	-	-	-
of which business combinations	-	-	-	-	-	-	-	-
C. Decreases	**-101**	**-1,407**	***-101***	***-1,398***	**-**	***-8***	**-**	***-1***
C.1 Uses in the year	-32	-778	*-32*	*-771*	-	*-6*	-	*-1*
C.2 Changes due to discount rate variations	-	-2	-	*-2*	-	-	-	-
C.3 Other	-69	-627	*-69*	*-625*	-	*-2*	-	-
of which business combinations	-	-	-	-	-	-	-	-
D. Final amount	**738**	**2,160**	***738***	***2,147***	**-**	***12***	**-**	***1***

As at 31 December 2013 the variations due to changes in the discounting rate totalled -1 million euro and were attributable to the Parent Company and network banks.

12.3 Post employment defined benefit plans

1. Illustration of the characteristics of the funds and related risks

As already illustrated in Part A – Accounting policies, for defined benefit plans, the liability of the Bank, according to IAS 19 "Employee Benefits", is determined via the "projected unit credit method" by an independent actuary.

The defined benefit plans, in which the companies of the Intesa Sanpaolo Group are co-obliged, can be distinguished in:
- internal supplementary pension funds;
- external supplementary pension funds.

Internal funds include:
- Supplementary pension fund for tax-collection personnel formerly employed by Cariplo: the fund was established in implementation of collective agreements to guarantee the payment of integrations for personnel formerly in service at Cariplo passed to Esatri Esazione Tributi S.p.A. and operates solely via defined benefits in favour of employees already retired as at 31 December 2000. The size of the integration is determined, on the basis of payment criteria and in compliance with the principle of capitalisation, from the conversion of the capital matured by each plan participant at the time of retirement;
- Supplementary pension fund for employees of Mediocredito Lombardo "Trattamento integrativo delle pensioni di legge a favore dei dipendenti del Mediocredito Lombardo": the fund involves all employees of Mediocredito Lombardo S.p.A. in service on 1 January 1967 or employed until 28 April 1993. Starting from 24 April 1993, with the enactment of the Law introducing pension funds (Legislative Decree 124 of 21 April 1993), personnel hired by Mediocredito Lombardo no longer joined this fund. The supplementary pension is determined as the difference between 80% of the last theoretical wage for pension purposes, adjusted to consider if the employee matured or not 35 years of service at the company, and the size of the pension matured according to the law; in any case the supplementary pension may not exceed an amount determined annually. An agreement was signed with Trade Unions in 2006 that set out the transformation of the regime

for beneficiaries in service from "defined benefit" to "defined contribution". For employees in service and so-called "deferred beneficiaries" (who ceased service but have a right to future supplementary benefits) a lump sum has been determined which, based on the options exercised by the beneficiaries, was transferred to supplementary pension funds or collected by beneficiaries. After this transaction, the "employee in service" section was extinguished. The agreement with Trade Unions also provides for a process – still to be activated – destined to propose to pensioners, as an extraordinary measure, one-off payments to liquidate their pension position;

- Supplementary pension fund for top management of Banca Commerciale Italiana "Trattamento pensionistico complementare per i membri della Direzione Centrale della Banca Commerciale Italiana": the fund refers to integrative provisions allocated until a certain date on the basis of an institutive resolution made by the Board of Directors on 30 October 1963 in favour of top management of Banca Commerciale Italiana. The benefit is determined on the basis of a coefficient which is the combination of two parameters, age and period in the specific post. The integration is the difference between the total guaranteed pension treatment (measured by multiplying the coefficient by the annual gross compensation received at the cease of service with the exclusion of any variable components) and the gross annual pension, matured on the basis of the "Assicurazione generale obbligatoria" (AGO), and of "Fondo di Previdenza Integrativo Aziendale". In 2006, following the start of the liquidation of "Fondo pensione per il personale della Banca Commerciale Italiana", the Bank took over the charge corresponding to the difference between the value of the benefit borne by AGO and the higher value of the contractual commitment for the beneficiaries requesting liquidation;
- Three defined benefit plans in force at the London branch, relating to the former Cariplo, Banca Commerciale Italiana and Banco Ambrosiano Veneto branches. The private pension funds have been set up by the UK employers to integrate the levels of the local state pension, which has always been very low. The London branches of Banca Commerciale Italiana, Cariplo and Banco Ambrosiano Veneto set up defined benefit plans for their employees at the time of their opening, under the form of Trusts incorporated under English law and managed by Boards of Trustees, appointed partly by the employers and partly by beneficiaries. Such funds are operational for employees hired until the end of 1999 for Banco Ambrosiano Veneto and Cariplo and until the end of 2000 for Banca Commerciale Italiana. In general, all funds guarantee a pension payable when the beneficiary turns 65 and the benefit is determined, with different rules for the various funds, on the basis of the annual gross wage received in the last year of service;
- Funds recognised by the former Casse del Centro (Supplementary INPS benefits fund for employees of CR Città di Castello, Supplementary INPS benefits fund for employees of CR Foligno, Company supplementary pension AGO fund for employees of CR Spoleto, Supplementary/complementary pension fund for the mandatory pension for employees of CR Rieti, Pension fund for employees of CR Viterbo and Company supplementary pension fund for employees of CR Ascoli Piceno) operating as a defined benefit for both employees in service as well as retired employees. The purpose of such funds is to integrate the annual pensions paid by INPS to reach a combined total of 75% of the last wage received by each plan participant;
- Supplementary pension fund of Cassa di Risparmio di Mirandola: the fund is recognised by Cassa di Risparmio di Firenze and is a result of the incorporation of Cassa di Risparmio di Mirandola, which took place in 2006;
- Supplementary pension fund of Cassa di Risparmio di Civitavecchia: operates as a defined benefit exclusively for employees who retired prior to 30 June 1999;
- Post-retirement medical plan and other benefits for employees of Bank of Alexandria (Egypt): defined benefit plans providing health coverage and other benefits to employees, even after retirement. The bank is responsible for the costs and risks related to the disbursement of said benefits;
- Defined benefit plans in effect within Banca Intesa Beograd: these are long-term benefits established by the Collective Contract (which refers to provisions of law in the Republic of Serbia) for employees in service to be paid upon termination of employment.

External funds include:

- Supplementary pension fund for employees of Istituto Bancario San Paolo di Torino "Cassa di Previdenza Integrativa per il Personale dell'Istituto Bancario San Paolo di Torino", a fund with legal status, full economic independence and independent asset management;
- Complementary pension fund for the Employees of Banco di Napoli "Fondo di Previdenza Complementare per il Personale del Banco di Napoli – Sezione A", an entity with legal status and independent asset management. The fund includes the following: employees enrolled in the plan and other beneficiaries from former Banco di Napoli; retired employees receiving Supplementary Pension Cheques, formerly the SANPAOLO IMI internal fund; employees of the Cassa di Risparmio di Bologna, formerly enrolled in the Complementary pension fund for the Employees of said Cassa, transferred to the Complementary pension fund for the employees of the Banco di Napoli in 2004; current and retired employees of the Banca Popolare dell'Adriatico, formerly enrolled in the Company pension fund for the employees of the former Banca Popolare dell'Adriatico, transferred to the Fund in question on 30/06/2006; employees of the Cassa di Risparmio di Udine e Pordenone formerly enrolled in the Complementary pension fund of said Cassa, transferred to the fund during 2006; employees of the Cassa di Risparmio di Forlì, formerly enrolled in the Complementary pension fund for the employees of said Cassa, transferred to the mentioned fund as at 01/01/2007; retired employees enrolled in the former Carive internal fund, transferred to that Fund as at 01/01/2008; retired employees of the former CR Firenze FIP internal fund, transferred to the mentioned Fund as at 01/01/2010; retired employees of the Cassa di Risparmio di Terni e Narni internal fund, transferred to the mentioned Fund as at 01/01/2010; retired personnel of the Cassa di Risparmio di Pistoia e Pescia internal fund, transferred to that fund as at 1/09/2012. It is necessary to specify that if the Fund, after approval of the financial statements, shows a technical imbalance according to the statutory method, the Articles of Association envisage immediate settlement by the Banks jointly responsible;
- Pension fund for employees of the former Crediop hired before 30 September 1989, a fund with legal status and full economic independence; Intesa Sanpaolo and Dexia (which are the two banks jointly responsible) must, in the event of an imbalance, proceed to pay the capital necessary to cover the imbalance and, in the event of an insufficient yield, integrate it in an amount commensurate with the difference between actual return and the TUS (official discounting rate);

- Pension fund for the employees of Cariplo, a fund with legal status and full economic independence, whose aim is to guarantee supplementary pension treatment in addition to AGO cheques to former Cariplo employees already retired on 30 June 1998;
- A defined benefit plan at the New York branch: the fund was established in 1977 by the branch of Banca Commerciale Italiana and guarantees a pension treatment to all the employees resident in the United States who have been in service at the Bank for at least 5 years. The benefit is considered to be matured even if the employment relationship ceases in advance. The benefit is calculated on the basis of the highest average wage considering three consecutive years out of the last 10 years of service, or, if the employment relationship ceases before, on the basis of the average wage in the last three years of service. The fund is no longer managed by the New York branch, but has been fully transferred to the Prudential Fund (a defined benefit plan that manages the positions of members);
- Pension fund for employees of the Cassa di Risparmio di Padova e Rovigo – retired employee section. This fund has legal status, full economic independence pursuant to article 12 of the Italian Civil Code and is independently managed;
- Pension fund of Cassa di Risparmio di Firenze: fund with legal status and full economic independence, whose aim is to guarantee supplementary pension treatment to Cassa employees in service as at 31 December 1990 and already enrolled in the former "contracted-out" fund;
- Supplementary pension fund for the personnel of Banca Monte Parma: this is a corporate pension fund for the company's personnel and it is addressed towards all employees of the lending unit, Banks and Pledge sections, in service as at 31 October 1991.

With regard to the investment and integrated risk management policies, the Funds verify the level of coverage and the possible outcomes under various scenarios. For this purpose, various investment configurations and portfolio mixes and allocations are defined, in order to satisfy the pension and profitability objectives as adequately as possible.

2. Changes in the year of net liabilities (assets) with defined benefits and redemption rights

As already illustrated in Part A – Accounting policies, for defined benefit plans, the liability is determined via the "projected unit credit method" and is recorded in the balance sheet net of any plan assets. Moreover, with application of the new revised IAS 19 from 1 January 2013, actuarial profits and losses calculated in the valuation process for the plans are immediately recognised in the statement of comprehensive income and, therefore, in shareholders' equity.

(millions of euro)

Pension plan liabilities defined benefit obligations	31.12.2013			31.12.2012		
	Employee termination indemnities	Internal plans	External plans	Employee termination indemnities	Internal plans	External plans
Initial amount	**1,354**	**282**	**3,246**	**1,385**	**275**	**2,885**
Current service costs	3	3	24	8	3	19
Recognised past service costs	-	-	-	-	-	-
Interest expense	39	13	99	52	17	131
Actuarial losses due to changes in financial assumptions	44	2	51	119	29	461
Actuarial losses due to changes in demographic assumptions	1	6	31	-	-	68
Actuarial losses based on past experience	-	-	162	15	-	20
Positive exchange differences	-	-	-	-	2	-
Increases - business combinations	-	-	-	-	-	-
Participants' contributions	X	-	-	X	-	1
Actuarial profits due to changes in financial assumptions	-	-	-18	-	-11	-
Actuarial profits due to changes in demographic assumptions	-	-1	-145	-32	-	-61
Actuarial profits based on past experience	-19	-7	-7	-5	-	-74
Negative exchange differences	-	-10	-1	-	-7	-
Benefits paid	-83	-13	-206	-201	-15	-215
Decreases - business combinations	-	-	-	-	-	-
Curtailments of the fund	X	-	-	X	-	-
Settlements of the fund	X	-	-	X	-11	-
Other increases	74	-	1	136	1	11
Other decreases	-72	-	-	-123	-1	-
Final amount	**1,341**	**275**	**3,237**	**1,354**	**282**	**3,246**

Liabilities of the defined benefit obligations pension plan	31.12.2013			31.12.2012		
	Employee termination indemnities	Internal plans	External plans	Employee termination indemnities	Internal plans	External plans
Unfunded plans	1,341	49	-	1,354	51	-
Partly funded plans	-	-	-	-	-	-
Wholly funded plans	-	226	3,237	-	231	3,246

3. Information on the fair value of plan assets

The following tables show the changes in plan assets for certain defined benefit plans and their composition.

(millions of euro)

Plan assets	31.12.2013		31.12.2012	
	Internal plans	External plans	Internal plans	External plans
Initial amount	**101**	**2,845**	**92**	**2,771**
Return on assets net of interest	11	45	1	128
Interest income	4	68	5	126
Positive exchange differences	-	-	2	-
Increases - business combinations	-	-	-	-
Employer contributions	3	-	6	-
Participants' contributions	-	-	-	1
Negative exchange differences	-2	-1	-	-
Decreases - business combinations	-	-	-	-
Benefits paid	-4	-206	-5	-216
Curtailments of the fund	-	-	-	-
Settlements of the fund	-	-	-	-
Other changes	-3	-12	-	35
Final amount	**110**	**2,739**	**101**	**2,845**

(millions of euro)

	31.12.2013				31.12.2012			
	Internal plans	%	External plans	%	Internal plans	%	External plans	%
Equities	**49**	**44.6**	**323**	**11.9**	**39**	**38.6**	**290**	**10.3**
- of which level-1 fair value	49		323		-		-	
Mutual funds	**15**	**13.6**	**150**	**5.5**	**13**	**12.9**	**199**	**7.0**
- of which level-1 fair value	15		150		-		-	
Debt securities	**28**	**25.5**	**1,483**	**54.1**	**26**	**25.7**	**1,469**	**51.6**
- of which level-1 fair value	28		1,473		-		-	
Real estate assets and investments in real estat	**5**	**4.5**	**694**	**25.3**	**5**	**5.0**	**740**	**26.0**
- of which level-1 fair value	-		-		-		-	
Insurance business	**2**	**1.8**	**16**	**0.6**	**2**	**2.0**	**15**	**0.5**
- of which level-1 fair value	2		-		-		-	
Other assets	**11**	**10.0**	**73**	**2.6**	**16**	**15.8**	**132**	**4.6**
- of which level-1 fair value	-		-		-		-	
TOTAL ASSETS	**110**	**100.0**	**2,739**	**100.0**	**101**	**100.0**	**2,845**	**100.0**

(millions of euro)

	31.12.2013				31.12.2012			
	Internal plans	%	External plans	%	Internal plans	%	External plans	%
Equities	**49**	**44.6**	**323**	**11.8**	**39**	**38.6**	**290**	**10.2**
- of which financial companies	49		61		39		42	
- of which non financial companies	-		262		-		248	
Mutual funds	**15**	**13.6**	**150**	**5.5**	**13**	**12.9**	**199**	**7.0**
Debt securities	**28**	**25.5**	**1,483**	**54.1**	**26**	**25.7**	**1,469**	**51.7**
Government bonds	-		1,186		-		683	
- of which investment grade	-		*1,178*		-		*683*	
- of which speculative grade	-		*8*		-		-	
Financial companies	19		178		18		701	
- of which investment grade	*19*		*165*		*18*		*694*	
- of which speculative grade	-		*13*		-		*7*	
Non Financial companies	9		119		8		85	
- of which investment grade	*9*		*100*		*8*		*82*	
- of which speculative grade	-		*19*		-		*3*	
Real estate assets and investments in real estate companies	**5**	**4.5**	**694**	**25.3**	**5**	**5.0**	**740**	**26.0**
Insurance business	**2**	**1.8**	**16**	**0.6**	**2**	**2.0**	**15**	**0.5**
Other assets	**11**	**10.0**	**73**	**2.7**	**16**	**15.8**	**132**	**4.6**
TOTAL ASSETS	**110**	**100.0**	**2,739**	**100.0**	**101**	**100.0**	**2,845**	**100.0**

The difference between net defined benefit liabilities (Table 12.3.2) and the plan assets (Table 12.3.3) is recognised in the post employment plans and, in some cases, in other allowances for risks and charges.

4. Description of the main actuarial assumptions
The table below indicates the actuarial assumptions and interest rates used by the various funds.

Actuarial assumptions	31.12.2013				31.12.2012			
	Discount rates	Expected rate of return	Expected rates of wage rises	Annual inflation rate	Discount rates	Expected rate of return	Expected rates of wage rises	Annual inflation rate
EMPLOYEE TERMINATION INDEMNITIES	2.1-3.9%	X	2.4-2.6%	2.0%	2.4-4.5%	X	3.2-3.6%	2.0%
INTERNAL PLANS								
- of which Italy	1.7-2.7%	2.1-2.8%	1.5%	2.0%	2.1-2.8%	3.8-4.6%	3.5%	2.0%
- of which Egypt	11.0%	-	7.0%	7.0%	11.0%	-	7.0%	7.0%
- of which England	4.4%	4.3%	3.5%	2.5%	4.3%	4.8%	4.2%	2.9%
- of which Serbia	8.0%	-	9.0%	-	10.0%	-	7.0%	-
EXTERNAL PLANS								
- of which Italy	2.3-3.5%	2.8-3.4%	2.4%	2.0%	2.8-3.4%	4.4-4.8%	1.5-2.1%	2.0%
- of which USA	4.5%	3.8%	-	-	3.8%	6.5%	-	-

Starting from 2013, the Intesa Sanpaolo Group primarily uses as its discounting rate the Eur Composite AA rate curve, weighted on the basis of the ratio of payments and advances referring to each maturity, on the one hand, and the total amount of payments and advances to be made for the final fulfilment of the entire obligation, on the other. In the case of defined-benefit plans in particular, the rate used corresponds to the average rate that reflects the market parameters to which the plan refers. The Eur Composite AA curve is obtained daily from Bloomberg's information provider and refers to a basket of securities issued by investment-grade corporate issuers included in the AA rating class, residing in the Eurozone and belonging to various sectors.

5. Information on amount, timing and uncertainty of cash flows

Sensitivity analysis	31.12.2013					
	EMPLOYEE TERMINATION INDEMNITIES		INTERNAL PLANS		EXTERNAL PLANS	
	+100 bps	-100 bps	+100 bps	-100 bps	+100 bps	-100 bps
Discount rate	1,210	1,489	260	285	2,843	3,654
Rate of wage rises	1,340	1,339	-	-	2,568	2,132
Inflation rate	1,436	1,250	275	267	3,475	2,916

The sensitivity analysis is not conducted on the expected rate of return as it has no effect on the calculation of the liabilities.

The sensitivity analysis was carried out on the net defined benefit liabilities pursuant to Table 12.3.2. The absolute values of the data presented indicate the possible amount of net defined benefit liabilities in the event of a change in rate of +/- 100 bps.
The average duration of the defined benefit obligation is 14.03 years for pension funds and 10.55 years for employee termination indemnities.

Any outflows to be carried out over the next year (settlement of the technical imbalance envisaged by the Articles of Association of the former Banco di Napoli and former Crediop Funds) shall be determined upon preparation of the financial statements of said Funds, which will take place in the upcoming months of May/June.

6. Plans regarding more than one employer
The group has a defined benefit plan regarding more than one employer. It is the Pension Fund for employees of former Crediop hired before 30 September 1989.
The commitments of Dexia – Crediop and the former Sanpaolo IMI (now Intesa Sanpaolo) with regard to the Fund are governed by the agreement stipulated between the parties on 28/05/1999.
Based on the subject agreement, in the event of an imbalance from an actuarial valuation, as well as in the case of an annual effective yield of the assets used lower than the official discounting rate, Dexia-Crediop and Intesa Sanpaolo will have to pay the capital necessary to cover the imbalance and, in the presence of an insufficient yield, integrate the fund in an amount commensurate with the difference between the actual return obtained and the official discounting rate.
These payments must be made in proportion to the weight of mathematical reserves of the amounts recognised by each company over the total Fund assets.

7. Defined benefit plans that share risks among entities under joint control

The Supplementary Pension Fund for Employees of Instituto Bancario San Paolo di Torino and the Complementary Pension Fund for Employees of the former Banco di Napoli – Section A are defined benefit plans that share the risks among the various Group Companies. These Companies issue a joint guarantee for their registered employees and pensioners with respect to the subject pension entities.

The liabilities of each jointly responsible Company are determined by an Independent Actuary through the "projected unit credit method" and are recorded in the financial statements net of the plan assets. Similarly, the current service cost, which represents the average present value as at the measurement date of the benefits accrued by workers in service during the year is calculated for each Company by said Actuary.

Each jointly responsible company reports in this section, for each table, the total liabilities/assets of the Funds for which it is jointly responsible, highlighting at the bottom of said tables the liability/asset amount under their responsibility.

12.4 Allowances for risks and charges – Other allowances

Allowances for legal disputes mainly refer to provisions for litigation and other revocatory actions.

The allowance for personnel charges includes charges for voluntary incentive-driven exit plans and charges for seniority bonuses to employees and other charges.

Other allowances mainly include provisions for tax litigation, fraud and other litigation. They also include provisions for the intervention by the National Interbank Deposit Guarantee Fund in the case of Banca Tercas.

(millions of euro)

	31.12.2013	31.12.2012
2. Other allowances		
2.1 legal disputes	888	922
2.2 personnel charges	486	1,295
incentive-driven exit plans	*167*	*770*
employee seniority bonuses	*162*	*183*
other personnel expenses	*157*	*342*
2.3 other risks and charges	786	722
other indemnities due to agents of the distribution network	*198*	*158*
other	*588*	*564*
TOTAL	**2,160**	**2,939**

SECTION 13 – TECHNICAL RESERVES – CAPTION 130

13.1 Technical reserves: breakdown

(millions of euro)

	Direct work	Indirect work	31.12.2013	31.12.2012
A. Non-life business	**475**	**-**	**475**	**419**
A.1 premiums reserves	312	-	312	288
A.2 claims reserves	162	-	162	128
A.3 other reserves	1	-	1	3
B. Life business	**56,995**	**-**	**56,995**	**48,015**
B.1 mathematical reserves	54,939	-	54,939	47,161
B.2 reserves for amounts to be disbursed	365	-	365	364
B.3 other reserves	1,691	-	1,691	490
C. Technical reserves for investment risks to be borne by the insured	**4,766**	**-**	**4,766**	**6,226**
C.1 reserves for contracts with disbursements connected with investment funds and market indices	3,670	-	3,670	5,258
C.2 reserves from pension fund management	1,096	-	1,096	968
D. Total insurance reserves carried by reinsurers	**62,236**	**-**	**62,236**	**54,660**

13.2 Technical reserves: annual changes

(millions of euro)

	31.12.2013	31.12.2012
A. Non-life business	**475**	**419**
Initial amount	419	342
Business combinations	-	-
Changes in the reserve (+/-)	56	77
B. Life business and other technical reserves	**61,761**	**54,241**
Initial amount	54,241	50,419
Business combinations	-	-
Change in premiums	11,792	5,497
Change in payments	-6,773	-7,532
Changes due to income and other bonuses recognised to insured parties (+/-)	1,525	1,932
Changes due to exchange differences (+/-)	-	-
Changes in other technical reserves (+/-)	976	3,925
C. Total technical reserves	**62,236**	**54,660**

SECTION 14 – REDEEMABLE SHARES – CAPTION 150

Not applicable to the Group.

SECTION 15 – GROUP SHAREHOLDERS' EQUITY – CAPTIONS 140, 160, 170, 180, 190, 200 AND 220

15.1 Share capital and Treasury shares: breakdown

For information of this section, see point 15.3 below.

15.2 Share capital – Parent Company's number of shares: annual changes

	Ordinary	Other
A. Initial number of shares	**15,501,512,155**	**932,490,561**
- fully paid-in	15,501,512,155	932,490,561
- not fully paid-in	-	-
A.1 Treasury shares (-)	**-6,471,971**	**-**
A.2 Shares outstanding: initial number	**15,495,040,184**	**932,490,561**
B. Increases	**109,992**	**-**
B.1 New issues	109,992	-
- for consideration	109,992	-
business combinations	*109,992*	-
conversion of bonds	-	-
exercise of warrants	-	-
other	-	-
- for free	-	-
in favour of employees	-	-
in favour of directors	-	-
other	-	-
B.2 Sale of treasury shares	-	-
B.3 Other	-	-
C. Decreases	**-3,642,455**	**-**
C.1 Annulment	-	-
C.2 Purchase of treasury shares	-3,642,455	-
C.3 Disposal of companies	-	-
C.4 Other	-	-
D. Shares outstanding: final number	**15,491,507,721**	**932,490,561**
D.1 Treasury shares (+)	10,114,426	-
D.2 Final number of shares	**15,501,622,147**	**932,490,561**
- fully paid-in	15,501,622,147	932,490,561
- not paid-in	-	-

15.3 Share capital: other information

The share capital of the Bank as at 31 December 2013 amounted to 8,546 million euro, divided into 15,501,622,147 ordinary shares and 932,490,561 non-convertible savings shares, with a nominal value of 0.52 euro each. Each ordinary share gives the right to one vote in the Shareholders' Meeting.

Savings shares, which may be in bearer form, entitle the holder to attend and vote at the Special Meeting of savings shareholders.

Savings shares must be attributed a preferred dividend up to 5% of the nominal value of the share. If in one year the dividend is less than 5% of the nominal value of the non-convertible savings shares, the difference will be added to the preferred dividend paid in the following two accounting periods. Furthermore, retained earnings made available for distribution by the Shareholders' Meeting, net of the above dividend, will be allocated to all shares so that the dividend per non-convertible savings share will be 2% of nominal value higher than for ordinary shares.

In case of distribution of reserves the savings shares have the same rights as other shares. In the case of liquidation of the Company, savings shares shall have pre-emptive rights with regard to the reimbursement of the entire nominal value of the shares.

At the date of this document the share capital was fully paid-in and liberated.

15.4 Reserves: other information

Reserves amounted to 10,867 million euro and included: legal reserve, extraordinary reserve, concentration reserves (Law 218 of 30 July 1990, art. 7, par. 3 and Law 218 of 30 July 1990, art. 7) and other reserves for a total of 4,044 million euro, as well as the consolidation reserve equal to 6,823 million euro.

The legal reserve, set up as provided for by law, must be at least one fifth of share capital; in the past it was set up by allocating each year at least one twentieth of net income for the year. Should the reserve decrease, it must be reintegrated by allocating at least one twentieth of net income for the year.

Concentration reserves ex Law 218 of 30 July 1990 were set up at the time of reorganisations or concentrations carried out pursuant to the aforementioned law.
Other reserves included reserves pertaining to branches abroad and other reserves set up in the past following specific legal provisions.
Consolidation reserves were generated following the elimination of the book value of equity investments against the corresponding portion of the shareholders' equity of each investment.
The Group's valuation reserves amounted to negative 1,091 million euro and included valuation reserves of financial assets available for sale for 370 million euro, reserves of cash flow hedge derivatives for -874 million euro, exchange rate valuation reserves (relating to fully consolidated investments) for -585 million euro and legally-required revaluation reserves for +361 million euro, as well as the negative reserve on actuarial profits (losses) from defined benefit pension plans for 376 million euro.

SECTION 16 - MINORITY INTERESTS – CAPTION 210

For details regarding the breakdown of minority interests, see section F, "Part B.1. Consolidated shareholders' equity: breakdown by type of company".

Other information

1. Guarantees and commitments

(millions of euro)

	31.12.2013	Of which:			31.12.2012
		Banking group	*Insurance companies*	*Other companies*	
1) Financial guarantees given	**15,524**	***15,524***	**-**	**-**	**17,090**
a) Banks	3,186	*3,186*	-	-	3,493
b) Customers	12,338	*12,338*	-	-	13,597
2) Commercial guarantees given	**30,546**	***30,546***	**-**	**-**	**32,269**
a) Banks	4,106	*4,106*	-	-	3,787
b) Customers	26,440	*26,440*	-	-	28,482
3) Irrevocable commitments to lend funds	**49,901**	***49,901***	**-**	**-**	**55,954**
a) Banks	7,914	*7,914*	-	-	14,853
- of certain use	*6,985*	*6,985*	-	-	*14,036*
- of uncertain use	*929*	*929*	-	-	*817*
b) Customers	41,987	*41,987*	-	-	41,101
- of certain use	*9,628*	*9,628*	-	-	*8,306*
- of uncertain use	*32,359*	*32,359*	-	-	*32,795*
4) Underlying commitments on credit derivatives: protection sales	**74,060**	***74,060***	**-**	**-**	**77,513**
5) Assets pledged as collateral of third party commitments	**30**	***30***	**-**	**-**	**15**
6) Other commitments	**853**	***853***	**-**	**-**	**2,041**
TOTAL	**170,914**	***170,914***	**-**	**-**	**184,882**

2. Assets pledged as collateral of liabilities and commitments

(millions of euro)

	31.12.2013	Of which:			31.12.2012
		Banking group	*Insurance companies*	*Other companies*	
1. Financial assets held for trading	6,243	*6,243*	-	-	9,314
2. Financial assets designated at fair value through profit and loss	37	*37*	-	-	243
3. Financial assets available for sale	18,138	*18,138*	-	-	19,153
4. Investments held to maturity	452	*452*	-	-	563
5. Due from banks	4,502	*4,502*	-	-	4,070
6. Loans to customers	69,944	*69,944*	-	-	57,354
7. Property and equipment	-	-	-	-	-
TOTAL	**99,316**	***99,316***	**-**	**-**	**90,697**

Intragroup deposits of 3,604 million euro, established to serve securities lending with subjects outside the Group, were netted.
Bonds issued by the Bank, held in portfolio, covered by a guarantee from the Italian government pursuant to art. 8 of Law Decree 201 of 6 December 2011, converted into Law 214 of 22 December 2011, have been pledged as collateral for loans received from the European Central Bank. Such bonds, which in accordance with IFRS are not recognised as either assets or liabilities on the balance sheet, come to 12 billion euro.

3. Information on operating leases

The costs recorded in the year referred to motor vehicles, office equipment and central and peripheral software, and are allocated to the various captions according to the nature of the asset. The amounts included as potential lease payments are immaterial.

4. Breakdown of investments related to unit-linked and index-linked policies

(millions of euro)

	Disbursements connected with pension funds and market indices	Disbursements in connection with pension fund management	31.12.2013
Assets in the balance sheet	19,559	958	20,517
Intra-group assets	14,983	138	15,121
Total Assets	**34,542**	**1,096**	**35,638**
Financial liabilities in the balance sheet	30,723	-	30,723
Technical reserves in the balance sheet	3,670	1,096	4,766
Intra-group liabilities	145	-	145
Total Liabilities	**34,538**	**1,096**	**35,634**

5. Management and dealing on behalf of third parties

(millions of euro)

	31.12.2013	31.12.2012
1. Trading on behalf of customers		
a) Purchases	1,140,299	789,572
1. settled	*1,137,674*	*787,078*
2. to be settled	*2,625*	*2,494*
b) Sales	1,112,659	734,239
1. settled	*1,111,756*	*732,876*
2. to be settled	*903*	*1,363*
2. Portfolio management		
a) individual	85,108	77,140
b) collective	70,596	62,051
3. Custody and administration of securities		
a) third party securities held in deposit: related to depositary bank activities (excluding portfolio management)	44,381	42,308
1. securities issued by companies included in the consolidation area	*278*	*242*
2. other securities	*44,103*	*42,066*
b) third party securities held in deposit (excluding portfolio management): other	534,703	558,880
1. securities issued by companies included in the consolidation area	*90,213*	*108,043*
2. other securities	*444,490*	*450,837*
c) third party securities deposited with third parties	460,101	602,885
d) portfolio securities deposited with third parties	161,020	79,207
4. Other	**215,552**	**159,150**

Note regarding financial payables

In relation to point 3: “IFRS 7 – Contractual clauses of financial payables”, of Bank of Italy/Consob/Isvap document no. 4 of March 2010, the following is specified:

– there were no cases of non-compliance by companies of the Intesa Sanpaolo Group with the relative contractual clauses set forth in bond issues, medium-/long-term loans received from financial entities and other debt contracts, which involved or which could involve the application of acceleration clauses;
– companies of the Intesa Sanpaolo Group provided, for their bond issues, for medium/long-term loans received from financial entities and for other debt contracts, negative pledges and covenants in accordance with the provisions of standard contracts and at the conditions currently in use.

Due to the nature of commitments undertaken, in line with market practices, and the remote probability of default, these clauses may be considered as immaterial.

6. Financial assets subject to offsetting in the financial statements or subject to netting framework arrangements or similar agreements

(millions of euro)

Types	Gross amount of financial assets (a)	Amount of financial liabilities offset in statement of financial position (b)	Net amount of financial assets presented in statement of financial position (c = a-b)	Amounts available to be offset but not offset in the statement of financial position		Net amount 31.12.2013 (f = c-d-e)	Net amount 31.12.2012
				Financial instruments (d)	Cash collateral (e)		
1. Derivatives	57,902	24,456	33,446	27,389	2,336	3,721	-
2. Repurchase agreements	16,299	-	16,299	16,023	-	276	-
3. Securities lending	-	-	-	-	-	-	-
4. Other	-	-	-	-	-	-	-
TOTAL 31.12.2013	**74,201**	**24,456**	**49,745**	**43,412**	**2,336**	**3,997**	**X**
TOTAL 31.12.2012	**107,595**	**35,863**	**71,732**	**62,969**	**3,680**	**X**	**5,083**

Bonds issued by the Bank, held in portfolio, covered by a guarantee from the Italian government pursuant to art. 8 of Law Decree 201 of 6 December 2011, converted into Law 214 of 22 December 2011, have been pledged as collateral for loans received from the European Central Bank. Such bonds, which in accordance with IFRS are not recognised as either assets or liabilities on the balance sheet, come to 12 billion euro.

7. Financial liabilities subject to offsetting in the financial statements or subject to netting framework arrangements or similar agreements

(millions of euro)

Types	Gross amount of financial liabilities (a)	Amount of financial assets offset in statement of financial position (b)	Net amount of financial liabilities presented in statement of financial position (c = a-b)	Amounts available to be offset but not offset in the statement of financial position		Net amount 31.12.2013 (f = c-d-e)	Net amount 31.12.2012
				Financial instruments (d)	Cash deposits pledged as collateral (e)		
1. Derivatives	59,199	24,456	34,743	27,257	7,105	381	-
2. Repurchase agreements	19,565	-	19,565	18,804	1	760	-
3. Securities lending	-	-	-	-	-	-	-
4. Other	-	-	-	-	-	-	-
TOTAL 31.12.2013	**78,764**	**24,456**	**54,308**	**46,061**	**7,106**	**1,141**	**X**
TOTAL 31.12.2012	**107,654**	**35,863**	**71,791**	**61,969**	**2,667**	**X**	**7,155**

As described in part A.1, application of the amendments to IFRS 7 regarding the disclosure of netting arrangements became mandatory starting from 1 January 2013.
According to these amendments, IFRS 7 requires specific disclosure for financial instruments that have been offset in the Balance Sheet pursuant to IAS 32 or that may be potentially offset, upon occurrence of specific conditions, but are recognised in the Balance Sheet without any netting since they are regulated by "netting framework arrangements or similar" that do not respect all of the criteria set forth by IAS 32, paragraph 42.
In this respect, the Intesa Sanpaolo Group has netting arrangements that meet the requirements envisaged by IAS 32.42 for offsetting in the financial statements. In particular, these are arrangements that regulate the clearing of Over the Counter derivatives through subscription to the SwapClear service (LCH Group). This circuit, replacing the original counterparties of the OTC derivatives, mitigates credit risk by calling daily margins on all positions transferred, so that the mutual credit and debt positions are automatically offset. In Table 6, therefore, the column regarding the amount of financial assets/liabilities offset in the balance sheet represents the negative fair values on interest rate derivatives offset with the positive fair values for representation in the financial statements. The information is mirrored in Table 7.
In terms of instruments that may be potentially offset upon occurrence of such events and to be presented in Tables 6 and 7, it is noted that the Group uses bilateral netting arrangements that allow, in the event of counterparty default, the netting of claims and obligations in relation to financial and credit derivatives, as well as securities financing transactions (SFTs). In particular, there are ISDA agreements (for transactions in derivatives) and GMRAs (for repurchase agreements).

For the purposes of preparing the tables and in line with the provisions of IFRS 7 and the new provisions that govern the financial statements of banks, the following are noted:
- the effects of the potential offsetting of the balance sheet values of financial assets and liabilities are indicated under column (d) "Financial instruments", together with the fair value of financial collateral consisting of securities;
- the effects of the potential offsetting of the exposure with the relative cash collateral are included under column (e) "Cash deposits received/provided as collateral";
- repurchase agreement transactions are recognised in the tables based on the amortised cost measurement criterion, while the relative collateral is measured at fair value. Derivatives transactions are recognised at fair value.

These effects are calculated for each individual counterparty included in a netting framework arrangement, to the extent of the exposure indicated in column (c).

Based on the preparation methods indicated above, the netting arrangements between financial instruments and the relative collateral permit a significant reduction in credit/debt exposure to the counterparty, as indicated under column (f) "Net amount".

8. Securities lending transactions

It is noted that the Group carried out a securities lending transaction with a major bank, in which the collateral consists of securities for approximately 2 billion euro, with the objective of increasing the portfolio available for refinancing transactions.
Added to this transaction is the accessory banking service of securities lending offered to customers (natural persons, legal entities and commercial entities) by Intesa Sanpaolo Private Banking (ISPB). The contract involves transfer of the ownership of a certain quantity of securities of a specific type, with the obligation for ISPB to return them, paying a consideration amount as remuneration for their availability. The transaction involves government securities that ISPB in turn transfers to the Parent Company Intesa Sanpaolo for non-speculative purposes.
The collateral of the ISPB transaction amounted to 3.6 billion euro as at 31 December 2013.

Part C – Information on the consolidated income statement

SECTION 1 – INTEREST – CAPTIONS 10 AND 20

1.1. Interest and similar income: breakdown

(millions of euro)

	Debt securities	Loans	Other transactions	2013	2012
1. Financial assets held for trading	353	-	-	353	490
2. Financial assets designated at fair value through profit and loss	334	-	-	334	371
3. Financial assets available for sale	2,879	2	-	2,881	2,875
4. Investments held to maturity	80	-	-	80	90
5. Due from banks	38	359	8	405	716
6. Loans to customers	391	11,678	4	12,073	13,503
7. Hedging derivatives	X	X	1,247	1,247	1,627
8. Other assets	X	X	30	30	28
TOTAL	**4,075**	**12,039**	**1,289**	**17,403**	**19,700**

Interest and similar income also includes interest income on securities relating to repurchase agreements.
Loans to customers include interest of 148 million euro on doubtful loans, of 381 million euro on substandard loans, of 55 million euro on restructured loans and of 114 million euro on past due loans.

1.1 Of which Banking group

(millions of euro)

	Debt securities	Loans	Other transactions	2013	2012
1. Financial assets held for trading	338	-	-	338	471
2. Financial assets designated at fair value through profit and loss	26	-	-	26	33
3. Financial assets available for sale	1,209	2	-	1,211	1,230
4. Investments held to maturity	80	-	-	80	90
5. Due from banks	38	358	8	404	712
6. Loans to customers	365	11,678	4	12,047	13,472
7. Hedging derivatives	X	X	1,273	1,273	1,654
8. Other assets	X	X	30	30	28
TOTAL	**2,056**	**12,038**	**1,315**	**15,409**	**17,690**

1.1 Of which Insurance companies

(millions of euro)

	Debt securities	Loans	Other transactions	2013	2012
1. Financial assets held for trading	15	-	-	15	19
2. Financial assets designated at fair value through profit and loss	308	-	-	308	338
3. Financial assets available for sale	1,670	-	-	1,670	1,643
4. Investments held to maturity	-	-	-	-	-
5. Due from banks	-	1	-	1	4
6. Loans to customers	2	-	-	2	4
7. Hedging derivatives	X	X	-26	-26	-27
8. Other assets	X	X	-	-	-
TOTAL	**1,995**	**1**	**-26**	**1,970**	**1,981**

1.1 Of which Other companies

As at 31 December 2013, 24 million euro was attributable to other companies, consisting entirely of debt securities under loans to customers.

1.2 Interest and similar income: differentials on hedging transactions

(millions of euro)

	2013	Of which:			2012
		Banking group	*Insurance companies*	*Other companies*	
A. Positive differentials on hedging transactions	3,172	*3,172*	-	-	4,156
B. Negative differentials on hedging transactions	-1,925	*-1,899*	*-26*	-	-2,529
BALANCE (A - B)	**1,247**	***1,273***	***-26***	**-**	**1,627**

1.3 Interest and similar income: other information

1.3.1 Interest income on foreign currency financial assets

The balance as at 31 December 2013 includes 1,971 million euro relating to financial assets in foreign currency.

1.3.2 Interest income on financial lease receivables

As at 31 December 2013, interest income on financial leases amounted to 599 million euro.

1.4 Interest and similar expense: breakdown

(millions of euro)

	Debts	Securities	Other transactions	2013	2012
1. Due to Central Banks	202	X	-	202	363
2. Due to banks	437	X	1	438	546
3. Due to customers	1,724	X	1	1,725	1,870
4. Securities issued	X	5,148	-	5,148	5,621
5. Financial liabilities held for trading	-	-	2	2	2
6. Financial liabilities designated at fair value through profit and loss	-	-	-	-	6
7. Other liabilities and allowances	X	X	3	3	10
8. Hedging derivatives	X	X	-	-	-
TOTAL	**2,363**	**5,148**	**7**	**7,518**	**8,418**

Due to banks and Due to customers also include interest expense on repurchase agreements, even if the transaction referred to securities recorded under assets.

1.4 Of which Banking group

(millions of euro)

	Debts	Securities	Other transactions	2013	2012
1. Due to Central Banks	202	X	-	202	363
2. Due to banks	430	X	-	430	537
3. Due to customers	1,724	X	1	1,725	1,870
4. Securities issued	X	5,132	-	5,132	5,612
5. Financial liabilities held for trading	-	-	2	2	2
6. Financial liabilities designated at fair value through profit and loss	-	-	-	-	6
7. Other liabilities and allowances	X	X	3	3	10
8. Hedging derivatives	X	X	-	-	-
TOTAL	**2,356**	**5,132**	**6**	**7,494**	**8,400**

1.4 Of which Insurance companies

As at 31 December 2013, 11 million euro was attributable to insurance companies, of which 1 million euro relating to interest expense on amounts due to banks and 10 million euro on securities issued.

1.4 Of which Other companies

As at 31 December 2013, 13 million euro was attributable to other companies, of which 7 million euro on amounts due to banks and 6 million euro on securities issued.

1.5 Interest and similar expense: differentials on hedging transactions

Information on differentials on hedging transactions is illustrated in table 1.2, since the balance for 2013 is included under interest income.

1.6 Interest and similar expense: other information

1.6.1 Interest expense on foreign currency financial liabilities

Interest and similar expense as at 31 December 2013 included 1,084 million euro relative to financial liabilities in foreign currency.

1.6.2 Interest expense on financial lease payables

As at 31 December 2013, interest expense on financial leases was immaterial.

SECTION 2 – NET FEE AND COMMISSION INCOME - CAPTIONS 40 AND 50

2.1 Fee and commission income: breakdown

(millions of euro)

	2013	Of which:			2012
		Banking group	*Insurance companies*	*Other companies*	
A) Guarantees given	**412**	***412***	**-**	**-**	**392**
B) Credit derivatives	**98**	***98***	**-**	**-**	**-**
C) Management, dealing and consultancy services	**2,958**	***2,955***	**-**	***3***	**2,514**
1. trading in financial instruments	72	*72*	-	-	64
2. currency dealing	44	*44*	-	-	47
3. portfolio management	1,956	*1,956*	-	-	1,570
3.1. individual	*451*	*451*	-	-	*372*
3.2. collective	*1,505*	*1,505*	-	-	*1,198*
4. custody and administration of securities	59	*59*	-	-	73
5. depositary bank	19	*19*	-	-	19
6. placement of securities	232	*232*	-	-	243
7. reception and transmission of orders	191	*191*	-	-	209
8. consultancy services	122	*122*	-	-	85
8.1. on investments	81	*81*	-	-	58
8.2. on financial structure	41	*41*	-	-	27
9. distribution of third party services	263	*260*	-	*3*	204
9.1. portfolio management	*127*	*127*	-	-	*79*
9.1.1. individual	*8*	*8*	-	-	*3*
9.1.2. collective	*119*	*119*	-	-	*76*
9.2. insurance products	*134*	*131*	-	*3*	*121*
9.3. other products	*2*	*2*	-	-	*4*
D) Collection and payment services	**446**	***446***	**-**	**-**	**437**
E) Servicing related to securitisations	**-**	**-**	**-**	**-**	**2**
F) Services related to factoring	**155**	***155***	**-**	**-**	**159**
G) Tax collection services	**-**	**-**	**-**	**-**	**-**
H) Management of multilateral trading facilities	**-**	**-**	**-**	**-**	**-**
I) Management of current accounts	**1,141**	***1,141***	**-**	**-**	**1,035**
J) Other services	**2,225**	***1,703***	***522***	**-**	**2,102**
TOTAL	**7,435**	***6,910***	***522***	***3***	**6,641**

Other services mostly recorded fees on credit and debit cards of 799 million euro as well as commissions on loans of 681 million euro.

2.2 Fee and commission income: distribution channels of products and services – Banking group

(millions of euro)

	2013	2012
A) Group branches	**1,647**	**1,293**
1. portfolio management	1,226	907
2. placement of securities	220	232
3. third party services and products	201	154
B) "Door-to-door" sales	**764**	**697**
1. portfolio management	719	651
2. placement of securities	10	9
3. third party services and products	35	37
C) Other distribution channels	**37**	**24**
1. portfolio management	11	12
2. placement of securities	2	2
3. third party services and products	24	10

2.3 Fee and commission expense: breakdown

(millions of euro)

	2013	*Of which:* Banking group	*Of which:* Insurance companies	*Of which:* Other companies	2012
A) Guarantees received	**111**	***111***	**-**	**-**	**120**
B) Credit derivatives	**39**	***39***	**-**	**-**	**14**
C) Management, dealing and consultancy services	**783**	***775***	***8***	**-**	**707**
1. trading in financial instruments	37	*37*	-	-	38
2. currency dealing	2	*2*	-	-	2
3. portfolio management:	82	*82*	-	-	66
3.1 own portfolio	*81*	*81*	-	-	*65*
3.2 third party portfolio	*1*	*1*	-	-	*1*
4. custody and administration of securities	53	*45*	*8*	-	60
5. placement of financial instruments	82	*82*	-	-	80
6. "door-to-door" sale of financial instruments, products and services	527	*527*	-	-	461
D) Collection and payment services	**93**	***93***	**-**	**-**	**103**
E) Other services	**580**	***456***	***123***	***1***	**567**
TOTAL	**1,606**	***1,474***	***131***	***1***	**1,511**

E - Other services includes 309 million euro fees on credit and debit cards, 111 million euro on the placement of investment insurance products, 61 million euro on banking services to Italian branches, 80 million euro on banking services to foreign branches and 19 million euro on other minor services.

SECTION 3 – DIVIDEND AND SIMILAR INCOME - CAPTION 70

3.1 Dividend and similar income: breakdown

(millions of euro)

	2013		*Of which:* Banking group		*Of which:* Insurance companies		*Of which:* Other companies		2012	
	Dividends	**Income from quotas of UCI**	*Dividends*	*Income from quotas of UCI*	*Dividends*	*Income from quotas of UCI*	*Dividends*	*Income from quotas of UCI*	**Dividends**	**Income from quotas of UCI**
A. Financial assets held for trading	89	2	*89*	*2*	-	-	-	-	330	3
B. Financial assets available for sale	47	39	*24*	*6*	*23*	*33*	-	-	60	23
C. Financial assets designated at fair value through profit and loss	42	1	-	-	*42*	*1*	-	-	49	14
D. Investments in associates and companies subject to joint control	30	X	*30*	*X*	-	*X*	-	*X*	28	X
TOTAL	**208**	**42**	***143***	***8***	***65***	***34***	**-**	**-**	**467**	**40**

SECTION 4 – PROFITS (LOSSES) ON TRADING - CAPTION 80

4.1 Profits (Losses) on trading: breakdown

(millions of euro)

	Revaluations	Profits on trading	Write-downs	Losses on trading	Net result
1. Financial assets held for trading	**202**	**931**	**-102**	**-886**	**145**
1.1 Debt securities	84	761	-87	-670	88
1.2 Equities	26	125	-8	-188	-45
1.3 Quotas of UCI	92	44	-7	-27	102
1.4 Loans	-	-	-	-	-
1.5 Other	-	1	-	-1	-
2. Financial liabilities held for trading	**11**	**607**	**-16**	**-606**	**-4**
2.1 Debt securities	-	-	-	-	-
2.2 Payables	-	-	-	-	-
2.3 Other	11	607	-16	-606	-4
3. Financial assets and liabilities: foreign exchange differences	**X**	**X**	**X**	**X**	**75**
4. Derivatives	**27,495**	**43,445**	**-30,478**	**-39,944**	**381**
4.1 Financial derivatives	25,578	42,113	-28,615	-38,493	446
- on debt securities and interest rates	*21,850*	*34,177*	*-23,160*	*-32,294*	*573*
- on equities and stock indexes	*3,041*	*6,600*	*-4,735*	*-4,840*	*66*
- on currencies and gold	*X*	*X*	*X*	*X*	*-137*
- other	*687*	*1,336*	*-720*	*-1,359*	*-56*
4.2 Credit derivatives	1,917	1,332	-1,863	-1,451	-65
TOTAL	**27,708**	**44,983**	**-30,596**	**-41,436**	**597**

"Net result" includes profits, losses, revaluations and write-downs on currency and gold derivatives.
For detailed information on structured financial products and their impact on the income statement, please refer to Part E of these Notes to the consolidated financial statements - Information on risks and relative hedging policies.

4.1 Of which Banking group

(millions of euro)

	Revaluations	Profits on trading	Write-downs	Losses on trading	Net result
1. Financial assets held for trading	**176**	**923**	**-99**	**-881**	**119**
1.1 Debt securities	70	755	-84	-665	76
1.2 Equities	26	125	-8	-188	-45
1.3 Quotas of UCI	80	42	-7	-27	88
1.4 Loans	-	-	-	-	-
1.5 Other	-	1	-	-1	-
2. Financial liabilities held for trading	**11**	**607**	**-16**	**-606**	**-4**
2.1 Debt securities	-	-	-	-	-
2.2 Payables	-	-	-	-	-
2.3 Other	11	607	-16	-606	-4
3. Financial assets and liabilities: foreign exchange differences	**X**	**X**	**X**	**X**	**117**
4. Derivatives	**27,471**	**43,439**	**-30,449**	**-39,902**	**408**
4.1 Financial derivatives	25,554	42,111	-28,615	-38,477	422
- on debt securities and interest rates	*21,826*	*34,177*	*-23,160*	*-32,278*	*565*
- on equities and stock indexes	*3,041*	*6,600*	*-4,735*	*-4,840*	*66*
- on currencies and gold	*X*	*X*	*X*	*X*	*-151*
- other	*687*	*1,334*	*-720*	*-1,359*	*-58*
4.2 Credit derivatives	1,917	1,328	-1,834	-1,425	-14
TOTAL	**27,658**	**44,969**	**-30,564**	**-41,389**	**640**

4.1 Of which Insurance companies

(millions of euro)

	Revaluations	Profits on trading	Write-downs	Losses on trading	Net result
1. Financial assets held for trading	**26**	**8**	**-3**	**-5**	**26**
1.1 Debt securities	14	6	-3	-5	12
1.2 Equities	-	-	-	-	-
1.3 Quotas of UCI	12	2	-	-	14
1.4 Loans	-	-	-	-	-
1.5 Other	-	-	-	-	-
2. Financial liabilities held for trading	**-**	**-**	**-**	**-**	**-**
2.1 Debt securities	-	-	-	-	-
2.2 Payables	-	-	-	-	-
2.3 Other	-	-	-	-	-
3. Financial assets and liabilities: foreign exchange differences	**X**	**X**	**X**	**X**	**-42**
4. Derivatives	**24**	**4**	**-29**	**-42**	**-29**
4.1 Financial derivatives	24	-	-	-16	22
- on debt securities and interest rates	*24*	-	-	*-16*	*8*
- on equities and stock indexes	-	-	-	-	-
- on currencies and gold	*X*	*X*	*X*	*X*	*14*
- other	-	-	-	-	-
4.2 Credit derivatives	-	4	-29	-26	-51
TOTAL	**50**	**12**	**-32**	**-47**	**-45**

4.1 Of which Other companies

The net result for 2013 pertaining to other companies was immaterial (+2 million euro).

SECTION 5 – FAIR VALUE ADJUSTMENTS IN HEDGE ACCOUNTING - CAPTION 90

5.1 Fair value adjustments in hedge accounting: breakdown

(millions of euro)

	2013	*Of which:*			2012
		Banking group	*Insurance companies*	*Other companies*	
A. Income from					
A.1 fair value hedge derivatives	3,190	*3,116*	*74*	-	5,970
A.2 financial assets hedged (fair value)	694	*694*	-	-	3,020
A.3 financial liabilities hedged (fair value)	4,720	*4,720*	-	-	1,136
A.4 cash flow hedge: derivatives	9	*9*	-	-	-
A.5 currency assets and liabilities	-	-	-	-	4
Total income from hedging (A)	**8,613**	***8,539***	***74***	**-**	**10,130**
B. Expenses for					
B.1 fair value hedge derivatives	-4,284	*-4,284*	-	-	-5,858
B.2 financial assets hedged (fair value)	-3,078	*-3,008*	*-70*	-	-1,087
B.3 financial liabilities hedged (fair value)	-1,270	*-1,270*	-	-	-3,189
B.4 cash flow hedge: derivatives	-	-	-	-	-4
B.5 currency assets and liabilities	-9	*-9*	-	-	-
Total expense from hedging (B)	**-8,641**	***-8,571***	***-70***	**-**	**-10,138**
C. Fair value adjustments in hedge accounting (A - B)	**-28**	***-32***	***4***	**-**	**-8**

SECTION 6 – PROFITS (LOSSES) ON DISPOSAL OR REPURCHASE - CAPTION 100

6.1 Profits (Losses) on disposal or repurchase: breakdown

(millions of euro)

	2013			2012		
	Profits	Losses	Net result	Profits	Losses	Net result
Financial assets						
1. Due from banks	1	-1	-	1	-1	-
2. Loans to customers	55	-54	1	81	-84	-3
3. Financial assets available for sale	972	-233	739	768	-498	270
3.1 Debt securities	*677*	*-176*	*501*	*537*	*-443*	*94*
3.2 Equities	*270*	*-13*	*257*	*215*	*-42*	*173*
3.3 Quotas of UCI	*25*	*-44*	*-19*	*16*	*-13*	*3*
3.4 Loans	-	-	-	-	-	-
4. Investments held to maturity	-	-2	-2	1	-15	-14
Total assets	**1,028**	**-290**	**738**	**851**	**-598**	**253**
Financial liabilities						
1. Due to banks	-	-	-	10	-	10
2. Due to customers	-	-	-	342	-1	341
3. Securities issued	79	-89	-10	779	-35	744
Total liabilities	**79**	**-89**	**-10**	**1,131**	**-36**	**1,095**

6.1 Of which Banking group

(millions of euro)

	2013			2012		
	Profits	Losses	Net result	Profits	Losses	Net result
Financial assets						
1. Due from banks	1	-1	-	1	-1	-
2. Loans to customers	55	-54	1	81	-84	-3
3. Financial assets available for sale	583	-12	571	425	-86	339
3.1 Debt securities	*342*	*-11*	*331*	*246*	*-75*	*171*
3.2 Equities	*240*	-	*240*	*177*	*-11*	*166*
3.3 Quotas of UCI	*1*	*-1*	-	*2*	-	*2*
3.4 Loans	-	-	-	-	-	-
4. Investments held to maturity	-	-2	-2	1	-15	-14
Total assets	**639**	**-69**	**570**	**508**	**-186**	**322**
Financial liabilities						
1. Due to banks	-	-	-	10	-	10
2. Due to customers	-	-	-	342	-1	341
3. Securities issued	79	-89	-10	779	-35	744
Total liabilities	**79**	**-89**	**-10**	**1,131**	**-36**	**1,095**

6.1 *Of which Insurance companies*

(millions of euro)

	2013			2012		
	Profits	Losses	Net result	Profits	Losses	Net result
Financial assets						
1. Due from banks	-	-	-	-	-	-
2. Loans to customers	-	-	-	-	-	-
3. Financial assets available for sale	389	-221	168	343	-412	-69
3.1 Debt securities	*335*	*-165*	*170*	*291*	*-368*	*-77*
3.2 Equities	*30*	*-13*	*17*	*38*	*-31*	*7*
3.3 Quotas of UCI	*24*	*-43*	*-19*	*14*	*-13*	*1*
3.4 Loans	-	-	-	-	-	-
4. Investments held to maturity	-	-	-	-	-	-
Total assets	**389**	**-221**	**168**	**343**	**-412**	**-69**
Financial liabilities						
1. Due to banks	-	-	-	-	-	-
2. Due to customers	-	-	-	-	-	-
3. Securities issued	-	-	-	-	-	-
Total liabilities	**-**	**-**	**-**	**-**	**-**	**-**

SECTION 7 – PROFITS (LOSSES) ON FINANCIAL ASSETS AND LIABILITIES DESIGNATED AT FAIR VALUE - CAPTION 110

7.1 Profits (losses) on financial assets/liabilities designated at fair value: breakdown

(millions of euro)

	Revaluations	Profits on trading	Write-downs	Losses on trading	Net result
1. Financial assets	**1,579**	**1,283**	**-1,194**	**-381**	**1,287**
1.1 Debt securities	493	537	-711	-109	210
1.2 Equities	216	296	-141	-128	243
1.3 Quotas of UCI	867	447	-341	-139	834
1.4 Loans	3	3	-1	-5	-
2. Financial liabilities	**-**	**-**	**-903**	**-**	**-903**
2.1 Debt securities	-	-	-	-	-
2.2 Due to banks	-	-	-	-	-
2.3 Due to customers	-	-	-903	-	-903
3. Foreign currency financial assets and liabilities: foreign exchange differences	**X**	**X**	**X**	**X**	**-**
4. Credit and financial derivatives	**305**	**187**	**-273**	**-111**	**108**
TOTAL	**1,884**	**1,470**	**-2,370**	**-492**	**492**

The fair value change attributable to the Intesa Sanpaolo Group credit rating did not entail the recognition of charges/income, compared to charges of 21 million euro recorded in the previous year. In fact, issues designated at fair value generating such charges were redeemed in full.

For information on the methods used to determine credit spread, reference should be made to Part A.4 of the Notes to the consolidated financial statements - Information on fair value.

7.1 Of which Banking group

(millions of euro)

	Revaluations	Profits on trading	Write-downs	Losses on trading	Net result
1. Financial assets	**18**	**1**	**-41**	**-6**	**-28**
1.1 Debt securities	18	1	-3	-6	10
1.2 Equities	-	-	-	-	-
1.3 Quotas of UCI	-	-	-38	-	-38
1.4 Loans	-	-	-	-	-
2. Financial liabilities	**-**	**-**	**-**	**-**	**-**
2.1 Debt securities	-	-	-	-	-
2.2 Due to banks	-	-	-	-	-
2.3 Due to customers	-	-	-	-	-
3. Foreign currency financial assets and liabilities: foreign exchange differences	**X**	**X**	**X**	**X**	**-**
4. Credit and financial derivatives	**-**	**-**	**-**	**-**	**-**
TOTAL	**18**	**1**	**-41**	**-6**	**-28**

7.1 Of which Insurance companies

(millions of euro)

	Revaluations	Profits on trading	Write-downs	Losses on trading	Net result
1. Financial assets	**1,561**	**1,282**	**-1,153**	**-375**	**1,315**
1.1 Debt securities	475	536	-708	-103	200
1.2 Equities	216	296	-141	-128	243
1.3 Quotas of UCI	867	447	-303	-139	872
1.4 Loans	3	3	-1	-5	-
2. Financial liabilities	**-**	**-**	**-903**	**-**	**-903**
2.1 Debt securities	-	-	-	-	-
2.2 Due to banks	-	-	-	-	-
2.3 Due to customers	-	-	-903	-	-903
3. Foreign currency financial assets and liabilities: foreign exchange differences	**X**	**X**	**X**	**X**	**-**
4. Credit and financial derivatives (*)	**305**	**187**	**-273**	**-111**	**108**
TOTAL	**1,866**	**1,469**	**-2,329**	**-486**	**520**

(*) Revaluations include +15 million euro relating to currencies and gold.

SECTION 8 – NET LOSSES/RECOVERIES ON IMPAIRMENT – CAPTION 130

8.1 Net impairment losses on loans: breakdown

(millions of euro)

	Impairment losses			Recoveries				2013	2012
	Individual		Collective	Individual		Collective			
	write-offs	other		of interest	other	of interest	other		
A. Due from banks	**-**	**-7**	**-8**	**1**	**2**	**-**	**1**	**-11**	**8**
- Loans	*-*	*-7*	*-7*	*1*	*2*	*-*	*-*	*-11*	*8*
- Debt securities	*-*	*-*	*-1*	*-*	*-*	*-*	*1*	*-*	*-*
B. Loans to customers	**-148**	**-8,395**	**-629**	**420**	**1,513**	**3**	**650**	**-6,586**	**-4,316**
Non-performing loans purchased	-12	-5	-	-	-	-	-	-17	-4
- Loans	*-12*	*-5*	*X*	*-*	*-*	*X*	*X*	*-17*	*-4*
- Debt securities	*-*	*-*	*X*	*-*	*-*	*X*	*X*	*-*	*-*
Other	-136	-8,390	-629	420	1,513	3	650	-6,569	-4,312
- Loans	*-136*	*-8,383*	*-595*	*420*	*1,513*	*3*	*633*	*-6,545*	*-4,251*
- Debt securities	*-*	*-7*	*-34*	*-*	*-*	*-*	*17*	*-24*	*-61*
C. Total	**-148**	**-8,402**	**-637**	**421**	**1,515**	**3**	**651**	**-6,597**	**-4,308**

The financial effects due to release of time value on discounted non-performing loans, recognised under "Recoveries - Individual – of interest", amount to a total of 421 million euro. Of this amount, 1 million euro relates to past due loans by over 90 days, 92 million euro relates to substandard loans, 9 million euro refers to restructured loans and 319 million euro refers to doubtful loans.

8.1 Of which Banking group

(millions of euro)

	Impairment losses			Recoveries				2013	2012
	Individual		Collective	Individual		Collective			
	write-offs	other		of interest	other	of interest	other		
A. Due from banks	**-**	**-7**	**-8**	**1**	**2**	**-**	**1**	**-11**	**8**
- Loans	*-*	*-7*	*-7*	*1*	*2*	*-*	*-*	*-11*	*8*
- Debt securities	*-*	*-*	*-1*	*-*	*-*	*-*	*1*	*-*	*-*
B. Loans to customers	**-148**	**-8,395**	**-629**	**420**	**1,513**	**3**	**650**	**-6,586**	**-4,316**
Non-performing loans purchased	-12	-5	-	-	-	-	-	-17	-4
- Loans	*-12*	*-5*	*X*	*-*	*-*	*X*	*X*	*-17*	*-4*
- Debt securities	*-*	*-*	*X*	*-*	*-*	*X*	*X*	*-*	*-*
Other	-136	-8,390	-629	420	1,513	3	650	-6,569	-4,312
- Loans	*-136*	*-8,383*	*-595*	*420*	*1,513*	*3*	*633*	*-6,545*	*-4,251*
- Debt securities	*-*	*-7*	*-34*	*-*	*-*	*-*	*17*	*-24*	*-61*
C. Total	**-148**	**-8,402**	**-637**	**421**	**1,515**	**3**	**651**	**-6,597**	**-4,308**

8.2 Net impairment losses on financial assets available for sale: breakdown

(millions of euro)

	Impairment losses		Recoveries		2013	2012
	Individual		Individual			
	write-offs	other	of interest	other		
A. Debt securities	-	-3	-	1	-2	-27
B. Equities	-	-260	X	X	-260	-108
C. Quotas of UCI	-	-34	X	-	-34	-26
D. Due from banks	-	-	-	-	-	-
E. Loans to customers	-	-	-	-	-	-
F. Total	**-**	**-297**	**-**	**1**	**-296**	**-161**

8.2 Of which Banking group

(millions of euro)

	Impairment losses		Recoveries		2013	2012
	Individual		Individual			
	write-offs	other	of interest	other		
A. Debt securities	-	-3	-	1	-2	-24
B. Equities	-	-239	X	X	-239	-80
C. Quotas of UCI	-	-34	X	-	-34	-25
D. Due from banks	-	-	-	-	-	-
E. Loans to customers	-	-	-	-	-	-
F. Total	**-**	**-276**	**-**	**1**	**-275**	**-129**

8.2 Of which Insurance companies

(millions of euro)

	Impairment losses		Recoveries		2013	2012
	Individual		Individual			
	write-offs	other	of interest	other		
A. Debt securities	-	-	-	-	-	-3
B. Equities	-	-21	X	X	-21	-28
C. Quotas of UCI	-	-	X	-	-	-1
D. Due from banks	-	-	-	-	-	-
E. Loans to customers	-	-	-	-	-	-
F. Total	**-**	**-21**	**-**	**-**	**-21**	**-32**

8.3 Net impairment losses on investments held to maturity: breakdown

In 2013, net impairment losses and net recoveries on impairment of investments held to maturity attributable to the banking group amounted to -1 million euro and +1 million euro, respectively.

8.4 Net impairment losses on other financial activities: breakdown

(millions of euro)

	Impairment losses			Recoveries				2013	2012
	Individual		Collective	Individual		Collective			
	write-offs	other		of interest	other	of interest	other		
A. Guarantees given	-	-97	-66	-	21	-	34	-108	-31
B. Credit derivatives	-	-	-	-	-	-	-	-	-
C. Commitments to lend funds	-	-16	-11	-	15	-	11	-1	-21
D. Other operations	-1	-4	-7	-	4	-	5	-3	-1
E. Total	**-1**	**-117**	**-84**	**-**	**40**	**-**	**50**	**-112**	**-53**

8.4 Of which Banking group

(millions of euro)

	Impairment losses			Recoveries				2013	2012
	Individual		Collective	Individual		Collective			
	write-offs	other		of interest	other	of interest	other		
A. Guarantees given	-	-97	-66	-	21	-	34	-108	-31
B. Credit derivatives	-	-	-	-	-	-	-	-	-
C. Commitments to lend funds	-	-16	-11	-	15	-	11	-1	-21
D. Other operations	-	-3	-7	-	2	-	5	-3	-1
E. Total	**-**	**-116**	**-84**	**-**	**38**	**-**	**50**	**-112**	**-53**

8.4 Of which Other companies

In 2013 there were -2 million euro in net impairment losses and +2 million euro in net recoveries of other financial activities referring to other companies (net write-backs equal to zero), while at the end of 2012, net impairment losses and net recoveries amounted to -1 million euro and +1 million euro, respectively (net write-backs equal to zero).

SECTION 9 - NET INSURANCE PREMIUMS - CAPTION 150

9.1 Net insurance premiums: breakdown

(millions of euro)

Premiums deriving from insurance business	Direct work	Indirect work	2013	2012
A. Life business				
A.1 Gross accounted premiums (+)	11,716	-	11,716	5,496
A.2 Premiums ceded for reinsurance (-)	-1	X	-1	-1
A.3 Total	**11,715**	**-**	**11,715**	**5,495**
B. Non-life business				
B.1 Gross accounted premiums (+)	232	-	232	222
B.2 Premiums ceded for reinsurance (-)	-6	X	-6	-5
B.3 Changes in the gross amount of premium reserve (+/-)	-19	-	-19	-51
B.4 Changes in premium reserves reassured with third parties (-/+)	-1	-	-1	-1
B.5 Total	**206**	**-**	**206**	**165**
C. Total net premiums	**11,921**	**-**	**11,921**	**5,660**

SECTION 10 - OTHER NET INSURANCE INCOME (EXPENSE) - CAPTION 160

10.1 Other net insurance income (expense): breakdown

(millions of euro)

	2013	2012
1. Net change in technical reserves	-6,369	33
2. Claims accrued and paid during the year	-6,843	-7,529
3. Other income/expenses arising from insurance business	-538	-649
TOTAL	**-13,750**	**-8,145**

10.2 Breakdown of Net change in technical reserves

(millions of euro)

Net change in technical reserves	2013	2012
1. Life business		
A. Mathematical reserves	-7,817	-2,590
A.1 Gross annual amount	*-7,816*	*-2,588*
A.2 Amount reinsured with third parties (-)	*-1*	*-2*
B. Other technical reserves	-61	-232
B.1 Gross annual amount	*-61*	*-232*
B.2 Amount reinsured with third parties (-)	-	-
C. Technical reserves for investment risks to be borne by the insured	1,509	2,855
C.1 Gross annual amount	*1,509*	*2,855*
C.2 Amount reinsured with third parties (-)	-	-
Total "life business reserves"	**-6,369**	**33**
2. Non-life business	**-**	**-**
Changes in other technical reserves of non-life business other than claims fund, net of ceded reinsurance	-	-

10.3 Breakdown of Claims accrued and paid during the year

(millions of euro)

Charges associated to claims	2013	2012
Life business: charges associated to claims, net of reinsurance ceded	**-6,745**	**-7,447**
A. Amounts paid	-6,735	-7,552
A.1 Gross annual amount	*-6,736*	*-7,553*
A.2 Amount reinsured with third parties (-)	*1*	*1*
B. Change in funds for amounts to be disbursed	-10	105
B.1 Gross annual amount	*-10*	*104*
B.2 Amount reinsured with third parties (-)	-	*1*
Non-life business: charges associated to claims, net of recoveries and reinsurance ceded	**-98**	**-82**
C. Amounts paid	-66	-56
C.1 Gross annual amount	*-70*	*-57*
C.2 Amount reinsured with third parties (-)	*4*	*1*
D. Change in recoveries net of quotas borne by reinsurers	1	-
E. Change in damage fund	-33	-26
E.1 Gross annual amount	*-35*	*-27*
E.2 Amount reinsured with third parties (-)	*2*	*1*

10.4 Breakdown of Other income/expenses arising from insurance business

(millions of euro)

	2013	2012
Other income	**120**	**89**
Life business	111	84
Non-life business	9	5
Other expenses	**-658**	**-738**
Life business	-622	-714
Non-life business	-36	-24

SECTION 11 - ADMINISTRATIVE EXPENSES - CAPTION 180

11.1 Personnel expenses: breakdown

(millions of euro)

	2013	Of which:			2012
		Banking group	*Insurance companies*	*Other companies*	
1) Personnel employed	**4,940**	***4,893***	***46***	***1***	**5,525**
a) wages and salaries	3,431	*3,400*	*30*	*1*	3,783
b) social security charges	868	*860*	*8*	-	937
c) termination indemnities	48	*48*	-	-	111
d) supplementary benefits	6	*5*	*1*	-	7
e) provisions for termination indemnities	41	*41*	-	-	56
f) provisions for post employment benefits	42	*42*	-	-	64
- defined contribution plans	-	-	-	-	-
- defined benefit plans	*42*	*42*	-	-	*64*
g) payments to external pension funds	268	*265*	*3*	-	219
- defined contribution plans	*267*	*264*	*3*	-	*218*
- defined benefit plans	*1*	*1*	-	-	*1*
h) costs from share based payments	-	-	-	-	-
i) other benefits in favour of employees	236	*232*	*4*	-	348
2) Other non-retired personnel	**6**	***6***	**-**	**-**	**9**
3) Directors and statutory auditors	**30**	***28***	***2***	**-**	**36**
4) Early retirement costs	**-**	**-**	**-**	**-**	**-**
TOTAL	**4,976**	***4,927***	***48***	***1***	**5,570**

It should be specified that 3) Directors and Statutory Auditors includes remuneration to members of the Supervisory and Management Boards of the Parent Company and members of the Board of Directors and the Board of Statutory Auditors of the various Group companies.

11.2 Average number of employees by categories

	2013	Of which:			2012
		Banking group	*Insurance companies*	*Other companies*	
Personnel employed	**90,034**	***89,402***	***632***	**-**	**94,207**
a) managers	1,628	*1,600*	*28*	-	1,758
b) total officers	32,941	*32,697*	*244*	-	34,202
c) other employees	55,465	*55,105*	*360*	-	58,247
Other personnel	**260**	***259***	***1***	**-**	**378**
TOTAL	**90,294**	***89,661***	***633***	**-**	**94,585**

11.3 Post employment defined benefit plans: costs and revenues

(millions of euro)

	2013			2012		
	Employee Termination Indemnities	Internal plans	External plans	Employee Termination Indemnities	Internal plans	External plans
Current service cost	-3	-3	-24	-8	-3	-19
Interest expense	-39	-13	-99	-52	-17	-131
Interest income	-	4	68	-	5	126
Reimbursement from third parties	-	-	-	-	-	-
Past service cost	-	-	-	-	-	-
Curtailment of the fund	X	-	-	X	-	-
Settlement of the fund	X	-	-	X	-	-

This table illustrates the economic components referred to "Allowances for risks and charges - post employment benefits" recorded under liabilities line 120-a in the Consolidated balance sheet.

11.4 Other benefits in favour of employees

The balance as at 31 December 2013 amounted to 236 million euro, of which 77 million euro referred to charges for incentive-driven exit plans. The residual 159 million euro essentially referred to contributions for health assistance, lunch vouchers, premiums of insurance policies stipulated in favour of employees and provisions for seniority bonuses.

11.5 Other administrative expenses: breakdown

(millions of euro)

	2013	2012
Expenses for maintenance of information technology and electronic equipment	589	586
Telephonic, teletransmission and transmission expenses	99	109
Information technology expenses	**688**	**695**
Rentals and service charges - real estate	351	395
Security services	58	66
Cleaning of premises	50	55
Expenses for maintenance of real estate assets	75	89
Energy costs	131	132
Property costs	27	21
Management of real estate assets	**692**	**758**
Printing, stationery and consumables expenses	53	56
Transport and related services expenses (including counting of valuables)	105	111
Information expenses	150	152
Postal and telegraphic expenses	104	111
General structure costs	**412**	**430**
Expenses for consultancy fees	142	154
Legal and judiciary expenses	162	156
Insurance premiums - banks and customers	60	51
Professional and legal expenses	**364**	**361**
Advertising and promotional expenses	**156**	**147**
Services rendered by third parties	**197**	**207**
Indirect personnel costs	**92**	**116**
Other costs	**151**	**166**
Indirect taxes and duties	**879**	**714**
Recovery of taxes and duties	**-18**	**-2**
Recovery of other expenses	**-85**	**-77**
TOTAL	**3,528**	**3,515**

* * * * *

Administrative expenses for 2013, included in tables 11.1 "Personnel expenses: breakdown" and 11.5 "Other administrative expenses: breakdown", include charges for integration and exit incentives, gross of the tax effect detailed below, for 109 million euro.

Charges for integration and exit incentives: breakdown

(millions of euro)

	2013	2012
Personnel expenses	**77**	**144**
- expenses for incentive-driven exit plans	77	144
Other administrative expenses	**32**	**38**
- information technology expenses	26	21
- management of real estate assets	-	-
- professional and legal expenses	4	8
- advertising and promotional expenses	-	1
- services rendered by third parties	1	3
- indirect personnel costs	-	2
- other costs	1	3
TOTAL	**109**	**182**

SECTION 12 - NET PROVISIONS FOR RISKS AND CHARGES - CAPTION 190

12.1 Net provisions for risks and charges: breakdown

(millions of euro)

	Provisions	Uses	2013
Net provisions for legal disputes	-159	42	-117
Net provisions for other personnel charges	-1	-	-1
Net provisions for risks and charges	-266	65	-201
TOTAL	**-426**	**107**	**-319**

The amounts listed above include a 5 million euro funds increase due to time value.

SECTION 13 – NET ADJUSTMENTS TO/RECOVERIES ON PROPERTY AND EQUIPMENT – CAPTION 200

13.1 Net adjustments to property and equipment: breakdown

(millions of euro)

	Depreciation	Impairment losses	Recoveries	Net result
A. Property and equipment				
A.1 Owned	-350	-31	-	-381
- used in operations	*-344*	*-30*	-	*-374*
- investment	*-6*	*-1*	-	*-7*
A.2 Acquired under finance lease	-1	-	-	-1
- used in operations	*-1*	-	-	*-1*
- investment	-	-	-	-
TOTAL	**-351**	**-31**	**-**	**-382**

For the determination of impairment losses, see the illustration provided in Part A – Accounting policies.

SECTION 14 – NET ADJUSTMENTS TO/RECOVERIES ON INTANGIBLE ASSETS - CAPTION 210

14.1 Net adjustments to intangible assets: breakdown

(millions of euro)

	Amortisation	Impairment losses	Recoveries	Net result
A. Intangible assets				
A.1 Owned	-754	-2,084	-	-2,838
- internally generated	*-246*	*-1*	-	*-247*
- other	*-508*	*-2,083*	-	*-2,591*
A.2 Acquired under finance lease	-	-	-	-
TOTAL	**-754**	**-2,084**	**-**	**-2,838**

Net impairment losses on other assets mainly referred to core deposits (1,581 million euro) and brand name (502 million euro).
For a description of the impairment testing methods for intangible assets and related impairment recognised to the income statement, see Part B – Section 13 – Intangible Assets in these Notes to the consolidated financial statements.

14.1 Of which Banking group

(millions of euro)

	Amortisation	Impairment losses	Recoveries	Net result
A. Intangible assets				
A.1 Owned	-698	-2,084	-	-2,782
- internally generated	*-246*	*-1*	-	*-247*
- other	*-452*	*-2,083*	-	*-2,535*
A.2 Acquired under finance lease	-	-	-	-
TOTAL	**-698**	**-2,084**	**-**	**-2,782**

14.1 Of which Insurance companies

As at 31 December 2013 there were -56 million euro in impairment losses pertaining to insurance companies, entirely attributable to amortisation of other owned intangible assets.

SECTION 15 – OTHER OPERATING EXPENSES (INCOME) - CAPTION 220

15.1 Other operating expenses: breakdown

(millions of euro)

	2013	*Of which:*		
		Banking group	*Insurance companies*	*Other companies*
Other expenses for consumer credit and leasing transactions	61	*61*	-	-
Settlements for legal disputes	6	*6*	-	-
Amortisation of leasehold improvements	55	*54*	-	*1*
Contributions to Interbank Deposit Protection Fund	20	*20*	-	-
Other non-recurring expenses	192	*91*	*10*	*91*
Other	119	*116*	*3*	-
TOTAL 2012	**453**	*348*	*13*	*92*
TOTAL 2011	**448**	*380*	*7*	*61*

15.2 Other operating income: breakdown

(millions of euro)

	2013	Of which: Banking group	Of which: Insurance companies	Of which: Other companies
Recovery of expenses	724	*724*	-	-
Income IT companies	36	*36*	-	-
Insurance reimbursements	2	*2*	-	-
Reimbursements for services rendered to third parties	18	*18*	-	-
Income related to consumer credit and leasing	22	*22*	-	-
Rentals and recovery of expenses on real estate	26	*20*	-	*6*
Other non-recurring income	200	*190*	*10*	-
Other	68	*64*	*4*	-
TOTAL 2012	**1,096**	***1,076***	***14***	***6***
TOTAL 2011	**846**	***833***	***6***	***7***

Other non-recurring income includes 128 million euro relative to the positive performance of positions for disputes. For more detailed information, reference should be made to the section on legal risks of Part E of these Notes to the consolidated financial statements.

SECTION 16 – PROFITS (LOSSES) ON EQUITY INVESTMENTS – CAPTION 240

16.1 Profits (Losses) on disposal of equity investments: breakdown

(millions of euro)

	2013	Of which: Banking group	Of which: Insurance companies	Of which: Other companies	2012
1) Companies subject to joint control					
A. Revenues	21	*21*	-	-	15
1. Revaluations	*21*	*21*	-	-	*15*
2. Profits on disposal	-	-	-	-	-
3. Write-backs	-	-	-	-	-
4. Other	-	-	-	-	-
B. Charges	-4	*-4*	-	-	-8
1. Write-downs	*-2*	*-2*	-	-	*-7*
2. Impairment losses	*-2*	*-2*	-	-	*-1*
3. Losses on disposal	-	-	-	-	-
4. Other	-	-	-	-	-
Net result	**17**	***17***	-	-	**7**
2) Investments in associates					
A. Revenues	2,687	*2,680*	-	*7*	71
1. Revaluations	*108*	*101*	-	*7*	*71*
2. Profits on disposal	*21*	*21*	-	-	-
3. Write-backs	-	-	-	-	-
4. Other	*2,558*	*2,558*	-	-	-
B. Charges	-378	*-378*	-	-	-201
1. Write-downs	*-210*	*-210*	-	-	*-184*
2. Impairment losses	*-168*	*-168*	-	-	*-17*
3. Losses on disposal	-	-	-	-	-
4. Other	-	-	-	-	-
Net result	**2,309**	***2,302***	-	***7***	**-130**
TOTAL	**2,326**	***2,319***	-	***7***	**-123**

For companies subject to joint control and significant influence, income from registration at fair value of the equity stakes is recorded under Revaluations.

Other revenues include the effect on the income statement (2,558 million euro) of the derecognition of the cancelled stakes in the Bank of Italy and of the fair value recognition of the new stakes obtained in exchange, following the provisions of Law Decree 133/2013, converted into Law no. 5 of 29 January 2014 and the ensuing amendments to the articles of association approved by the Bank of Italy's general meeting on 23 December 2013.
Furthermore, it should be noted that despite being included among Equity investments up to the 2012 financial statements, the stake was maintained at cost and therefore not carried at equity, in relation to its peculiarity.

SECTION 17 - VALUATION DIFFERENCES ON PROPERTY, EQUIPMENT AND INTANGIBLE ASSETS MEASURED AT FAIR VALUE – CAPTION 250

17.1 Valuation differences on property, equipment and intangible assets measured at fair value: breakdown

Not applicable to the Group.

SECTION 18 – GOODWILL IMPAIRMENT - CAPTION 260

18.1 Goodwill impairment: breakdown

The results of impairment testing on goodwill recorded in the financial statements led to impairment losses of -4,676 million euro in 2013. See Part A – Accounting policies for details on the means of determination of goodwill impairment.

For a description of the impairment testing methods for goodwill, reference should be made to Part B – Section 13 – Intangible Assets in these Notes to the consolidated financial statements. As a result of the above impairment testing, the following impairment losses on goodwill were recognised in the 2013 financial statements.

(millions of euro)

CGU	Value prior to impairment	Impairment	Value post impairment
Banca dei Territori	4,989	-3,130	1,859
Corporate and Investment Banking	824	-824	-
Eurizon Capital	1,038	-	1,038
Banca Fideuram	1,002	-	1,002
International Subsidiary Banks	722	-722	-
Bank of Alexandria (Egypt)	-	-	-
Pravex Bank (Ukraine)	-		-
Total	**8,575**	**-4,676**	**3,899**

SECTION 19 – PROFITS (LOSSES) ON DISPOSAL OF INVESTMENTS - CAPTION 270

19.1 Profits (Losses) on disposal of investments: breakdown

(millions of euro)

	2013	Of which:			2012
		Banking group	*Insurance companies*	*Other companies*	
A. Real estate assets	6	6	-	-	26
- profits on disposal	*7*	*7*	-	-	*29*
- losses on disposal	*-1*	*-1*	-	-	*-3*
B. Other assets [(a)]	9	9	-	-	4
- profits on disposal	*24*	*24*	-	-	5
- losses on disposal	*-15*	*-15*	-	-	*-1*
Net result	**15**	***15***	**-**	**-**	**30**

[(a)] Included profits and losses on disposal of subsidiaries.

SECTION 20 - TAXES ON INCOME FROM CONTINUING OPERATIONS - CAPTION 290

20.1 Taxes on income from continuing operations: breakdown

(millions of euro)

	2013	*Of which:*			2012
		Banking group	*Insurance companies*	*Other companies*	
1. Current taxes (-)	-2,011	*-1,748*	*-263*	-	-2,524
2. Changes in current taxes of previous years (+/-)	186	*186*	-	-	288
3. Reduction in current taxes of the year (+)	60	*60*	-	-	28
3bis. Reduction in current taxes of the year for tax credits pursuant to Law no. 214/2011 (+)	72	*72*	-	-	905
4. Changes in deferred tax assets (+/-)	1,236	*1,227*	*9*	-	-584
5. Changes in deferred tax liabilities (+/-)	716	*691*	*25*	-	574
6. Taxes on income for the year (-) (-1+/-2+3+3bis+/-4+/-5)	**259**	***488***	***-229***	**-**	**-1,313**

20.2 Reconciliation of theoretical tax charge to total income tax expense for the period

(millions of euro)

	2013
Income before tax from continuing operations	-4,816
Income before tax from discontinued operations	-
Theoretical taxable income	**-4,816**

	Taxes	%
Income taxes - theoretical tax charge	**-1,592**	**33.1**
Increase of taxes	**1,920**	**-39.9**
Non-deductible interest expense	138	-2.9
Non-deductible costs due to goodwill impairment	1,253	-26.0
Other non-deductible costs (personnel expenses, etc.)	466	-9.7
Other	63	-1.3
Decrease of taxes	**-587**	**12.2**
Effects of the participation exemption	-16	0.3
Effects of international companies lower rates	-74	1.5
Capital gains on investments in associates and companies subject to joint control subject to substitute tax	-468	9.7
Other	-29	0.6
Total changes in taxes	**1,333**	**-27.7**
Total income tax expense for the period	**-259**	**5.4**
of which: - total income tax expense from continuing operations	**-259**	**-**
- total income tax expense from discontinued operations	**-**	**-**

SECTION 21 – INCOME (LOSS) AFTER TAX FROM DISCONTINUED OPERATIONS - CAPTION 310

21.1 Income (Loss) after tax from discontinued operations: breakdown

As at 31 December 2013, there was no income (loss) after tax from discontinued operations.

21.2 Breakdown of taxes on discontinued operations

As at 31 December 2013, there were no taxes on discontinued operations.

SECTION 22 – MINORITY INTERESTS - CAPTION 330

22.1 Breakdown of caption 330 Minority interests

As at 31 December 2013, minority interests amount to 7 million euro.

SECTION 23 – OTHER INFORMATION

There is no information further to that already provided in the previous sections.

SECTION 24 – EARNINGS PER SHARE

Earnings per share

	31.12.2013		31.12.2012	
	Ordinary shares	Savings shares	Ordinary shares	Savings shares
Weighted average number of shares	15,482,226,826	932,139,199	15,492,822,013	932,170,435
Income attributable to the various categories of shares *(millions of euro)*	-4,292	-258	1,514	91
Basic EPS (*euro*)	-0.28	-0.28	0.10	0.10
Diluted EPS (*euro*)	-0.28	-0.28	0.10	0.10

24.1 Weighted average number of ordinary shares (fully diluted)

For further information on this section, see the chapter "Shareholder base, stock price performance and other information" in the Report on operations.

Part D – Consolidated comprehensive income

DETAILED STATEMENT OF CONSOLIDATED COMPREHENSIVE INCOME

(millions of euro)

		Gross amount	Income tax	Net amount
10.	**NET INCOME (LOSS)**	**X**	**X**	**-4,557**
	Other comprehensive income that may not be reclassified to the income statement:	**-109**	**25**	**-84**
20.	Property and equipment	-	-	-
30.	Intangible assets	-	-	-
40.	Defined benefit plans	-109	25	-84
50.	Non current assets held for sale	-	-	-
60.	Share of valuation reserves connected with investments carried at equity	-	-	-
	Other comprehensive income that may be reclassified to the income statement:	**1,094**	**-406**	**688**
70.	Hedges of foreign investments:	-	-	-
	a) fair value changes	-	-	-
	b) reclassification to the income statement	-	-	-
	c) other changes	-	-	-
80.	Foreign exchange differences:	-158	-	-158
	a) fair value changes	-	-	-
	b) reclassification to the income statement	-	-	-
	c) other changes	-158	-	-158
90.	Cash flow hedges:	628	-208	420
	a) fair value changes	630	-208	422
	b) reclassification to the income statement	1	-	1
	c) other changes	-3	-	-3
100.	Property and equipment	621	-198	-278
	a) fair value changes	987	-286	-
	b) reclassification to the income statement	-319	70	-249
	- impairment losses	*75*	*-8*	*67*
	- gains/losses from disposals	*-394*	*78*	*-316*
	c) other changes	-47	18	-29
110.	Non current assets held for sale	-	-	-
	a) fair value changes	-	-	-
	b) reclassification to the income statement	-	-	-
	c) other changes	-	-	-
120.	Share of valuation reserves connected with investments carried at equity:	3	-	3
	a) fair value changes	-	-	-
	b) reclassification to the income statement	-	-	-
	- impairment losses	-	-	-
	- gains/losses from disposals	-	-	-
	c) other changes	3	-	3
130.	**Total other comprehensive income**	**985**	**-381**	**604**
140.	**TOTAL COMPREHENSIVE INCOME**	**X**	**X**	**-3,953**
150.	**Total consolidated comprehensive income pertaining to minority interests**	**X**	**X**	**-21**
160.	**Total consolidated comprehensive income pertaining to the Parent Company**	**X**	**X**	**-3,932**

Part E – Information on risks and relative hedging policies

INTRODUCTION

Basic principles

The Intesa Sanpaolo Group attaches great importance to risk management and control as conditions to ensure reliable and sustainable value creation in a context of controlled risk.
The risk management strategy aims to achieve a complete and consistent overview of risks, given both the macroeconomic scenario and the Group's risk profile, by fostering a culture of risk-awareness and enhancing the transparent and accurate representation of the risk level of the Group's portfolios.
Risk-acceptance strategies are summarised in the Group's Risk Appetite Framework (RAF), approved by the Management Board and Supervisory Board. The RAF, introduced in 2011 to ensure that risk-acceptance activities remain in line with shareholders' expectations, is established by taking account of the Intesa Sanpaolo Group's risk position and the economic situation.
The general principles that govern the Group's risk-acceptance strategy may be summarised as follows:

- Intesa Sanpaolo is a banking group focused on a commercial business model in which domestic retail activity remains the Group's structural strength;
- the Group does not aim to eliminate risks, but rather attempts to understand and manage them so as to ensure an adequate return for the risks taken, while guaranteeing the Company's solidity and business continuity in the long term;
- Intesa Sanpaolo has a moderate risk profile in which capital adequacy, earnings stability, liquidity and a strong reputation are the key factors to protecting its current and prospective profitability;
- Intesa Sanpaolo intends to maintain strong management of the main specific risks (not necessarily associated with macroeconomic shocks) to which the Group may be exposed.

The Risk Appetite Framework thus represents the overall framework in which the risks assumed by the Group are to be managed, with the establishment of general principles of maximum risk tolerance and the resulting structuring of the management of:

- the overall risk profile; and
- the Group's main specific risks.

Management of the overall risk profile is based on the general principles laid down in the form of a framework of limits aimed at ensuring that the Group complies with minimum solvency, liquidity and profitability levels even in conditions of severe stress. In addition, it aims to ensure the desired reputation and compliance risk profiles.
In detail, management of overall risk is aimed at maintaining adequate levels of:

- capitalisation, even under conditions of severe macroeconomic stress, with respect to both Pillar I and Pillar II. In further detail, capital adequacy is assessed by monitoring:
  - Common Equity and the Total Ratio, for Pillar I; and
  - the Leverage Ratio and Risk-Bearing Capacity, for Pillar II;
- liquidity, so as to respond to periods of tension, including extended periods of tension, on the various funding sourcing markets, with regard to both the short-term and structural situation; the Liquidity Coverage Ratio, the Net Stable Funding Ratio and the Funding/Lending Gap;
- earnings stability, so as to ensure profitability even in stress scenarios through an adequate mix of business;
- management of operational, compliance and reputation risk so as to minimise the risk of negative events that jeopardise the Group's economic stability and image.

Management of the main specific risks is aimed at determining the maximum acceptable risk that the Group intends to assume with regard to exposures that may represent especially significant concentrations. Such management is implemented by establishing ad hoc limits, management processes and mitigation measures to be taken in order to limit the impact of especially severe scenarios on the Group. Such risks are assessed on the basis of stress scenarios, are subject to periodic monitoring with the framework of Risk Management systems and constitute early warning indicators, especially as regards capital adequacy.
In detail, the main specific risks monitored are:

- especially significant risk concentrations (e.g., concentration on individual counterparties, sovereign risk or commercial real estate);
- the individual risks that make up the Group's overall risk profile and whose operating limits, as envisaged in specific policies, complete the Risk Appetite Framework.

The Group's Risk Appetite is also established in relation to the main subsidiaries, in terms of both the overall risk profile and the main specific risks. Overall risk management is implemented by monitoring key aspects (capital adequacy, liquidity and reputation) according to an approach similar to that followed at the Group level.
The Risk Appetite Framework informs the Budget and Business Plan and is proposed by the Chief Risk Officer, after its compatibility is assessed together with the Chief Financial Officer and the Heads of the various Business Units. The risk-acceptance strategy and policy thus fall within the context of the Plan and Budget process. In accordance with regulatory constraints and in a manner consistent with the risk profile assumed by the Group, the Chief Financial Officer area lays down the strategic profitability, capital adequacy and liquidity objectives that the Group intends to pursue. These objectives then form the basis for identifying the assets and financial resources to be allocated to the individual business units, including the insurance segment, through a process that involves an assessment of their attractiveness, financial independence, growth potential and ability to create value.
The definition of the Risk Appetite Framework and the resulting operating limits for the main specific risks, the use of risk measurement instruments in loan management processes and controlling operational risk and the use of capital-at-risk measures

for management reporting and assessment of capital adequacy within the Group represent fundamental milestones in the operational application of the risk strategy defined by the Supervisory Board and the Management Board along the Group's entire decision-making chain, down to the single operational unit and to the single desk.
The Group sets out these general principles in policies, limits and criteria applied to the various risk categories and business areas with specific risk tolerance sub-thresholds, in a comprehensive framework of governance, control limits and procedures.
The assessment of the risk profile and periodic revision are conducted annually with the ICAAP, which represents the capital adequacy self-assessment process according to the Group's internal rules. Since 2013, the Group has also been completing a Recovery Plan process according to indications from the Supervisory Authority.

A culture of risk-awareness

The utmost attention is devoted to spreading and sharing a culture of risk-awareness through both periodic updates to the documents prepared (Tableau de Bord, ICAAP and Risk Appetite Framework) and initiatives undertaken with the aim of dealing with specific issues raised from time to time.
In addition, the Group guarantees the spread of a culture of risk-awareness through extensive training efforts aimed at ensuring the proper application of the internal risk management models.
The Risk Academy initiative, addressed to the international subsidiaries, is a strategic project that pursues the goal of improving management of Risk Governance at Banking Group level.
The measures taken in pursuit of this goal are the establishment of a coordinated approach to risk management and compliance with supervisory regulations, as well as of ongoing support from the Parent Company for the local growth of risk assessment and monitoring systems within the international subsidiaries.
The risk management approach aims to achieve increasingly integrated and consistent risk management, considering both the macroeconomic scenario and the Group's risk profile, by fostering a culture of risk-awareness through a transparent, thorough representation of the risk level of portfolios. The efforts made in recent years with the Basel 2 Project in order to obtain authorisation from the Supervisory Authorities for the use of internal ratings to calculate credit risk requirements and in order to secure validation of internal models for operational and market risks should be seen in this context.

Risk governance organisation

Risk-acceptance policies are defined by the Parent Company's Supervisory Board and Management Board. The Supervisory Board carries out its activity through specific internal Committees, among which mention should be made of the Control Committee. The Management Board relies on the action of managerial committees, among which mention should be made of the Group Risk Governance Committee. Both corporate bodies receive support from the Chief Risk Officer, who is a member of the Management Board and reports directly to the Chief Executive Officer.

The **Chief Risk Officer** is responsible for proposing the Risk Appetite Framework, setting the Group's risk management and compliance guidelines and policies in accordance with Company strategies and objectives and coordinating and verifying the implementation of those guidelines and policies by the responsible units of the Group, including within the various corporate departments. The Chief Risk Officer ensures management of the Group's overall risk profile by establishing methods and monitoring exposure to the various types of risk and reporting the situation periodically to the corporate bodies.
The **Group Risk Governance Committee**, chaired by the Managing Director and CEO, is a body with decision-making, consultative and reporting powers. It was established with the aim of ensuring the monitoring and management of risks and the safeguarding of corporate value at Group level, including internal control systems, in implementation of the strategic guidelines and management policies defined by the corporate bodies.
The Committee is also responsible for Basel 2 and 3 project governance and supervising the projects and measures necessary to guarantee compliance.
The **Group Financial Risks Committee** is a technical body with a decision-making and reporting role that focuses on proprietary financial risk of banking and trading books, as well as on Active Value Management. This Committee, which meets in two separate periodic sessions, one of which is chaired by the Chief Risk Officer and the other by the Chief Financial Officer, is responsible for assessing the following, prior to approval by the corporate bodies:
- the methodological and measurement guidelines for financial risks;
- establishment of operational limits and assessment of the risk profile of the Group and its main operational units;
- strategic decisions relating to management of the banking book, to be submitted to the competent bodies;
- guidelines concerning liquidity, interest rate and foreign exchange risk.

In addition, it periodically assesses the Group's overall financial risk profile and takes the appropriate measures to mitigate it.
The **Group Compliance and Operational Risk Committee** is a technical body with a decision-making, consultative and reporting role with the aim of stepping up co-ordination and interdepartmental co-operation mechanisms and facilitating the effective management of operational and compliance risks. The Committee operates within the scope of the guidelines set by the corporate bodies, on the basis of the operational and functional powers delegated by the Management Board.
The Parent Company is in charge of overall direction, management and control of risks. Group companies that generate credit and/or financial risks are assigned autonomy limits and each has its own control structure. For the main Group subsidiaries, these functions are performed, on the basis of an outsourcing contract, by the Parent Company's risk control functions, which periodically report to the Board of Directors and the Audit Committee of the subsidiary.
The **Risk Management Department** performs the following functions:
- it is responsible for risk exposure methods and controls implemented in each business unit, reporting on the overall situation to the corporate governance bodies;
- it proposes the annual update of the RAF to the Chief Risk Officer;
- it proposes operational limits for financial risks (for both the banking and trading books);
- it promotes the use of risk measurement tools during the credit granting and managing process and the concentration process;
- it oversees the methodological and organisational framework for operational risks;

- it adopts capital-at-risk measurements for management reporting and assessment of the Group's Economic Capital adequacy;
- it ensures that statutory reports on internal models are sent to the Supervisory Authorities;
- it is responsible for operational implementation of the management strategies and guidelines for risk along the Bank's entire decision-making chain, down to individual operational units and desks;
- as part of the Tableau de Bord and on a quarterly basis, it reports to the corporate bodies on the situation of the Group's overall risk profile; it compares that situation with the Risk Appetite Framework, highlighting any situations that require action by the boards.

Scope of risks

The risks identified, covered and incorporated within the economic capital, considering the benefits of diversification, are as follows:

- credit and counterparty risk. This category also includes concentration risk, country risk and residual risks, both from securitisations and uncertainty on credit recovery rates;
- market risk (trading book), including position, settlement and concentration risk on the trading book;
- financial risk of the banking book, mostly represented by interest rate and foreign exchange rate risk;
- operational risk, including legal risk;
- strategic risk;
- risk on equity investments not subject to line by line consolidation;
- risk on real estate assets owned for whichever purpose;
- insurance risk.

Risk hedging, given the nature, frequency and potential impact of the risk, is based on a constant balance between mitigation/hedging action, control procedures/processes and capital protection measures, including in the form of stress tests.
Particular attention is dedicated to managing the short-term and structural liquidity position by following specific policies and procedures to ensure full compliance with the limits set at the Group level and operating sub-areas in accordance with international regulations and the risk appetite approved at the Group level.
The Group also intends to maintain adequate levels of protection against reputation risk so as to minimise the risk of negative events that might jeopardise its image. To that end, it has embarked upon an ex-ante risk management process to identify the major reputation and compliance risks for the Group, define prevention and mitigation tools and measures in advance and implement specific, dedicated reporting flows.
Assessments of each single type of risk for the Group are integrated in a summary amount – the economic capital – defined as the maximum "unexpected" loss the Group might incur over a year. This is a key measure for determining the Group's financial structure and its risk tolerance, and guiding operations, ensuring the balance between risks assumed and shareholder return. It is estimated on the basis of the current situation and also as a forecast, based on the budget assumptions and projected economic scenario under normal and stress conditions.

For the purposes described above, the Intesa Sanpaolo Group uses a wide-ranging set of tools and techniques for risk assessment and management, detailed in this Part E of the Notes to the consolidated financial statements.
The information provided in this part of the document is based on internal management data and does not necessarily coincide with that contained in Parts B and C. Tables and information for which the indication of "book values" is specifically required represent an exception.

Other risks

In addition to credit, market, operational and insurance risks, discussed in detail in the following paragraphs, the Group has also identified and monitors the following other risks.

Strategic risk

The Intesa Sanpaolo Group defines current or prospective strategic risk as risk associated with a potential decline in profits or capital due to changes in the operating context, misguided Company decisions, inadequate implementation of decisions, or an inability to react sufficiently to changes in the competitive scenario.
The Group's response to strategic risk is represented first and foremost by policies and procedures that call for the most important decisions to be deferred to the Management Board and the Supervisory Board, supported by a current and forward-looking assessment of risks and capital adequacy. The high degree to which strategic decisions are made at the central level, with the involvement of the top corporate governance bodies and the support of various company functions, ensures that strategic risk is mitigated.
An analysis of the definition of strategic risk leads to the observation that this risk is associated with two distinct fundamental components:

- a component associated with the possible impact of misguided Company decisions and an inability to react sufficiently to changes in the competitive scenario: this component does not require capital, but is one of the risks mitigated by the ways in which strategic decisions are reached and by their centralisation with top management, where all significant decisions are always supported by specific activities aimed at identifying and measuring the risks implicit in the initiative;
- the second component is more directly related to business risk; in other words, it is associated with the risk of a potential decline in profits as a result of the inadequate implementation of decisions and changes in the operating context. This component is handled not only by using systems for regulating Company management, but also via specific internal capital, determined according to the Variable Margin Volatility (VMV) approach, which expresses the risk arising from the business mix of the Group and its Business Units.

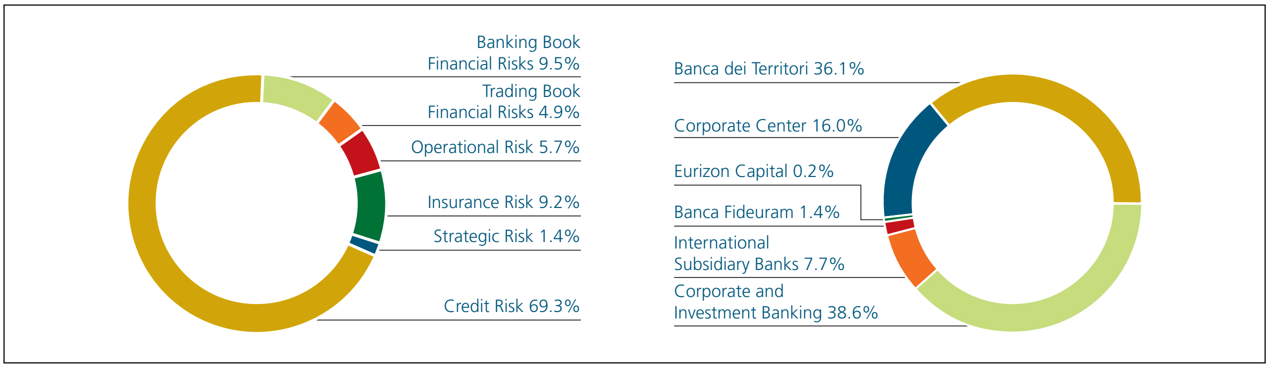
Strategic risk is also assessed as part of stress tests based on a multiple-factor model that describes the relations between changes in the economic scenario and the business mix resulting from planning hypotheses.

Reputation risk
The Intesa Sanpaolo Group attaches great importance to reputation risk, namely the current and prospective risk of a decline in profits or capital due to a negative perception of the Bank's image by customers, counterparties, shareholders, investors and Supervisory Authorities.
The Group actively manages its image in the eyes of all stakeholders and aims to prevent and contain any negative effects on its image, including through robust, sustainable growth capable of creating value for the Bank and all of its stakeholders, while also minimising possible adverse events through rigorous, stringent governance, control and guidance of the activity performed at the various service and function levels.
The main reputation risks are generally identified according to a bottom-up approach based on an assessment of the risk perceived by internal stakeholders (annual assessment, climate surveys, etc.) and external stakeholders (focus groups, feedback initiatives, media and investor relations, etc.).
Reputation risk is managed and mitigated through:
- compliance with standards of ethics and conduct;
- involvement of the Top Management;
- constant focus on stakeholders' expectations;
- containment of exposure to primary risks (credit, operational, market, compliance risks, etc.)

and it places great emphasis on the role of organisational units that engage in relations with the various stakeholders, each within its own purview.
The Group adopts a Code of Ethics that sets out the basic values to which it intends to commit itself and enunciates the voluntary principles of conduct for dealings with all stakeholders (customers, employees, suppliers, shareholders, the environment and, more generally, the community) with broader objectives than those required by mere compliance with the law. The Group has also issued voluntary conduct policies (environmental policy and arms industry policy) and adopted international principles (UN Global Compact, UNEP FI, Equator Principles) aimed at pursuing respect for the environment and human rights.
The Group aims to achieve constant improvement of reputation risk governance also through an integrated compliance risk management system, as it considers compliance with the regulations and fairness in business to be fundamental to the conduct of banking operations, which by nature is founded on trust.
Particular attention is also devoted to establishing and managing customers' risk tolerance, through the identification of their various risk tolerance profiles according to subjective and objective traits of each customer.
Particular consideration has been given to financial advisory services for customers, for which the MiFID Directive was taken as an opportunity to update the entire marketing process and associated controls.
Accordingly, the Group has reinforced its longstanding general arrangement, which calls for the adoption of processes supported by quantitative methods for managing the risk associated with customers' investments in accordance with a broad interpretation of the law with the aim of safeguarding customers' interests and the Group's reputation.
This has allowed assessments of adequacy during the process of structuring products and rendering advisory service to be supported by objective assessments that contemplate the true nature of the risks borne by customers when they undertake derivative transactions or make financial investments.
More in particular, the marketing of financial products is also governed by specific advance risk assessment from the standpoint of both the Bank (along with risks, such as credit, financial and operational risks, that directly affect the owner) and the customer (sustainability in terms of risk to return ratio, flexibility, concentration, consistency with objectives and risk tolerance profiles, and knowledge and awareness of the products and services offered).

Risk on owned real-estate assets
The risk on owned real-estate assets may be defined as risk associated with the possibility of suffering financial losses due to an unfavourable change in the value of such assets and is thus included in the category of banking book financial risks. Real-estate management is highly centralised and represents an investment that is largely intended for use in Company operations. The degree of risk in the portfolio of owned properties is represented by using a VaR-type model based on indexes of mainly Italian real estate prices, which is the main type of exposure associated with the Group's real-estate portfolio.

Absorption of Economic Capital by Business Unit
The following is an illustration of the breakdown of the Group's Economic Capital by Business Unit and by type of risk.



The absorption of Economic Capital by Business Unit reflects the distribution of the Group's various activities and the specialisations of the business areas.
The majority of risk is concentrated in the "Corporate & Investment Banking" Business Unit (38.6% of the total Economic Capital): this is due to the type of customers served (Corporate and Financial Institutions) and to the main activities (Investment Banking and Capital Market). In fact, a significant portion of credit risk and trading book risk is attributable to this Business Unit, as well as a significant portion of the Banking Book financial risk (mainly equity).

The "Banca dei Territori" Business Unit (36.1% of the total Economic Capital) is the second source of absorption of Internal Capital, in line with its role as core business of the Group, serving Retail, Private and Small/Middle Corporate customers. It is assigned a sizeable portion of the credit risk component, as well as operational risk and insurance risk.
The "International Subsidiary Banks" and "Banca Fideuram" Business Units are respectively assigned 7.7% and 1.4% of the total risk, predominantly credit risk.
In addition to credit risk, the "Corporate Centre" is attributed with the risks typical of this Business Unit, namely those resulting from investments, as well as the Banking Book interest rate risk, specifically in the management of core deposits.
Absorption of Economic Capital by Eurizon Capital is marginal (0.2%) due to the nature of its business, which is predominantly aimed at asset management activities.

Basel 2 and Basel 3 regulations and the Internal Project

The goal of the Basel 2 Project is the adoption of advanced approaches for credit and operational risks by the main Group companies.

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.
The scope of application has since 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></th><th>Corporate
FIRB</th><th>Corporate
AIRB LGD</th><th>SME Retail
IRB LGD</th><th>Mortgage
IRB LGD</th></tr>
<tr><td>Intesa Sanpaolo</td><td rowspan="12">Dec - 2008</td><td rowspan="11">Dec - 2010</td><td rowspan="11">Dec - 2012</td><td rowspan="10">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 di Venezia</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>Banca di Credito Sardo</td></tr>
<tr><td>Mediocredito Italiano</td><td>n.a.</td></tr>
<tr><td>Mediofactoring</td><td>Jun - 2012</td><td>*</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>**</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>*</td><td>*</td><td>Jun - 2012</td></tr>
</table>

(*) Banks included in the roll-out plan which have not yet obtained authorisation from the Supervisory Authority.
(**) Bank which have received authorisation from the Supervisory Authority from March 2014.

Effective from December 2013, authorisation to extend the AIRB approach to the Corporate segment and the IRB approach to the Retail Mortgage segment was obtained for the subsidiary Banca Monte Parma. That same subsidiary also received authorisation for the extension of the IRB approach to the SME Retail segment effective from the first report in 2014. Authorisation to use the AIRB approach for the Corporate segment and the IRB approach for the SME Retail segment has been obtained for the subsidiary Banca Prossima.
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 2014.
The Group is also proceeding with development of the 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.
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. For additional details see the section on operational risks.

In 2013 the Group presented its 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.

As part of its adoption of Basel 2, the Group publishes information concerning capital adequacy, exposure to risks and the general characteristics of the systems aimed at identifying, monitoring and managing them in a document entitled "Basel 2 - Pillar 3" or simply "Pillar 3".
The document is published on the website (www.group.intesasanpaolo.com) each quarter, inasmuch as Intesa Sanpaolo is among the groups that have adopted validated internal approaches for credit, market and operational risks.

As regards developments in the set of regulations known as "Basel 3", the main changes regard the level and quality of capital of the banks, introduction of the Leverage Ratio (ratio of Core Tier I and Total Assets, including off balance sheet adjusted for the actual derivatives exposure), changes in the valuation of counterparty risk and the introduction of two new regulatory liquidity indicators (Liquidity Coverage Ratio and Net Stable Funding Ratio). Specifically, during the third quarter of 2013 an application for 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 and Banca IMI.
In preparing to adopt the new rules envisaged by Basel 3, the Group has undertaken adequate project initiatives, expanding the objectives of the Basel 2 Project in order to improve the measurement systems and the related risk management systems.

The internal control system

To ensure a sound and prudent management, Intesa Sanpaolo combines business profitability with an attentive risk-acceptance activity and an operating conduct based on fairness.
Therefore, the Bank, in line with legal and supervisory regulations in force and consistently with the Corporate Governance Code for listed companies, has adopted an internal control system capable of identifying, measuring and continuously monitoring the risks typical of its business activities.
Intesa Sanpaolo's internal control system is built around a set of rules, functions, resources procedures and organisational structures aimed at ensuring compliance with Company strategies and the achievement of the following objectives:
– the proper implementation of Company strategies and policies;
– the containment of risk within the limits indicated in the reference framework for determining the Bank's risk appetite (Risk Appetite Framework – RAF);
– the safeguarding of asset value and protection from losses;
– the effectiveness and efficiency of the Bank processes;
– the reliability and security of Company information and IT procedures;
– the prevention of the risk that the Bank may be involved, including involuntarily involved, in illegal activities (with especial regard to those relating to money-laundering, usury and financing for terrorism);
– the compliance of transactions with the law and supervisory regulations, as well as internal policies, procedures and regulations.

The internal control system plays a crucial role and involves the entire Company organisation (boards, units, hierarchical levels, all personnel).
The internal control system is characterised by a documentary infrastructure (regulatory framework) that provides organised and systematic access to the guidelines, procedures, organisational structures, and risks and controls within the business, incorporating both the Company policies and the instructions of the Supervisory Authorities, and provisions of law, including the principles laid down in Legislative Decree 231/2001 and Law 262/2005.
The regulatory framework consists of "Governance Documents" that oversee the operation of the Bank (Articles of Association, Code of Ethics, Group Regulations, Authorities and powers, Policies, Guidelines, Function charts of the Organisational Structures, Organisational Models, etc.) and of more strictly operational regulations that govern business processes, individual operations and the associated controls. The process of drawing up Integrated Internal Control System Regulations has begun in accordance with the New Supervisory Regulations issued by the Bank of Italy in July 2013.
More specifically, the Company rules set out organisational solutions that:
– ensure sufficient separation between the operational and control functions and prevent situations of conflict of interest in the assignment of responsibilities;
– are capable of adequately identifying, measuring and monitoring the main risks assumed in the various operational segments;
– enable the recording, with an adequate level of detail, of every operational event and, in particular, of every transaction, ensuring their correct allocation over time;
– guarantee reliable information systems and suitable reporting procedures for the various managerial levels assigned the functions of governance and control;
– allow the prompt notification to the appropriate levels within the Company and the swift handling of any anomalies found by the business units and the control functions;
– ensure adequate levels of business continuity.

The Company's organisational solutions also enable the uniform and formalised identification of responsibilities, particularly in relation to the tasks of controlling and correcting the irregularities found.
At Corporate Governance level, Intesa Sanpaolo has adopted a dual governance model, in which the functions of control and strategic management, performed by the Supervisory Board, are separated from the management of the Company, which is exercised by the Management Board in accordance with the provisions of art. 2409-octies and subsequent of the Italian Civil Code and art. 147-ter and subsequent of the Consolidated Law on Finance.
The Supervisory Board has established an internal Control Committee that proposes, advises and enquires on matters regarding the internal control system, risk management and the accounting and IT system. The Committee also performs the duties and tasks of a Surveillance Body pursuant to Legislative Decree 231/2001 on the administrative liability of companies, supervising operations and compliance with the Organisational, Management and Control Model adopted by the Bank.
From a more operational standpoint, the internal control and risk management system is divided into three levels:

- the first level consists of line controls that are conducted by operating departments (by the person performing the relevant activity plus hierarchical controls), or are incorporated into procedures or back-office activities;
- the second level falls mainly under the responsibility of the Chief Risk Officer and includes specific functions (Risk Management Department, Credit Quality Monitoring Unit, Internal Validation Function and the Compliance Department) that involve:
  - risk management controls, which are aimed at contributing to the definition of risk measurement methodologies, at verifying compliance with the limits assigned to the various operating departments and at controlling the consistency of the operations of individual productive areas with the assigned risk-return targets;
  - compliance controls, which are aimed at preventing the risk of incurring legal and administrative penalties, significant financial loss or damage to reputation as a consequence of infringements of laws and regulations or self-regulating codes;
  - compliance controls with regard to anti-money laundering, combating the financing of terrorism and embargo management;
  - credit granting controls, including the correct process of assignment and updating of ratings, controls on the management process for non-performing and doubtful loans and monitoring of credit quality;
  - internal validation controls, in accordance with Bank of Italy Circular 263/2006;
- the third level consists of internal auditing activities run by the Internal Auditing Department, a separate, independent structure from the operating structures, whose aim is to identify anomalous operations and breaches of procedures and regulations, and to assess the overall functioning of the internal control system.

The internal control system is periodically reviewed and adapted in relation to business development and the reference context.

Intesa Sanpaolo has an internal control structure consistent with the indications provided by the Supervisory Authorities.

Risk Management

The Risk Management Department is responsible for operational implementation of the management strategies and guidelines for risk along the Bank's entire decision-making chain, down to individual operational units. The Risk Management Department is responsible for the risk exposure methods and controls implemented in each business unit, reporting on the overall situation to the corporate governance bodies; it proposes the annual update of the RAF to the Chief Risk Office; it proposes operational limits for financial risks (for both the banking and trading books); it promotes the use of risk measurement tools during the credit granting and managing process and the concentration process; it oversees the methodological and organisational framework for operational risks; it adopts capital-at-risk measurements for management reporting and assessment of the Group's internal capital adequacy; it ensures that statutory reports are sent to the Supervisory Authorities.
The Department's tasks and functions are discussed in detail in the subsequent chapters of Part E.

Internal Validation

The internal control system implemented by the Bank includes the validation function, the purpose of which is ongoing evaluation, in accordance with the New Supervisory Regulations for banks[3], of the compliance of internal risk measurement and management systems over time as regards determination of the capital requirements with regulatory provisions, Company needs and changes in the market of reference. The validation process is entrusted to the Internal Validation Function, which is responsible for the activity at the Group level in accordance with the requirements of supervisory regulations governing uniform management of the control process on Internal risk measurement systems.
The Internal Validation Function reports directly to the Chief Risk officer and is independent of the functions that manage internal system development activities and the function in charge of internal auditing. It ensures that internal models, whether already operational or in the development stages, are validated with regard to all risk profiles covered by Pillars I and II of the Basel II Accord, in accordance with the independence requirements established by the Bank of Italy.
With respect to the first pillar in particular, it conducts ongoing assessments of risk management and measurement systems in terms of models, processes, IT infrastructure and their compliance over time with regulatory provisions, company needs and changes in the market of reference by developing adequate methodologies, tools and operating solutions.
Both during the initial application phase and on an ongoing basis (at least annually), the results of the Internal Validation Function's activities, documented in accordance with pre-determined standards, are presented to the competent functions, transmitted to the Internal Auditing Department for its related internal auditing work, as well as to the competent managerial committees and governance bodies for the resolution certifying the compliance of internal systems with regulatory requirements, and forwarded to the Supervisory Authorities.
With respect to pillar-two risks, the Internal Validation Function conducts analyses of methodologies, verifying in particular that the measurement or assessment metrics adopted in quantifying significant risks are economically and statistically consistent, the methodologies adopted and estimates produced to measure and assess significant risks are robust and comparing alternative methodologies for measuring and aggregating individual risks. The main analyses are conducted in the context of the prudential control process and summarised in the ICAAP book[4].
The function also manages the internal validation process at the Group level, interacting with Supervisory Authorities, the company bodies of reference and the functions responsible for the level-three controls provided for in regulations.
The Internal Validation Function adopts a decentralised approach for companies with local validation functions (certain international companies), coordinating and supervising the activities of such companies, and a centralised approach for the others.
The methodologies adopted were developed in implementation of the principles that inspire the Supervisory Regulations for banks, Community Directives, general orientations of international committees and best practices in the area and take the form of documentary, empirical and operating practice analyses.

[3] Bank of Italy Circular 285/2013; Bank of Italy Circular 263/2006 and subsequent amendments(where applicable); EU Regulation No. 575/2013 (CRR).

[4] Furthermore, as required by the Supervisory Authority, the Internal Validation function validates in advance the changes to the model of demand deposits and the annual re-estimation activities regarding the model parameters.

The function generally provides advice and suggestions to company and Group functions on an ongoing basis with the aim of improving the efficacy of the processes of risk management, control and governance of internal risk measurement and management systems for determining capital requirements.
In 2013, the main validation activities in the area of credit risks pertained to:
- validation activities aimed at presenting two applications: the AIRB approach (internal estimates of PD/LGD) for the Supervised Intermediaries regulatory segment (Banks and Public Entities) and the adoption of internal estimates of PD for the Banking Book Equity portfolio for the purposes of calculation of the regulatory capital requirement;
- extension of the IRB approach to the SME Retail segment for the subsidiary Banca Monte Parma;
- periodic quantitative and qualitative analyses (backtesting, performance analyses and empirical analyses of use tests) required by the Bank of Italy for the Residential Mortgages to Private Individuals, Corporate and SME Retail segments (PD and LGD models) in the context of the annual validation report;
- monitoring of the measures taken in accordance with the requirements set in the regulatory capital "floor" revision order of summer 2011.

In the cases of the international subsidiaries, the Internal Validation Function conducted its own assessments in collaboration with the local validation functions, where present, so that the relevant applications could then be submitted to the competent Supervisory Authorities. In detail, analyses of the adequacy of internal risk measurement systems for the purposes of determining capital requirements for credit risk were completed for the following subsidiaries:
- VUB (Slovakia): validation report for the application for authorisation to use the IRB approach for the SME Retail segment and the AIRB method for the regulatory Corporate segment;
- PBZ (Croatia): validation report for the application for authorisation to use the FIRB approach for the Micro Corporate segment;
- Banka Koper (Slovenia): pre-validation report for authorisation of the internal adoption of the FIRB approach for the Corporate segment.

Validation activities for operational risk conducted in 2013 took the form of:
- control of the update of the internal regulatory framework regarding operational risks launched in 2012 and completed in 2013;
- validation activities aimed at the control of the measures taken in accordance with the requirements set in the AMA authorisation orders of June 2013;
- methodological analyses with the goal of verifying the stability of the approach (LDA) in light of the changes applied (e.g., modelling of illicit acts by financial advisors and new allocation method);
- performance of annual validation analyses (process, empirical and model analyses) for the purposes of the drafting of the annual report.

For the purposes of such activities, the information drawn from documentary and empirical analyses (using Isidoro data) was supplemented by specific onsite inspections aimed at ascertaining the actual application of the monitoring and management process for operational risks and by methodological analyses. Concurrently, in the first half of 2013, the Internal Validation Function completed the Remote Verification Process for the Organisational Units/Legal Entities within the AMA scope.
The Internal Validation Function's activity relating to the market risk component focused on the following areas:
- validation activities aimed at the extension of the internal market risks model to the Parent Company's hedge funds portfolio;
- annual validation analyses (annual report) with specific follow-ups on unresolved anomalies relating to compliance with the EBA Guidelines on Stressed VaR published in 2012 and calculation of the Incremental Risk Charge (IRC);
- monitoring of the existing model for calculating stressed VaR, which entails a half-yearly revision of the adequacy of the historical stress period to be used in the calculation;
- periodic analyses required by the Bank of Italy on the progress of corrective measures applied to the spread VaR and IRC models.

Bank of Italy conducted a validation inspection in October 2013 for counterparty risk, currently used only for management purposes by the Parent Company and Banca IMI. The Internal Validation Function monitored the progress of the project in terms of both the quantitative and organisational aspects (IT processes and development), suggesting configuration modifications to the system as designed, also based on independent backtesting analyses. It also monitored the corrective measures implemented over time in response to such suggestions, as well as the irregularities observed by the Bank of Italy as a result of its pre-validation inspections. The project activities were reported to the Supervisory Authority through the submission of the validation report for the internal model appended to the July 2013 application.
The main analyses conducted with regard to Pillar II risks in reference to the methods applied for the purposes of calculation of economic capital as at 31 December 2013 pertain to:
- the method for the allocation of economic capital calculated by the portfolio model;
- the method for the estimate of the economic capital for default positions;
- the update and re-estimate of the parameters of the behavioural model of demand deposits for the assessment of banking book interest rate risk;
- the extension to floating-rate loans of the prepayment assessment method (CPR);
- the change in of stress-testing method;
- the changes made to the model for calculating economic capital for insurance risk.

In addition, the changes in the liquidity risk assessment policy to bring it into line with the provisions of the CRR were also validated.
Methods for equity risk, the integration of risks and reallocation to total economic capital, foreign exchange risk, interest rate risk and strategic risk, which were validated in previous years, were not subject to significant change in 2013. It was therefore not deemed necessary to update the associated validation analyses.

The Compliance Department

The governance of compliance risk is of strategic importance to the Intesa Sanpaolo Group as it considers compliance with the regulations and fairness in business to be fundamental to the conduct of banking operations, which by nature is founded on trust. Management of non-compliance risk is entrusted to the Compliance Department, which reports to the Chief Risk Officer, from a position of autonomy with respect to operating departments, and of separation from internal auditing.
The Group's Compliance Model is set out in the Guidelines approved by Intesa Sanpaolo's Management Board and Supervisory Board. These Guidelines identify the responsibilities and macro processes for compliance, aimed at mitigating the risk of non-compliance through a joint effort by all the company functions. The Compliance Department is responsible, in particular, for overseeing the guidelines, policies and methodologies relating to the management of non-compliance risk. The Compliance Department, including through the coordination of other company functions, is also responsible for the identification and assessment of the risks of non-compliance, the proposal of the functional and organisational measures for their mitigation, the assessment of the company's bonus system, the pre-assessment of the compliance of innovative projects, operations and new products and services, the provision of advice and assistance to the governing bodies and the business units in all areas with a significant risk of non-compliance, the monitoring, including through the use of information provided by the Internal Auditing Department, of ongoing compliance, and the promotion of a corporate culture founded on the principles of honesty, fairness and respect for the spirit and the letter of the rules.
The Compliance Department submits periodic reports to corporate bodies on the adequacy of compliance control. On an annual basis, these reports include an identification and assessment of the primary non-compliance risks to which the Group is exposed and a schedule of the associated management measures, and on a semi-annual basis they include a description of the activities performed, critical issues noted, and remedies identified. A specific notice is also given when events of particular significance occur.
The Compliance Guidelines call for the adoption of two distinct models in relation to direction and control of the Group. These models are organised in such a way as to account for the Intesa Sanpaolo Group's structure in operational and territorial terms. In particular:
- compliance supervision activities for specifically identified Network Banks and Italian Companies whose operations show a high degree of integration with the Parent Company are centralised with the Compliance Department;
- for the other Companies, specifically identified on the basis of the existence of a legal obligation or their material nature, as well as for Branches Abroad, an internal compliance function is established and a local Compliance Officer is appointed. In functional terms, the Compliance Officer reports to the Compliance Department and is assigned compliance responsibilities.

In 2013 a review of the current Compliance Model was launched with the aim of adapting to the new provisions on internal control systems issued by the Bank of Italy in July, which assign responsibility for compliance risk management for all regulatory aspects applying to corporate activities to the Compliance Department, with the option of tailoring regulatory tasks for which suitable forms of specialised monitoring are envisaged.
The activities carried out during the year concentrated on the regulatory areas considered to be the most significant in terms of non-compliance risk, including in light of the most significant ongoing projects, such as Out-of-branch offering and initiatives aimed at achieving compliance with new regulations enacted at an international level (e.g., EMIR, Dodd Frank Act, short-selling law). In particular:
- in the financial intermediation and investment services area, monitoring of the procedural organisational structure in support of the service model adopted by the Bank continued, also in light of the Guidelines on suitability issued by ESMA in July 2012. In this context, work was done on both the internal rules that govern the provision of investment services, adjusting those Roles to the changed economic scenario, and on the procedures that apply to operations with the aim of improving the service rendered to customers, with particular reference to the adequacy assessment model. Work also continued in the area of monitoring personal transactions, clearing new products and services and controlling customer operations in order to prevent market abuse. In the area of conflict of interest management and the circulation of insider information, work continued to be done with the aim of enhancing the model adopted by the Bank;
- legislative developments in the areas of banking products and services were monitored, with a particular focus on the issue of transparency, consumer credit and usury. Rules, procedures and operational practices were established to prevent violations or infractions of applicable rules governing such products and services in order to ensure that support and guidance are provided to business units with the aim of ensuring that customer-protection provisions are properly managed;
- in the area of insurance and pension services, business functions received constant advice, concerning in particular policies paired with mortgages and motor policies. In addition, initiatives continued with the aim of enhancing governance of non-compliance risks pertaining to the insurance and pension segment, with respect to the Group's distribution networks; in particular, work was done with the aim of rationalising the line of pension products and adapting the associated post-sales process, and a specific project was created in order to return the residual premium for Group's policies associated with loans repaid in advance;
- the organisational, management and control Model pursuant to Italian Legislative Decree 231/2001 was overseen by verifying its compliance with the Company regulations, updating it to take into account the new predicate offences, and coordinating verification of its proper implementation.

Additional activities were aimed at reinforcing management and coordination activity for international subsidiaries, with the aim of implementing a supervisory model comparable to that adopted by the Parent Company, involving the establishment of shared control guidelines and standards for the most sensitive areas.
Considerable importance was attached to personnel training programmes, involving the implementation, in collaboration with the competent company functions, of initiatives aimed at pre-defined targets in order to maximise their efficacy.

The Anti-Money Laundering Function

In August 2011, in line with the regulatory provisions issued by the Bank of Italy on 20 March 2011, responsibilities in the area of the prevention of money laundering and embargo management, previously entrusted to the Compliance Department, were reassigned to a specific Anti-Money Laundering Function reporting directly to the Chief Risk Officer. The Function is charged with monitoring compliance risk in the area of money laundering, combating financing of terrorism and embargo management by:
- laying down the general principles to be adopted within the Group for the management of compliance risk;

- conducting ongoing monitoring, with the support of the competent functions, of developments in the national and international context of reference, verifying the adequacy of company processes and procedures with respect to applicable regulations and proposing appropriate organisational and procedural changes;
- providing advice to the functions of the Parent Company and subsidiaries on a centralised basis and establishing adequate training plans;
- preparing appropriate periodic information for corporate bodies and top management;
- discharging the required specific obligations on behalf of the Parent Company and subsidiaries on a centralised basis, including, in particular, enhanced customer reviews, controls of proper management of the Single Electronic Archive and the assessment of reports of suspicious transactions received from operating departments for the submission to the Financial Reporting Unit of reports deemed accurate.

During 2013, the Anti-Money Laundering Function devoted the utmost attention to projects aimed at reinforcing coverage of the Group's Italian and international companies in the area of money laundering and embargoes, including in light of the new provisions of law enacted at the national and international level. In further detail, organisational, IT and training activities were performed with the aim of implementing applicable regulations in this area.

The Internal Auditing Department

Internal auditing activities are performed by the Internal Auditing Department, which reports directly to the Chairman of the Management Board and the Chairman of the Supervisory Board. It also liaises with the Control Committee and has no direct operating responsibilities.

The Department has a structure and a control model which is organised consistently with the organisational model of Intesa Sanpaolo and, more generally, of the Group.

As part of its duties the Department also liaises with the Internal Auditing departments of the Group's Italian and international companies.

The Internal Auditing Department performs overall third-level assessment of the internal control systems, reporting possible improvements to the corporate bodies.

In particular, the Department assesses the completeness, adequacy, functionality and reliability of the components of the internal control systems, the risk management process and corporate processes, also with regard to their capacity to identify errors and irregularities. In this context, amongst others, it audits the risk control and regulatory compliance departments, also through participation in plans so as to create value added and to improve the effectiveness of the control and corporate governance processes. The audit action directly concerns Intesa Sanpaolo and the Group companies.

The Internal Auditing Department is also responsible for assessing the effectiveness of the processing of defining the Risk Assessment Framework and related compliance of Bank operations.

The Head of the Internal Auditing Department enjoys the due autonomy and independence from operating departments. The Department has free access to the activities, data and documents of all company functions.

The Department uses personnel with the appropriate professional skills and expertise and ensures that its activities are performed in accordance with international best practices and standards for internal auditing established by the Institute of Internal Auditors (IIA). The Department has earned the maximum rating in the external Quality Assurance Review envisaged by the international standards: "Generally Compliant."

In performing its duties, the Department uses structured risk assessment methods to identify existing situations of greatest interest and the main new risk factors. Based on the assessments emerging from risk assessment and the resulting priorities, as well as on any specific requests for further enquiry expressed by top management and corporate bodies, it prepares and submits an Annual Intervention Plan for prior examination by the Control Committee and subsequent approval by the Management Board and the Supervisory Board, on the basis of which it conducts its activities during the year.

During 2013, auditing was performed directly for the Parent Company, Intesa Sanpaolo, the Network Banks and other subsidiaries under an outsourcing contract. For the other Group companies with their own internal audit departments, second level controls were conducted (indirect surveillance).

Supervision activity was conditioned by the continuing delicate economic scenario. Consequently, in accordance with instructions issued by the Control Committee and the top management, audits were primarily aimed at monitoring the evolution of the risks associated with credit quality, internal capital adequacy estimation criteria and international activities. Particular attention was also devoted to the themes of compliance with money laundering prevention regulations.

Control activity was generally oriented towards the processes carried out by company functions with the aim of assessing:

- the functionality of line and second-level controls;
- the reliability of operating departments and delegation mechanisms;
- the accuracy of the information available in the various activities and the adequate use of the same.

Direct surveillance, both on-site and remote, was carried out in particular through supervision of processes relating to:

- credit granting, management and classification, verifying its adequacy with respect to the risk control system and the functioning of measurement mechanisms in place;
- measurement, management and control of the Group's exposure to various market, counterparty, property, liquidity, interest rate, operational, credit and country risks. Particular attention was dedicated to the adequacy of the processes and criteria for estimating internal capital in accordance with Basel 2 and Prudential Supervision regulations;
- controls carried out by compliance risks governance functions and operating functions, in particular on provisions of law concerning money laundering, usury, investment services, transactions with related parties and the administrative liability of entities pursuant to Legislative Decree 231/01;
- IT system development and management, to ensure their reliability, security and functionality;
- management of financial operations with the aim of verifying the adequacy of related risk control systems;
- management of the operations area, with a particular focus on the proper management of deferred amounts in the accounts.

Control activity was then completed through:

- measures affecting Italian product company subsidiaries, with a priority focus on credit quality and processes, as well as on money laundering prevention and embargo processes;
- verification of the operations performed by foreign banks, companies and branches, with interventions by both local internal auditors and internal auditors from the Parent Company;
- control of the governance activity performed by the Parent Company for the International Subsidiary Banks;

– timely performance of the assessments requested by Supervisory Authorities in specific areas such as management remuneration and incentive systems, the Parent Company's management and coordination powers over asset management companies, obligations under new authorisations, privacy, business continuity, provisioning for doubtful loans and Asset Quality Review.

Indirect audit was conducted via the steering and practical coordination of the auditing departments of Italian and international subsidiary banks and companies, to guarantee control consistency and adequate attention to the different types of risks, also verifying the effectiveness and efficiency levels under both structural and operational profiles. Direct auditing and review activities, in the capacity of Parent Company, was also performed for those companies, as mentioned above.

Any weak points detected during control activities have been systematically notified to the company functions involved for prompt improvement actions which are monitored by follow-up activities.
Summary Internal control system assessments from the checks have been periodically submitted to the Control Committee, Management Board and Supervisory Board. The main weaknesses detected and their development over time have been included in the Audit Tableau de Bord (TdB) so that they may be monitored until they are resolved. The reports on the audits with a negative outcome or with remarkable irregularities observed were submitted to and illustrated for the Control Committee and corporate bodies.

Lastly, the Internal Auditing Department ensured constant assessment of its own efficacy and efficiency in line with the internal "quality assurance and improvement" plan drafted in accordance with the recommendations of international standards for professional audit practice.

Certification as required by art. 154-bis of the Consolidated Law on Finance

As required by art. 154-bis of the Consolidated Law on Finance, the delegated administrative bodies and the Manager responsible for preparing the Company's financial reports are to certify the following for the separate and consolidated financial statements in specific reports:

– adequacy and actual application of administrative and accounting procedures;
– compliance with international accounting standards;
– documents matching the accounting books and records;
– suitability of the documents to provide a true and fair view of the assets, liabilities, profit or loss and financial position of the issuer and of the companies included in the scope of consolidation;
– the report on operations includes a reliable analysis of business performance and results, as well as of the position of the issuer and the companies included in the scope of consolidation, together with a description of the main risks and uncertainties to which they are exposed.

The Manager responsible for preparing the Company's financial reports plays a steering and coordination role in Group companies with regard to administrative and accounting matters and in the supervision of internal control system functional to accounting and financial reporting. To this end, the Manager responsible for preparing the Company's financial reports plans the activities that the Group is required to perform over the year and is responsible for:

– coordinating the instructions issued to the companies for the correct and uniform application of the accounting standards, rules and measurement criteria, formalised as part of the Group accounting regulations and subject to regular periodic updates;
– preparing administrative and accounting procedures for producing the annual separate and consolidated financial statements, and coordinating process development measures to comply with financial reporting obligations to national and supranational authorities;
– verifying the adequacy and actual application of administrative and accounting procedures over the period, through a structured assessment process, the findings of which are formally included in a Report on the internal control system functional to the financial reporting process;
– monitoring the acquisition process for the information required to provide a fair view of the Group's assets, liabilities, profit or loss and financial position, especially with reference to the main risks and uncertainties to which companies are exposed;
– supervising the compliance of information contained in corporate documents disclosed to the market, such as public Pillar III disclosures and the Report on Corporate Governance and Ownership Structures subject to opinions from the independent auditors, and statements accompanying the issue and public offering of domestic and international bonds;
– providing feedback on recommendations made by the independent auditors during the auditing process for the Parent Company's financial statements and the Group consolidated financial statements for the purpose of continuous improvement of procedures affecting accounting data in the financial reporting process.

In detail, the internal control system for accounting and financial information is supervised by the Manager responsible for preparing the Company's financial reports (pursuant to the provisions of art. 154-bis of the Consolidated Law on Finance) in accordance with the Company Regulations "Guidelines for administrative and financial governance", which concern the methods of implementation for verification of the adequacy and actual application of administrative and accounting procedures at the Group level, as well as responsibilities and rules for the maintenance of an adequate system of information flows that the company functions of the Parent Company and subsidiaries are required to transmit in order to enhance the level of monitoring of information to be used for the presentation of the Group's assets, liabilities, profit or loss and financial position of the Group and the main risks and uncertainties to which it is exposed.
Through the Administrative and Financial Governance Unit, which supports his or her coordination of the Group, the Manager responsible for preparing the Company's financial reports has identified the set of subsidiaries deemed material for financial reporting purposes with respect to given qualitative thresholds and on the basis of assessments of a qualitative nature, thus establishing the overall plan of activities to be performed during the year with regard to legal obligations.
The assessment process in support of the legally required certifications is completed with:

– the acquisition and classification of the information flows reported by the companies, which are subject to periodic condensation by the Administrative and Financial Governance Unit for use by the Manager responsible for preparing the Company's financial reports and the independent auditors, for any further enquiries of interest to each;
– the drafting of a Report on the internal control system for financial reporting by the administrative head of each company following the completion of audit work; this Report is prepared according to common principles and rules of presentation within the Group and the Report's assessment aspects are subject to further review in collaboration with the Administrative and Financial Governance Unit before it is finalised;
– the formulation of an overall opinion of the adequacy of the financial reporting control procedures and system on the basis of the findings of the audits carried out, while also taking account of any recommendations made by the independent auditors during the auditing process for the Parent Company's financial statements and the opinions expressed by the management;
– the acquisition of the internal certifications signed by the delegated body of each company within the scope of application;
– the drafting of a Group Report by the Administrative and Finance Governance Unit in order for the Manager responsible for preparing the Company's financial reports to submit the activities carried out to the Control Committee, Management Board and Supervisory Board, in accordance with the purview of each.

The certifications signed by the CEO and Manager responsible for preparing the Company's financial reports are included in the report (one for the consolidated financial statements and one for the Parent Company's financial statements) and are given according to the model established by Consob Regulation (Annex 3c-ter of the Issuers Regulation).

Subsidiaries subject to the laws of non-EU member states

As is common knowledge, Consob (the Italian Securities and Exchange Commission), in accordance with Law 262/2005 governing the protection of savings and the regulation of financial markets, has set certain conditions for the listing of companies that control companies incorporated and subject to the laws of non-EU member states (art. 36, paragraph 1 of the Market Regulation). In the cases of subsidiaries based in non-EU member states that are of material significance, the parent company listed in Italy is to:

a) provide the public with access to the accounting positions of subsidiaries prepared for the purposes of drafting the consolidated financial statements, including at least the balance sheet and income statement;
b) obtain from its subsidiaries their articles of association, membership and powers of the control bodies;
c) determine that their subsidiaries: i) provide the independent auditor of the parent company with the information necessary to perform annual and interim audits of the parent company; and ii) have available access to an administrative and accounting system appropriate for regular reporting to the management and independent auditor of the parent company of the income statement, balance sheet and cash flow data necessary for the preparation of the consolidated financial statements.

The administrative body of the listed parent company is to certify in the report on operations that the conditions required by this legislation are met, at the time of the approval of the annual financial statements. The control body of listed parent company is to inform Consob and the stock exchange company of any events and circumstances that entail the unsuitability of the subsidiary's administrative and accounting system to the conditions mentioned above.

In this regard, with specific reference to the set of subsidiaries based in non-EU member states and the provisions of the above-mentioned article 36, Intesa Sanpaolo has implemented an audit plan aimed at verifying that the foregoing conditions are met:

– determining that the companies' administrative and accounting systems are suited to regularly providing the competent department within the parent company and its independent auditors with the income statement, balance sheet and cash flow data required for the preparation of the consolidated financial statements and control activity;
– regularly obtaining the required company information and ensuring that the public is provided access to the accounting positions prepared by the companies for the purposes of drafting the consolidated financial statements.

The Control Committee, Management Board and Supervisory Board are informed of compliance with the provisions governing companies incorporated in and subject to the laws of non-EU member states, with a specific notice (provisions of article 36 of the Markets Regulation) in the broader periodic report on the internal control system for financial reporting already drafted pursuant to article 154-bis of the Consolidated Law on Finance (see point 3.2), containing an illustration of the overall governance and control activities performed in accordance with the various provisions of laws and internal Group regulations governing the supervision of financial reporting, organically coordinated by the Manager responsible for preparing the Company's financial reports.

SECTION 1 – RISKS OF THE BANKING GROUP

As required by the instructions provided by the Bank of Italy, the information in this section - Risks of the Banking Group - is furnished solely with respect to the banking group, as defined in the Supervisory Instructions, except when it is expressly indicated to the contrary that all companies within the scope of consolidation are considered.
The tables that refer to the banking group alone include the share proportional to the interest held of the assets and liabilities of jointly controlled banking, financial and instrumental companies consolidated proportionally for regulatory purposes Amounts are stated gross of transactions with other companies within the scope of consolidation.
Where the contribution of transactions between the banking group and the other companies in the financial statement scope of consolidation is material, the details of such transactions are provided.

The following table contains the reconciliation of the consolidated balance sheet with the regulatory-scope balance sheet.

Assets	**31.12.2013 Financial Statements**	**Effects of the deconsolidation and consolidation of counterparties other than those in the banking group**	**31.12.2013 Regulatory-scope balance sheet**
10. Cash and cash equivalents	6,525	-	6,525
20. Financial assets held for trading	49,013	-854	48,159
30. Financial assets designated at fair value through profit and loss	37,655	-36,463	1,192
40. Financial assets available for sale	115,302	-54,279	61,023
50. Investments held to maturity	2,051	-	2,051
60. Due from banks	26,673	-442	26,231
70. Loans to customers	343,991	2,001	345,992
80. Hedging derivatives	7,534	-	7,534
90. Fair value change of financial assets in hedged portfolios (+/-)	69	-	69
100. Investments in associates and companies subject to joint control	1,991	5,138	7,129
110. Technical insurance reserves reassured with third parties	14	-14	-
120. Property and equipment	5,056	-59	4,997
130. Intangible assets	7,471	-793	6,678
of which: goodwill	*3,899*	*-472*	*3,427*
140. Tax assets	14,921	-394	14,527
150. Non-current assets held for sale and discontinued operations	108	-	108
160. Other assets	7,909	-2,302	5,607
Total Assets	**626,283**	**-88,461**	**537,822**

Liabilities and Shareholders' Equity	**31.12.2013 Financial Statements**	**Effects of the deconsolidation and consolidation of counterparties other than those in the banking group**	**31.12.2013 Regulatory-scope balance sheet**
10. Due to banks	52,244	-14	52,230
20. Due to customers	228,890	4,575	233,465
30. Securities issued	138,051	4,104	142,155
40. Financial liabilities held for trading	39,268	-163	39,105
50. Financial liabilities designated at fair value through profit and loss	30,733	-30,723	10
60. Hedging derivatives	7,590	-6	7,584
70. Fair value change of financial liabilities in hedged portfolios (+/-)	1,048	-	1,048
80. Tax liabilities	2,236	-584	1,652
a) current	*897*	*-59*	*838*
b) deferred	*1,339*	*-525*	*814*
90. Liabilities associated with non-current assets held for sale and discontinued operations	-	-	-
100. Other liabilities	14,690	-3,397	11,293
110. Employee termination indemnities	1,341	-5	1,336
120. Allowances for risks and charges	2,898	-13	2,885
a) post employment benefits	*738*	-	*738*
b) other allowances	*2,160*	*-13*	*2,147*
130. Technical reserves	62,236	-62,236	-
140. Valuation reserves	-1,074	1	-1,073
150. Redeemable shares	-	-	-
160. Equity instruments	-	-	-
170. Reserves	10,721	-	10,721
180. Share premium reserve	30,934	-	30,934
190. Share capital	8,546	-	8,546
200. Treasury shares (-)	-62	-	-62
210. Minority interests (+/-)	543	-	543
220. Net income (loss)	-4,550	-	-4,550
Total Liabilities and Shareholders' Equity	**626,283**	**-88,461**	**537,822**

1.1 CREDIT RISK

The Group's strategies, powers and rules for the credit granting and management are aimed at:
- achieving sustainable growth of lending operations consistent with the risk appetite and value creation;
- diversifying the portfolio, limiting the concentration of exposures on single counterparties/groups, single economic sectors or geographical areas;
- efficiently selecting economic groups and individual borrowers through a thorough analysis of their creditworthiness aimed at limiting the risk of insolvency;
- given the current economic climate, privileging lending business aimed at supporting the real economy and production system;
- constantly monitoring relationships, through the use of both IT procedures and systematic surveillance of positions, with the aim of detecting any symptoms of imbalance and promoting corrective measures geared towards preventing possible deterioration of the relationship in a timely manner.

Constant monitoring of the quality of the loan portfolio is also pursued through specific operating checks for all the phases of loan management.

QUALITATIVE INFORMATION

Credit risk management policies

Organisation

Within the Intesa Sanpaolo Group, a fundamental role in managing and controlling credit risk is played by the corporate bodies, which, each to the extent of its competence, ensure adequate coverage of credit risk by setting strategic guidelines and risk management policies, verifying that they remain constantly efficient and effective and assigning tasks and responsibilities to the company functions and units involved in the processes.

The coverage and governance of credit ensured by the corporate bodies is reflected in the current organisational structure, which identifies areas of central responsibility attributable to:
- the Chief Lending Officer;
- the Chief Risk Officer; and
- the Chief Financial Officer.

They ensure that risk control activities are managed and implemented, with an appropriate level of segregation.

The Chief Lending Officer assesses the creditworthiness of the loan applications received and, where competent, approves them or issues a compliance opinion, manages and monitors non-performing loans and functionally coordinates the recovery of doubtful loans by Intesa Sanpaolo Group Services through the Loan Recovery Department, sets the Credit Granting and Management Rules, ensures that positions classified as non-performing, within his purview, are properly measured for financial statement purposes, and defines operating credit processes, in collaboration with the subsidiary Intesa Sanpaolo Group Services, on some occasions at the proposal of the Group's various functions/structures.

The Chief Risk Officer is responsible for adapting the Risk Appetite Framework to the management of credit risk, in accordance with company strategies and objectives, as well as for measuring and controlling the Group's risk exposures, defines the metrics used to measure credit risk, provides risk-adjusted pricing models and guidelines for expected loss, economic capital (ECAP), RWA and acceptance thresholds, formulates proposals for assigning Credit Granting and Managing Powers, implements credit controls, including rating controls, and constantly monitors risk and credit quality performance.

In accordance with the strategic guidelines and risk management policies set by the Management Board and approved by the Supervisory Board, the Chief Financial Officer coordinates the process of formulating credit strategies (a process in which the other chiefs and the business units participate), oversees pricing from a risk/return standpoint according to value creation objectives. The Chief Financial Officer is also responsible for identifying and implementing hedging transactions for the risk exposures of the asset classes in the loan portfolio by taking advantage of the opportunities presented by the secondary credit market with a view towards active management of company value.

In addition, within the framework of the loan assessment process, the Administration and Tax Department, which reports directly to the Managing Director and CEO, is responsible for incorporating the assessments of loan positions formulated, on a collective or individual basis, by the competent departments, as well as for coordinating the process of assessing loans for financial reporting purposes.

Intesa Sanpaolo Group Services provides specialised operating support for loan recovery activity and in defining credit processes while ensuring cost and performance synergies in the service offered.

The levels of autonomy assigned to the decision-making bodies are determined by agreement between the Bank/Banking group regarding the borrower/economic group. The rating assigned, along with any other credit-risk mitigating factors, conditions the determination of the decision-making competence of each delegated body. Intesa Sanpaolo, as the Parent Company, has set out codes of conduct in relation to credit risk acceptance, in order to prevent excessive concentrations, limit potential losses and ensure credit quality.

In the credit-granting phase, coordination mechanisms have been introduced with which Intesa Sanpaolo exercises its direction, governance and support of the Group:
- the system of Credit Powers and Granting and Monitoring Rules governing the ways in which credit risk to customers is assumed;
- "Credit-granting limit", intended as the overall limit of lines of credit which may be granted by companies of the Intesa Sanpaolo Group to the larger Economic Groups;
- the "Compliance opinion" on credit-granting to large customers (single name or Economic Group) which exceeds certain thresholds.

The exchange of basic information flows between different Group entities is assured by the Group's "Centrale Rischi" (exposure monitoring and control system) and by "Posizione Complessiva di Rischio" (global risk position), that highlight and analyse credit risks for each counterparty/economic group both towards the Group as a whole and towards individual Group companies.
The activities within the Chief Risk Officer's purview are carried out directly by the Risk Management Department and the Credit Quality Monitoring Unit, for the Parent Company and the main subsidiaries, on the basis of a service contract, whereas the other control structures operating within the individual companies report regularly to the aforementioned functions of the Parent Company.

Management, measurement and control systems
Intesa Sanpaolo has developed a set of instruments which ensure analytical control over the quality of the loans to customers and financial institutions, and of exposures subject to country risk.
Risk measurement is performed by means of different rating models according to borrower segment (Corporate, Small Business, Mortgage, Personal Loans, Sovereigns, Italian Public sector entities, Financial institutions). These models make it possible to summarise the counterparty's credit quality in a value, the rating, which reflects the probability of default over a period of one year, adjusted on the basis of the average level of the economic cycle. These ratings are then made consistent with those awarded by rating agencies, by means of a uniform scale of reference.
A number of rating models are used for the Corporate segment:
- models differentiated according to the market (domestic or international) and size bracket of the company are applied to most businesses;
- specific models are in use for specialised lending, one for real-estate initiatives, one for project-finance transactions and one for LBO/acquisition-finance and asset-finance transactions.

In general terms, the structure of these models requires the integration of multiple modules:
- a quantitative module that processes financial and behavioural data;
- a qualitative module that requires the manager to fill in a questionnaire;
- an independent assessment by the manager, organised as a structured process, which triggers the override procedure if there is a discrepancy with respect to the integrated rating.

Ratings are generally assigned on a decentralised basis by the Manager, who is the main figure in the process of assigning a rating to a counterparty. Any improvement override proposals are validated by a Specialist Unit allocated to the Parent Company, within the Chief Lending Officer's staff. The Specialist Unit is responsible for, among other duties, the task of assigning what are known as "centralised ratings" provided for in the rating assignment processes according to the corporate method and of intervening in the calculation of ratings with specialist models.
The models applied to the Retail portfolio are as follows:
- for the Small Business segment, since the end of 2008 a Group rating model by counterparty has been used, following a scheme similar to that of the Corporate segment, meaning that it is extremely decentralised and its quantitative-objective elements are supplemented by qualitative-subjective elements; in 2011, the service model for the Small Business segment was redefined, by introducing in particular a sub-segmentation of Micro and Core customers according to criteria of size, simplicity, and a partial automation of the granting process This required an adjustment of the rating model, which was divided into the two above-mentioned sub-segments, taking advantage of the opportunity to update the data sources and historical series used in development;
- for the Retail Mortgage segment (residential mortgages for private individuals), the Group model processes information relating to both the customer and the contract. It differentiates between initial disbursement, where the acceptance model is used, and the subsequent assessment during the lifetime of the mortgage (performance model), which takes into account behavioural data;
- a class of models is gradually being developed for other products aimed at individuals (the Other retail segment) such as personal loans, consumer credit, credit cards, current account overdrafts, etc. These models will gradually replace the management rating or scoring systems currently in use for various products.

The rating model for the Sovereign portfolio supports the assignment of an assessment of creditworthiness for over 260 countries. The structure of the model involves:
- a quantitative module for assessing country risk, which takes account of the structural rating assigned by the major international agencies, the risk implicit in market quotations of sovereign debt, a macroeconomic assessment of countries identified as strategic and the international scenario;
- a qualitative opinion component, for which the Sovereign Rating Working Group is responsible, supplementing the qualitative opinion with elements drawn from the broader scope of publicly available information concerning the political and economic structure of individual sovereign countries.

The framework is completed by the class of regulatory exposures consisting, on the one hand, of banks (and other financial companies attributable to banking groups) and near-banking companies (companies that engage in leasing, factoring and consumer credit), and, on the other, public entities:
- in the Banks segment, from the standpoint of determining probability of default, the key decision was to differentiate the models for banks in mature economies and banks in emerging countries, the structure of which, however, is highly similar. In short, these consist of a quantitative part and a qualitative part, differentiated according to mature and emerging countries, a country rating component relating to systemic risk, a component relating to specific country risk for banks most closely correlated with country risk, and finally, a module (the "manager's opinion") that allows the rating to be modified in certain conditions;
- in the Public Entities segment, the models of reference have been differentiated according to the type of counterparty. Accordingly, default models have been developed for municipalities and provinces and shadow rating models for regions. An extensive approach has been adopted for local healthcare authorities and other sector entities, with possible notching on the basis of financial statement assessments.

Experience-based models are used for counterparties belonging to the Non-Banking Financial Institutions portfolio.

Rating models have been adopted for the counterparties of the International Subsidiary Banks, partly derived from the Parent Company and adapted to the local situation and partly fully developed by the subsidiaries concerned.
The LGD model is based on the concept of "Economic LGD", namely the present value of the cash flows obtained in the various phases of the recovery process net of any administrative costs directly attributable to the exposure as well as the indirect management costs incurred by the Group, and consists, in brief, of the following elements:
- estimate of a Doubtful LGD Model: starting from the LGD observed on the portfolio, namely "Workout LGD", determined on the basis of the recoveries and costs, a regression econometric model of the LGD is estimated on variables considered to be significant for the determination of the loss associated to the Default event;
- application of a correction factor, known as "Danger Rate": the Danger Rate is a multiplying correction factor, used to recalibrate the Doubtful LGD with the information available on the other default events, in order to calculate an LGD representative of all the possible default events and their evolution;
- application of an additional correction factor, known as "Final Settlement Component": this component is used as an add-on to the estimate recalibrated for the Danger Rate in order to consider the loss rates associated with positions not evolved to the Doubtful status (Substandard or Past Due positions).

LGD is determined according to differentiated models, specialised by operative segment (Corporate, SME Retail, Mortgage, Factoring, Leasing and Public Entities).
The Banks LGD model partly diverges from the models developed for the other segments given the peculiarities of the segment, which has a low number of defaults ("low-default portfolios"). The estimation model is a market LGD approach, based on the market price of debt instruments observed 30 days after the official date of default for a sample of banks defaulted from all over the world. The market data are provided by an external provider. The model is completed by an econometric estimate aimed at determining the most significant drivers, in accordance with the practice in use for the other models.

The rating models (PD and LGD) for the Retail Mortgage segment received authorisation for transition to the IRB approach effective from June 2010 report, while rating models for the SME Retail received authorisation for transition to the IRB approach effective from December 2012 report. The rating models for the Corporate segment received authorisation for the use of the AIRB approach to calculate capital requirements effective from 31 December 2010 reporting date (the FIRB approach had been used since December 2008), while the LGD Corporate models for Leasing and Factoring products received authorisation for transition to the AIRB approach effective from June 2012 report.
For information on the plan to extend the IRB approach to other portfolios, refer to the paragraph concerning the Basel 2 Project.

In 2014 an internal model for determining EAD (Exposure at Default) is expected to be developed.

The rating system also includes a risk trend indicator, calculated on a monthly basis. It interacts with processes and procedures for loan management and credit risk control and allows timely assessments when any anomalies arise or persist. The positions to which the synthetic risk index attributes a high risk valuation, which is confirmed over time, are intercepted by the Non-performing Loan Process. This process, supported by a dedicated electronic procedure, enables constant monitoring, largely automatic, of all the phases for the management of anomalous positions. The positions which show an anomalous trend are classified into different processes based on the risk level, including the automatic classification in non-performing assets, as described in the related paragraph below.
The entire loan portfolio is also subject to a specific periodic review carried out by the competent central or peripheral structures based on the credit line limits for each counterparty/economic group.
Ratings and mitigating credit factors (guarantees, types of loan products/lending facilities and covenants) play a fundamental role in the loan granting and monitoring process and contribute to setting the Credit Powers and Granting and Monitoring Rules. The Credit Quality Monitoring Unit oversees the above aspects at the Group level, through specific, extensive control and monitoring activities. However, these activities are part of a broader system of credit controls that the Unit implements directly and coordinates with the aid of the cutting-edge information technology tools which are also made available to the business units for their respective areas of responsibility. Examples of such tools include the Ermes - Rating Controls application, a tool that allows rating control activities to be managed by computer, and the Credit Monitoring Portal.
This latter application, which has been in use since 2010 and receives input from the Credit Control Panel, is the Group's primary source in supporting the monitoring of the loan portfolio in terms of its development over time and for quantitative and qualitative composition as well as for loan-related processes aimed at identifying any areas showing potential critical weaknesses. The information available refers to all Group banks and companies that operate on the target information technology system.
In this context, the peripheral units within the Banca dei Territori and Corporate & Investment Banking Divisions down to the Area level, enjoy access to "information" dashboards that provide an organic, structured report prepared with the aim of:
- providing a structured, navigable overview of the phenomenon under review;
- reducing the time required to search for and process information;
- facilitating the identification of critical areas and defining priority actions;
- supporting the exchange of information between units on a consistent basis.

The aforementioned tools are subject to constant maintenance performed by the Credit Quality Monitoring Unit, which from a developmental standpoint aims to ensure that the set of information available is expanded through the creation of new dashboards for controlling and monitoring general phenomena and/or specific aspects of the lending process.

Country risk is an additional component of an individual borrower's insolvency risk, measured by credit risk control systems. This component is linked to losses potentially resulting from international lending operations caused by events in a country that are partly or entirely within the control of the government concerned, but not that of the individual residents of the country in question. Country risk therefore takes the form of both transfer risk for non-sovereign counterparties, due to the freezing of international payments, and sovereign risk, which is measured through an assessment of the sovereign states' creditworthiness. This definition includes all forms of cross-border lending to entities residing in a given country, whether they are the government, a bank, a private enterprise or an individual.
The country risk component is assessed in the context of the granting of credit to non-resident entities in order to arrive at a preliminary evaluation of the absorption of country risk limits set on an ex-ante basis. Such limits, expressed in terms of economic capital, identify the maximum acceptable risk for the Group, defined on an annual basis as the result of an exercise aimed at

optimising the risk implicit in the Group's cross-border lending operations.
Counterparty risk is a particular kind of credit risk associated with OTC derivative contracts that refers to the possibility that a counterparty may default before the contract matures. This risk, which is often referred to as replacement risk, is related to the case in which the market value of a position has become positive and thus, were the counterparty to default, the solvent party would be forced to replace the position on the market, thereby suffering a loss.
Counterparty risk also applies to securities financing transactions (repurchase agreements, securities lending, etc.).
From a regulatory standpoint, banks must meet strict capital requirements for counterparty risk, regardless of the portfolio to which the positions are allocated (for regulatory purposes, both the banking book and trading book are subject to capital requirements for counterparty risk).
In particular, the Intesa Sanpaolo Group adopts at the moment the Current Exposure Method (to both the trading book and banking book) in order to determine the loan equivalent of OTC derivatives, which is useful when computing capital requirements.
Potential exposure (estimated with the actual average PFE – potential future exposure) has been adopted by Banca IMI (effective October 2010) and the Parent Company, Intesa Sanpaolo (effective April 2012), for the purposes of operational measurement of uses.
For the rest of the Group, the definition of the use of the credit lines for transactions in OTC derivatives involves the application of the greater of the mark-to-market and the add-on to determine the credit exposure, taking into account any existing netting and collateral agreements.
Add-ons indicate the maximum potential future exposure (peak measurement), regularly estimated by the Risk Management Department by macro-product type and maturity. For each contract used as a benchmark, the measure is equal to the peak in the Potential Future Exposure at the 95th percentile.
The validation process for regulatory purposes (in view of Basel 3) of the internal counterparty risks model for Intesa Sanpaolo and Banca IMI was initiated in 2012.
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 in 2014.

In order for risk to be managed effectively within the Bank, the risk measurement system must be integrated into decision-making processes and the management of company operations. To that end, in accordance with the "use test" requirement of Basel 3, a specific project has been set up aimed at obtaining the estimate, also for regulatory purposes, of the statistical measures that enable the analysis of the evolution of the risk of the derivatives over time. The organisational functions involved, as described in the Bank's internal regulations, are:
– the Parent Company's Risk Management Department, which is responsible for the counterparty risk measurement system by defining calculation methods, producing and analysing measures of exposure;
– the central and divisional credit functions that use the measurements produced to monitor the positions assumed;
– the marketing and credit functions that draw on the foregoing measures as part of the granting process to determine the limits of lines of credit.

The project yielded the following results:
– April 2010: adoption for the entire Group of a new grid of operational add-ons that is more granular than its predecessor, with a revision of estimates for each risk profile;
– October 2010: adoption for management purposes only of the new simulation method and a new statistical measurement - Potential Future Exposure (PFE) – for measuring credit lines utilisation on non-collateralised derivatives by Banca IMI;
– April 2012: adoption for management purposes only of PFE for calculating credit lines utilisation for non-collateralised derivatives by the Parent Company, Intesa Sanpaolo;
– October 2012: re-estimation of add-ons on interest-rate derivatives;
– November 2012: extension of the PFE measurement to the collateralised derivatives of Banca IMI;
– July 2013: extension of the PFE measurement to the collateralised derivatives of the Parent Company, Intesa Sanpaolo.

In addition, effective from the above date the following company processes were implemented to complete the risk analysis process for the exposure measures implemented over time following the developments discussed above:
– definition and periodic calculation of stress tests on market scenarios and joint market/credit scenarios on counterparty risk measures;
– definition and periodic analysis of Wrong-Way Risk, i.e. the risk of a positive correlation between the future exposure to a counterparty and that counterparty's probability of default;
– definition and monitoring of management limits at the portfolio level authorised by the Group Financial Risks Committee for derivatives transactions;
– contribution of collateral inflow/outflow risk measures, calculated on the basis of the internal counterparty risk model, for OTC derivatives transactions with collateral agreements (CSA);
– reporting to the management of measures calculated using the internal exposure model, capital requirement, level of use of management limits, results of stress tests and analyses of wrong-way risk.

For the rest of the Group, use is monitored through the combined use of mark-to-market and add-ons estimated by the Risk Management Department.
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, and Banca IMI.

Directional control of credit risks is achieved through a portfolio model which summarises the information on asset quality in risk indicators, including expected loss and capital at risk.
The expected loss is the product of exposure at default, probability of default (derived from the rating) and Loss Given Default.
The expected loss represents the average of the loss statistical distribution, whereas the capital at risk is defined as the maximum "unexpected" loss that the Group may incur with particular confidence levels. These indicators are calculated with reference to the current status of the portfolio and on a dynamic basis, by determining the projected level, based on both the forecast macroeconomic scenario and on stress scenarios.
The expected loss, transformed into "incurred loss" as indicated by IAS 39, is used in the collective assessment of loans, while

capital at risk is the fundamental element in the assessment of the Group's capital adequacy. Both indicators are also used in the value-based management reporting system.
The loan portfolio model allows the level of expected loss to be measured with the chosen confidence interval, or capital at risk. The latter reflects not only the risk level of individual counterparties but also the effects of undesired concentration due to the geographical/sector composition of the Group's loan portfolio.

The Group dedicates special attention to assessing concentration risk deriving from the exposure to counterparties, groups of related counterparties and counterparties in the same business segment or that engage in the same business or operate in the same geographical region. In the annual update of the Risk Appetite Framework, such counterparties are subject to stress tests aimed at identifying and assessing threats for the Group and the most appropriate mitigating actions:
- aimed at defining exposure limits for specific geographical areas and sets of counterparties (top 20);
- aimed at ex ante limitation of exposures with significant concentration effects, in particular with reference to "large risks" and to credit lines subject to country risk;
- aimed at ex post correction of the profile, through the secondary loan market, through specific judgement metrics based on the maximisation of overall portfolio value.

The Group's lending activity is focused on Italian customers (83% of the total) and is primarily aimed at households and small and medium enterprises. In addition, it shows strong diversification, especially as regards certain business sectors and geographical areas, as well as loans to countries at risk.

Techniques for the mitigation of credit risk

Mitigation techniques are adopted in order to reduce the Loss Given Default. They include in particular guarantees and certain types of contracts that result in a reduction in credit risk.
The evaluation of the mitigating factors is performed through a procedure that assigns a loss given default to each individual exposure, assuming the highest values in the case of ordinary non-guaranteed financing and decreasing in accordance with the strength given to any mitigating factors present. The Loss Given Default values are subsequently aggregated at customer level in order to provide a summary evaluation of the strength of the mitigating factors on the overall credit relation.
During the credit granting and managing process, the presence of mitigating factors is encouraged for counterparties with non-investment grade ratings or some types of transactions, namely medium-/long-term transactions.
The mitigating factors that have the greatest impact include pledges of financial assets and residential mortgages. Other forms of risk mitigation are pledges of non-financial assets and non-residential mortgages.
The strength of the personal guarantees issued by rated parties, typically banks/insurance companies, Credit Guarantee Consortia and corporations, is instead assessed on the basis of the type of guarantee and guarantor's credit quality.
Detailed processes govern the material acquisition of individual guarantees, identifying the responsible structures as well as the methods for correct finalisation of guarantees, for filing documentation and for complete and timely reporting of the related information in the applications.
The set of internal regulations and organisational and procedural controls is aimed at ensuring that:
- all the fulfilments are planned to ensure the validity and effectiveness of the credit protection;
- for generally and normally used guarantees, standard contracts are defined, accompanied by instructions for use;
- the methods for approving guarantee documents deviating from the standard by structures other than those in charge of commercial relations with the customer are identified.

The granting of credit with the acquisition of collateral is subject to internal rules and processes – for the evaluation of the asset, the acceptance of the guarantee and the control of its value. The enforcement of the guarantee is handled by specialist departments responsible for credit recovery.
In any case, the presence of collateral does not grant exemption from an overall assessment of the credit risk, mainly concentrated on the borrower's ability to meet the obligations assumed, irrespective of the associated guarantee.

The assessment of the pledged collateral is based on the actual value, namely the market value for financial instruments listed in a regulated market, or, otherwise, the estimated realisable value. The resulting value is multiplied by the haircut percentage rates, differentiated according to the financial instruments accepted as collateral.
For real-estate collateral, the prudential market value is considered; for properties under construction, the construction cost is considered, net of prudential haircuts according to the intended use of the property.
Assets are appraised by internal and external experts. The external experts are included in a special list of professionals accredited on the basis of an individual verification of their capabilities, professionalism and experience. The valuation of residential properties secured by mortgages to private individuals is mainly assigned to specialised companies. The work of the experts is monitored on an ongoing basis, by means of statistical verifications and spot checks carried out centrally.
The experts are required to produce estimates on the basis of standardised expert reports, differentiated according to the valuation method to be applied and the characteristics of the asset, in accordance with the Property Valuation Code prepared by the Bank. The content of the internal Code is consistent with the "Guidelines for the valuation of properties securing credit exposures" promoted by the Italian Banking Association.
Property valuations are managed through a specific integrated platform covering the entire expert analysis phase, ensuring that assignments are properly awarded, on an independent basis and according to objective criteria, the workflow is thoroughly monitored, valuation standards are correctly applied and all information and documents regarding real estate are kept.
The market value of collateral property is recalculated periodically through various statistical valuation methods applied to prices/coefficients provided by an external supplier offering proven skills and a solid reputation for surveying and measuring the market prices of Italian real-estate assets.
Asset value is constantly monitored. The experts conduct inspections and verify the work progress for properties under construction. The valuation is updated in the event of limitation or splitting of the mortgage, of damage to the property, significant impairment losses reported by market indicators used to monitor fair value and, in any case, every three years for major exposures.
In order to limit the risks of absence or termination of the protection, specific safeguards are in place, including: restoration of a pledge when the assets decrease below their initial value or, for mortgages, an obligation to carry insurance cover against fire damage and the presence of adequate monitoring of the property's value.

Guarantees are subject to accurate, regular control using a specific application, the CRM verifier, in which a series of tests have been implemented to confirm the effective compliance with the requirements set by prudential supervision regulations.
The support application verifies whether guarantees received are eligible with reference to each of the three methods permitted by the regulations for calculating capital requirements. Based on the specifics of each category, the eligibility results are defined at the level of individual guarantee for unfunded guarantees (usually personal guarantees) or, for collateral, for each asset or financial instrument.
In 2013 a series of measures were carried out with the aim of ensuring data quality and the recovery of eligibility for certain forms of protection.

To mitigate the counterparty risk associated with OTC (i.e., unregulated) derivatives and SFTs (securities financing transactions, i.e. securities lending and repurchase agreements), the Group uses bilateral netting agreements that allow for credit and debt positions to be netted against one another if a counterparty defaults.
This is achieved by entering into ISDA and ISMA/PSA agreements, which also reduce the absorption of regulatory capital in accordance with supervisory provisions.
The Group also establishes collateral agreements, typically calling for daily margins, to cover transactions in OTC derivatives and SFTs (respectively the Credit Support Annex and Global Market Repurchase Agreement).

A project was launched for the International Subsidiary Banks with the aim of ensuring a consistent approach at the Group level, involving the extension of the use of the credit risk mitigation techniques used at the Parent Company, where possible. In further detail, the gap analysis of five international subsidiary banks was completed for the main types of guarantees. For four of these, an action plan was drawn up and is now being implemented.

Non-performing financial assets

Non-performing financial assets include those loans which, due to events that occur after their granting, show objective evidence of possible impairment.
For the classification of non-performing assets in the various risk categories (doubtful loans, substandard loans, restructured loans and exposures past due, in decreasing order of severity), the Group applies regulations issued by the Bank of Italy, consistent with the regulations envisaged by the Basel Accords and IAS/IFRS, supplemented by internal provisions that establish criteria and rules for the transfer of loans to the various risk categories, including via automatic mechanisms (with the exception of doubtful loans).
The information presented in the following chapters, in continuity with the contents of financial statements from previous years relating to financial restructuring transactions and, more generally, the renegotiation of credit exposures, also takes account of the instructions provided by the European Securities and Markets Authority (ESMA) in the document published in December 2012, "Public Statement on the Treatment of Forbearance Practices in IFRS Financial Statements of Financial Institutions."
In detail, non-performing assets not classified as doubtful loans are subject to an individual measurement process or calculation of the expected loss for homogenous categories (such categories are identified on the basis of the risk status, duration of non-performance and significance of the exposure represented), with analytical allocation to each position.
This measurement is performed upon classification of the assets, at the occurrence of significant events and, in any event, is periodically revised in accordance with the criteria and methods illustrated in Part A.2 – Accounting Policies, Main financial statement captions, Loans, to which specific reference should be made.
With reference to past due loans, restructured loans and substandard loans, the structures responsible for their management are identified, on the basis of pre-determined thresholds of increasing significance, within peripheral organisational units that perform specialist activities and within the Head Office units, which also have specialist skills and are responsible for the overall management and coordination of these matters.
On the subject of doubtful loans, it should be remarked that effective from the second half of 2010 the Group adopted an organisational model based on the specialisation of management competencies between internal and external structures, calling for the positions of greatest significance and complexity to be handled internally. In particular, this model calls for:
- the attribution to the Loan Recovery Department of Intesa Sanpaolo Group Services of coordination of all loan recovery activities and direct management (for Intesa Sanpaolo and all banks within the Banca dei Territori Division) of customers classified as doubtful effective from July 2010 showing exposures in excess of a pre-determined threshold amount;
- the attribution to Italfondiario S.p.A. (for Intesa Sanpaolo and almost all banks within the Banca dei Territori Division) of direct management – under a specific mandate, and with pre-defined limits – of customers classified as doubtful effective from July 2010 showing exposures below the aforementioned threshold amount (the activity of Italfondiario is always coordinated and monitored by the Loan Recovery Department);
- the option, in special cases, not to entrust Italfondiario S.p.A. with the management of certain types of loans;
- the retention of management competency, defined according to the previous organisational model, between the Loan Recovery Department and Italfondiario for doubtful loans existing as at 30 June 2010;
- for doubtful positions of limited amounts, routine factoring without recourse to third-party companies on a monthly basis when they are classified as doubtful, with some specific exceptions.

The Loan Recovery Department draws on its own specialist units throughout the country to manage recovery activity for loans entrusted directly to it. As part of these activities, in order to identify the optimal strategies to be implemented for each position, judicial and non-judicial solutions have been examined in terms of costs and benefits, also considering the financial impact of the estimated recovery times.

The assessment of the loans is reviewed whenever events capable of significantly changing recovery prospects become known to the Bank. In order to identify such events rapidly, the information set relative to borrowers is periodically monitored and the development of out-of-court agreements and the various phases of the judicial procedures under way are constantly controlled.
The activity of Italfondiario in managing the loans entrusted to it under management mandate was monitored by the responsible internal units of the Group. In particular, it should be noted that the individual measurement of loans has been conducted using similar procedures to those established for the internal management of positions, and the other management activities are subject to the guidelines similar to those established for the internally managed positions.
The classification of positions within non-performing financial assets and in the relative management systems was undertaken on

proposal of both central and local territorial structure owners of the commercial relation or of specialised central and local territorial structures in charge of loan monitoring and recovery. Assets are also classified as non-performing for financial reporting purposes through automatic mechanisms when given objective default thresholds are exceeded. Such mechanisms apply to past-due loans, identified at the Group level, as well as positions that have met the objective requirements for non-standard status established by the Bank of Italy.
Automatic mechanisms detect any mismatches, thereby ensuring that material non-performing loans to counterparties shared between the Group's various intermediaries are subject to the required uniform convergence of management aims. Significance is represented by exceeding a pre-established warning threshold for loans classified as at the greatest risk, with respect to the overall exposure.

The return to performing of exposures classified as substandard, restructured and doubtful, is governed by the Supervisory Authority and specific internal regulations, and takes place on the proposal of the aforementioned structures responsible for their management, upon ascertainment that the critical conditions or state of default no longer exist.
Exposures classified amongst "past-due loans" automatically become performing when payment is received. The same mechanism is applied to exposures of moderate amounts previously classified as substandard in accordance with internal instructions when automatic mechanisms detect that the conditions that triggered reclassification no longer apply.

The overall non-performing loan portfolio is continually monitored through a predetermined control system and periodic managerial reporting.

QUANTITATIVE INFORMATION

A. CREDIT QUALITY

For the purposes of quantitative information about credit quality, the term "credit exposures" is understood to exclude equities and quotas of UCI, whereas "exposures" includes these items. The only exception is table A.2.1 related to credit exposures by external rating classes, which includes quotas of UCI.

A.1. Performing and non-performing credit exposures: amounts, adjustments, changes, economic and geographical breakdown

The data shown in the following tables (A.1.1 and A.1.2) refer to all companies within the scope of consolidation for accounting purposes. In the tables, figures for the banking group are stated net of all intragroup dealings, including those with other companies within the scope of consolidation.

A.1.1. Breakdown of credit exposures by portfolio classification and credit quality (book values)

(millions of euro)

	Banking group						Other companies		Total
	Doubtful loans	Substandard loans	Restructured exposures	Non performing past due exposures	Performing past due exposures	Other Assets	Non-performing	Other	
1. Financial assets held for trading	7	120	34	10	-	46,037	-	466	46,674
2. Financial assets available for sale	3	-	-	-	-	55,377	-	51,448	106,828
3. Investments held to maturity	-	-	-	-	-	2,051	-	-	2,051
4. Due from banks	29	20	-	-	7	26,008	-	609	26,673
5. Loans to customers	12,960	13,841	2,315	1,959	12,075	299,367	-	1,474	343,991
6. Financial assets designated at fair value through profit and loss	-	-	-	-	-	870	-	16,834	17,704
7. Financial assets under disposal	-	-	-	-	-	-	-	-	-
8. Hedging derivatives	-	-	-	-	-	7,534	-	-	7,534
Total 31.12.2013	**12,999**	**13,981**	**2,349**	**1,969**	**12,082**	**437,244**	**-**	**70,831**	**551,455**
Total 31.12.2012	**11,246**	**11,582**	**2,901**	**2,943**	**13,395**	**495,586**	**-**	**67,336**	**604,989**

A.1.2. Breakdown of credit exposures by portfolio classification and credit quality (gross and net values)

(millions of euro)

	Non-performing assets			Performing			Total
	Gross exposure	Individual adjustments	Net exposure	Gross exposure	Collective adjustments	Net exposure	(net exposure)
A. Banking group							
1. Financial assets held for trading	246	-75	171	X	X	46,037	46,208
2. Financial assets available for sale	3	-	3	55,377	-	55,377	55,380
3. Investments held to maturity	-	-	-	2,053	-2	2,051	2,051
4. Due from banks	104	-55	49	26,039	-24	26,015	26,064
5. Loans to customers	57,575	-26,500	31,075	313,884	-2,442	311,442	342,517
6. Financial assets designated at fair value through profit and loss	-	-	-	X	X	870	870
7. Financial assets under disposal	-	-	-	-	-	-	-
8. Hedging derivatives	-	-	-	X	X	7,534	7,534
Total A	**57,928**	**-26,630**	**31,298**	**397,353**	**-2,468**	**449,326**	**480,624**
B. Other consolidated companies							
1. Financial assets held for trading	-	-	-	X	X	466	466
2. Financial assets available for sale	-	-	-	51,448	-	51,448	51,448
3. Investments held to maturity	-	-	-	-	-	-	-
4. Due from banks	-	-	-	609	-	609	609
5. Loans to customers	-	-	-	1,474	-	1,474	1,474
6. Financial assets designated at fair value through profit and loss	-	-	-	X	X	16,834	16,834
7. Financial assets under disposal	-	-	-	-	-	-	-
8. Hedging derivatives	-	-	-	X	X	-	-
Total B	**-**	**-**	**-**	**53,531**	**-**	**70,831**	**70,831**
Total 31.12.2013	**57,928**	**-26,630**	**31,298**	**450,884**	**-2,468**	**520,157**	**551,455**
Total 31.12.2012	**50,000**	**-21,328**	**28,672**	**481,761**	**-2,611**	**576,317**	**604,989**

Partial derecognition of Loans to customers came to 1,526 million euro for doubtful loans, 703 million euro for substandard loans, 231 million euro for restructured exposures and 2 million euro for past due exposures.

In accordance with regulations, "Individual adjustments" include the impairment losses recognised to account for counterparty risk ("credit risk adjustment") on non-performing derivative contracts in the amount of 75 million euro (46 million euro as at 31 December 2012).
Within performing exposures, as at 31 December 2013, exposures renegotiated under collective agreements amounted to 3,786 million euro in gross terms and 3,750 million euro in net terms. Such renegotiations, agreed to in the cases of borrowers not classified amongst non-performing loans, entail, at least, the maintenance of the original rate of return and a maximum extension of contractual expiry of 48 months, and thus do not generate losses for the Group. Other performing exposures thus came to 447,098 million euro in gross terms and 516,407 million euro in net terms, considering the positions at fair value.
Performing exposures include 2,167 million euro in assets past due by up to three months, 462 million euro in assets past due by more than three months but less than six months and 531 million euro in assets past due by more than six months. The share of the debt associated with those assets not yet past due came to 5,944 million euro, 992 million euro and 1,988 million euro, respectively.

During 2013, the Intesa Sanpaolo Group purchased an insignificant amount of non-performing loans. Accordingly, the outstanding amounts as at 31 December 2013 were immaterial.

A.1.3. Banking group - On- and off-balance sheet credit exposures to banks: gross and net values

(millions of euro)

	Gross exposure	Individual adjustments	Collective adjustments	Net exposure
A. ON-BALANCE SHEET EXPOSURES				
a) Doubtful loans	78	-49	X	29
b) Substandard loans	26	-6	X	20
c) Restructured exposures	-	-	X	-
d) Non performing past due exposures	-	-	X	-
e) Other assets	32,784	X	-25	32,759
TOTAL A	**32,888**	**-55**	**-25**	**32,808**
B. OFF-BALANCE SHEET EXPOSURES				
a) Non-performing	-	-	X	-
b) Other	73,474	X	-60	73,414
TOTAL B	**73,474**	**-**	**-60**	**73,414**
TOTAL (A + B)	**106,362**	**-55**	**-85**	**106,222**

On-balance sheet exposures include all on-balance sheet financial assets claimed from banks, irrespective of their portfolio of allocation: trading, available for sale, held to maturity, loans and receivables, assets designated at fair value through profit and loss or assets under disposal.
Off-balance sheet exposures include all financial activities that are not on the balance sheet (guarantees given, commitments, derivatives, etc.) but entail the assumption of credit risk, regardless of the purpose of such activities (trading, hedging, etc.). Off-balance sheet exposures also include counterparty risk associated with SFTs (securities financing transactions) defined in prudential regulations.

A.1.4. Banking group – On-balance sheet credit exposures to banks: changes in gross non-performing exposures

(millions of euro)

	Doubtful loans	Substandard loans	Restructured exposures	Past due exposures
A. Initial gross exposure	**120**	**-**	**-**	**9**
- of which exposures sold not derecognised	-	-	-	-
B. Increases	**-**	**29**	**-**	**-**
B.1 inflows from performing exposures	-	26	-	-
B.2 transfers from other non-performing exposure categories	-	3	-	-
B.3 other increases	-	-	-	-
B.4 business combinations	-	-	-	-
C. Decreases	**-42**	**-3**	**-**	**-9**
C.1 outflows to performing exposures	-	-	-	-
C.2 write-offs	-	-	-	-
C.3 repayments	-	-3	-	-1
C.4 credit disposals	-42	-	-	-
C.4 bis losses from disposals	-	-	-	-
C.5 transfers to other non-performing exposure categories	-	-	-	-3
C.6 other decreases	-	-	-	-5
C.7 business combinations	-	-	-	-
D. Final gross exposure	**78**	**26**	**-**	**-**
- of which exposures sold not derecognised	-	-	-	-

A.1.5. Banking group – On-balance sheet credit exposures to banks: changes in total adjustments

(millions of euro)

	Doubtful loans	Substandard loans	Restructured exposures	Past due exposures
A. Initial total adjustments	**82**	**-**	**-**	**-**
- of which exposures sold not derecognised	-	-	-	-
B. Increases	**1**	**6**	**-**	**-**
B.1 impairment losses	1	6	-	-
B.1bis losses on disposal	-	-	-	-
B.2 transfers from other non-performing exposure categories	-	-	-	-
B.3 other increases	-	-	-	-
B.4 business combinations	-	-	-	-
C. Decreases	**-34**	**-**	**-**	**-**
C.1 recoveries on impairment losses	-	-	-	-
C.2 recoveries on repayments	-	-	-	-
C.2bis profits on disposal	-1	-	-	-
C.3 write-offs	-	-	-	-
C.4 transfers to other non-performing exposure categories	-	-	-	-
C.5 other decreases	-33	-	-	-
C.6 business combinations	-	-	-	-
D. Final total adjustments	**49**	**6**	**-**	**-**
- of which exposures sold not derecognised	-	-	-	-

A.1.6. Banking group - On- and off-balance sheet credit exposures to customers: gross and net values

(millions of euro)

	Gross exposure	Individual adjustments	Collective adjustments	Net exposure
A. ON-BALANCE SHEET EXPOSURES				
a) Doubtful loans	34,600	-21,635	X	12,965
b) Substandard loans	18,019	-4,178	X	13,841
c) Restructured exposures	2,728	-413	X	2,315
d) Non-performing past due exposures	2,236	-274	X	1,962
e) Other assets	385,533	X	-2,443	383,090
TOTAL A	**443,116**	**-26,500**	**-2,443**	**414,173**
B. OFF-BALANCE SHEET EXPOSURES				
a) Non-performing	1,719	-301	X	1,418
b) Other	111,124	X	-208	110,916
TOTAL B	**112,843**	**-301**	**-208**	**112,334**
TOTAL (A + B)	**555,959**	**-26,801**	**-2,651**	**526,507**

On-balance sheet exposures include all on-balance sheet financial assets claimed from customers, irrespective of their portfolio of allocation: trading, available for sale, held to maturity, loans and receivables, assets designated at fair value through profit and loss or assets under disposal.
Off-balance sheet exposures include all financial activities that are not on the balance sheet (guarantees given, commitments, derivatives, etc.) but entail the assumption of credit risk, regardless of the purpose of such activities (trading, hedging, etc.). Off-balance sheet exposures also include counterparty risk associated with SFTs (securities financing transactions) defined in prudential regulations.
Restructured exposures include 237 million euro associated with pool transactions (IBLOR structures) undertaken by the Bank as fronting bank, associated with cash collateral among deposits on the liabilities side.
Performing on-balance sheet exposures to customers include 3,823 million euro in dealings between the banking group and other companies within the scope of consolidation.
For performing off-balance sheet exposures, this amount comes to 1,341 million euro.

A.1.7. Banking group – On-balance sheet credit exposures to customers: changes in gross non-performing exposures

(millions of euro)

	Doubtful loans	Substandard loans	Restructured exposures	Past due exposures
A. Initial gross exposure	**28,365**	**14,486**	**3,586**	**3,249**
- of which exposures sold not derecognised	*34*	*27*	*-*	*13*
B. Increases	**9,626**	**16,219**	**1,525**	**8,459**
B.1 inflows from performing exposures	515	7,292	146	7,598
B.2 transfers from other non-performing exposure categories	7,818	7,717	1,226	349
B.3 other increases	1,293	1,210	153	512
B.4 business combinations	-	-	-	-
C. Decreases	**-3,391**	**-12,686**	**-2,383**	**-9,472**
C.1 outflows to performing exposures	-95	-1,570	-34	-2,830
C.2 write-offs	-1,032	-554	-24	-5
C.3 repayments	-1,212	-1,283	-123	-566
C.4 credit disposals	-185	-24	-	-1
C.4 bis losses from disposals	-28	-7	-	-
C.5 transfers to other non-performing exposure categories	-224	-8,780	-2,116	-5,990
C.6 other decreases	-615	-468	-86	-80
C.7 business combinations	-	-	-	-
D. Final gross exposure	**34,600**	**18,019**	**2,728**	**2,236**
- of which exposures sold not derecognised	*19*	*24*	*-*	*-*

The “other increases” mainly include the application of penalty interest, increases in balances for charges, collections of loans derecognised in full (through “Repayments”) and the revaluation of positions in foreign currency following the change in the exchange rate.
The "other decreases" mainly refer to the decrease in the balances in foreign currency due to changes in the exchange rate.

A.1.8. Banking group – On-balance sheet credit exposures to customers: changes in total adjustments

(millions of euro)

	Doubtful loans	Substandard loans	Restructured exposures	Past due exposures
A. Initial total adjustments	**17,159**	**2,985**	**723**	**332**
- of which exposures sold not derecognised	*14*	*5*	-	-
B. Increases	**7,258**	**4,771**	**408**	**791**
B.1 impairment losses	4,441	3,358	135	611
B.1bis losses on disposal	28	7	-	-
B.2 transfers from other non-performing exposure categories	1,996	1,129	222	32
B.3 other increases	793	277	51	148
B.4 business combinations	-	-	-	-
C. Decreases	**-2,782**	**-3,578**	**-718**	**-849**
C.1 recoveries on impairment losses	-841	-610	-39	-151
C.2 recoveries on repayments	-216	-62	-2	-14
C.2bis profits on disposal	-13	-	-	-
C.3 write-offs	-1,032	-554	-24	-5
C.4 transfers to other non-performing exposure categories	-65	-2,130	-582	-602
C.5 other decreases	-615	-222	-71	-77
C.6 business combinations	-	-	-	-
D. Final total adjustments	**21,635**	**4,178**	**413**	**274**
- of which exposures sold not derecognised	*5*	*3*	-	-

The “other increases” mainly include the application of penalty interest, collections of loans derecognised in full (through “recoveries on repayments”) and increases in balances of funds in foreign currency following the change in the exchange rate.
The "other decreases" consist mainly of collection of overdue interest applied in previous years, losses on disposal not covered by the provision and the decrease in the balances of funds in foreign currency due to changes in the exchange rate.

Conversion of loans into equity instruments

During the year, loans were converted into equity instruments as part of restructuring agreements for non-performing positions. The gross loans converted into equity instruments came to 470 million euro and were subject to adjustments, directly attributable to the conversion process, of 461 million euro. The equity instruments obtained were recognised at their fair value of approximately 9 million euro at the execution date and classified among assets available for sale. In addition, 67 million euro of loans were converted into shares and recognised at the execution date among Equity investments at their fair value of approximately 12 million euro.

A.2. Classification of exposures based on external and internal ratings

A.2.1. Banking group - Breakdown of on- and off-balance sheet credit exposures by external rating classes

The Intesa Sanpaolo Group uses the ratings supplied by the following external rating agencies for all portfolios subject to reporting: Standard & Poor’s Ratings Services, Moody’s Investors Service and Fitch Ratings.
These agencies are valid for all Group banks. Where two ratings are available for a single customer, the more conservative is adopted; where three ratings are available, the middle rating is adopted.
The Class 6 rating column includes non-performing loans.

(millions of euro)

	External rating classes						Unrated	Total
	Class 1	Class 2	Class 3	Class 4	Class 5	Class 6		
A. On-balance sheet exposures	**8,888**	**29,157**	**83,366**	**7,701**	**11,802**	**32,353**	**276,335**	**449,602**
B. Derivatives	**365**	**2,270**	**3,471**	**453**	**325**	**189**	**3,505**	**10,578**
B.1. Financial derivatives	365	2,263	3,471	392	325	189	3,384	10,389
B.2. Credit derivatives	-	7	-	61	-	-	121	189
C. Guarantees given	**4,164**	**6,225**	**4,579**	**1,509**	**114**	**623**	**28,910**	**46,124**
D. Commitments to lend funds	**2,483**	**76,977**	**12,816**	**1,834**	**123**	**652**	**31,218**	**126,103**
E. Other	**-**	**-**	**-**	**-**	**-**	**-**	**2,943**	**2,943**
Total	**15,900**	**114,629**	**104,232**	**11,497**	**12,364**	**33,817**	**342,911**	**635,350**

It should be noted that the exposures presented in the table also include quotas of UCI of 2,621 million euro.
The following tables show the mapping of risk classes and the external ratings.

Mapping of long-term ratings issued by external rating agencies

Long-term ratings for exposures to: central governments and central banks, supervised issuers, public-sector entities, local authorities, multilateral development banks, enterprises and other parties

	ECAI		
	Moody's	**Fitch**	**Standard & Poor's**
Credit quality step			
1	from Aaa to Aa3	from AAA to AA-	from AAA to AA-
2	from A1 to A3	from A+ to A-	from A+ to A-
3	from Baa1 to Baa3	from BBB+ to BBB-	from BBB+ to BBB-
4	from Ba1 to Ba3	from BB+ to BB-	from BB+ to BB-
5	from B1 to B3	from B+ to B-	from B+ to B-
6	Caa1 and lower	CCC+ and lower	CCC+ and lower

Short-term ratings for exposures to supervised issuers and enterprises

	ECAI		
	Moody's	**Fitch**	**Standard & Poor's**
Credit quality step			
1	P -1	F1 +, F1	A -1 + , A -1
2	P -2	F2	A -2
3	P -3	F3	A -3
from 4 to 6	NP	lower than F3	lower than A -3

Ratings for exposures to UCI

	ECAI		
	Moody's	**Fitch**	**Standard & Poor's**
Credit quality step			
1	from Aaa to Aa3	from AAA to AA-	from AAA m/f to AA - m/f
2	from A1 to A3	from A+ to A-	from A + m/f to A - m/f
3 and 4	from Baa1 to Ba3	from BBB+ to BB-	from BBB m/f to BB - m/f
5 and 6	B1 and lower	B+ and lower	B + m/f and lower

Standardised approach - Long-term ratings for exposures to securitisations

	ECAI		
	Moody's	**Fitch**	**Standard & Poor's**
Credit quality step			
1	from Aaa to Aa3	from AAA to AA-	from AAA to AA-
2	from A1 to A3	from A+ to A-	from A+ to A-
3	from Baa1 to Baa3	from BBB+ to BBB-	from BBB+ to BBB-
4	from Ba1 to Ba3	from BB+ to BB-	from BB+ to BB-
5	B1 and lower	B+ and lower	B+ and lower

Standardised approach - Short-term ratings for exposures to securitisations

	ECAI		
	Moody's	**Fitch**	**Standard & Poor's**
Credit quality step			
1	P -1	F 1 +, F 1	A -1 + , A -1
2	P -2	F2	A -2
3	P -3	F3	A -3
from 4 to 6	NP	lower than F3	lower than A -3

IRB approach - Long-term ratings for exposures to securitisations

	ECAI		
	Moody's	**Fitch**	**Standard & Poor's**
Credit quality step			
1	Aaa	AAA	AAA
2	Aa	AA	AA
3	A1	A+	A+
4	A2	A	A
5	A3	A-	A-
6	Baa1	BBB+	BBB+
7	Baa2	BBB	BBB
8	Baa3	BBB-	BBB-
9	Ba1	BB+	BB+
10	Ba2	BB	BB
11	Ba3	BB-	BB-
12	Ba3 and lower	BB- and lower	BB- and lower

IRB approach - Short-term ratings for exposures to securitisations

	ECAI		
	Moody's	**Fitch**	**Standard & Poor's**
Credit quality step			
1	P -1	F 1 +, F 1	A -1 + , A -1
2	P -2	F2	A -2
3	P -3	F3	A -3
All other credit quality steps	lower than P-3	lower than F3	lower than A -3

A.2.2. Banking group - Breakdown of on- and off-balance sheet exposures by internal rating classes

As indicated above in the paragraph entitled "Basel 2 and Basel 3 regulations and the Internal Project" of Qualitative information, the Intesa Sanpaolo Group has a set of ratings that have been validated in respect of the Corporate, Retail Mortgages (residential mortgages for private individuals) and SME Retail portfolios.

The breakdown of exposures by internal rating classes shown in the following table is based on all ratings available in the credit risk management and control system, in addition to ratings for validated models. These ratings include credit ratings assigned by external agencies for counterparties in customer segments for which an internal model is not available.

Unrated exposures account for 15% of all exposures to performing counterparties and refer to customer segments for which a rating model is not yet available (primarily personal loans to private parties and consumer credit), to counterparties for which the roll-out of new internal models is still underway, to Group companies whose mission is not related to credit and loans, and to international subsidiaries, which have yet to be fully integrated into the credit risk management system.

For the purposes of calculating the risk indicators, unrated counterparties are assigned an estimated rating on the basis of the average probabilities of default, deriving from the past experience of the respective sectors.

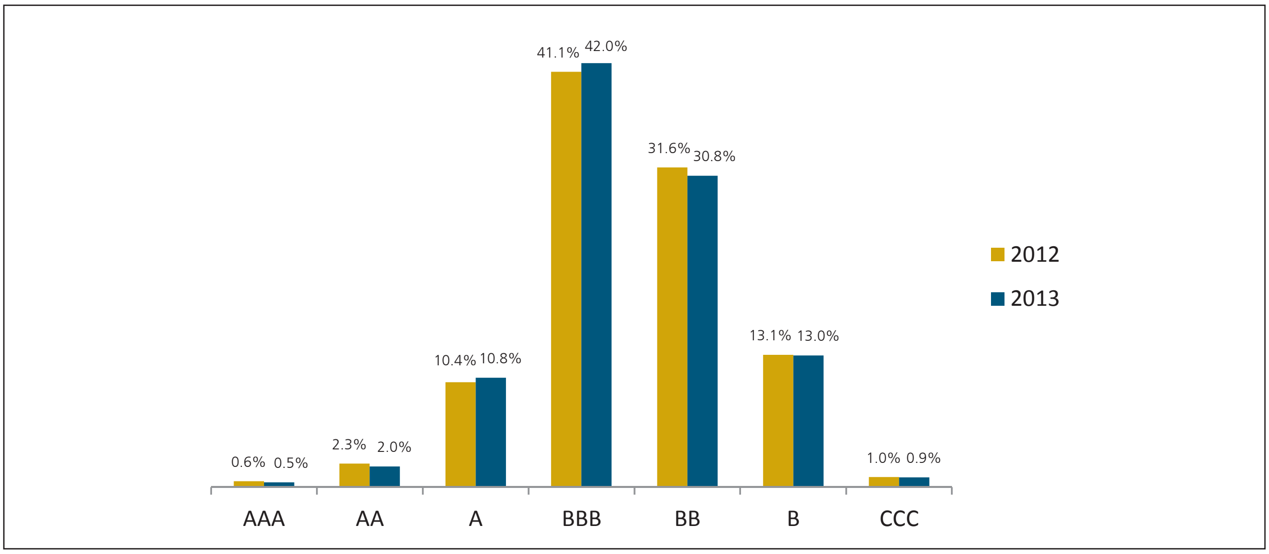
When unrated counterparties and non-performing loans are excluded, there is a high concentration of investment grade classes (classes 1, 2 and 3, representing ratings between AAA and BBB-) at 70% of the total, whilst 19% fall within the BB+/BB- range (class 4) and 11% fall under higher risk classes (of which around 1% are below B-).

(millions of euro)

	Internal rating classes							Unrated	Total
	Class 1	**Class 2**	**Class 3**	**Class 4**	**Class 5**	**Class 6**	**Non-performing exposures**		
A. On-balance sheet exposures	**10,582**	**46,160**	**162,065**	**80,958**	**45,388**	**3,489**	**31,134**	**67,205**	**446,981**
B. Derivatives	**814**	**1,998**	**3,953**	**1,344**	**504**	**30**	**167**	**1,768**	**10,578**
B.1. Financial derivatives	813	1,991	3,953	1,283	504	30	167	1,648	10,389
B.2. Credit derivatives	1	7	-	61	-	-	-	120	189
C. Guarantees given	**7,724**	**11,747**	**12,936**	**7,936**	**1,715**	**172**	**602**	**3,292**	**46,124**
D. Commitments to lend funds	**3,300**	**81,094**	**17,620**	**7,068**	**2,382**	**285**	**649**	**13,705**	**126,103**
E. Other	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**2,943**	**2,943**
Total	**22,420**	**140,999**	**196,574**	**97,306**	**49,989**	**3,976**	**32,552**	**88,913**	**632,729**

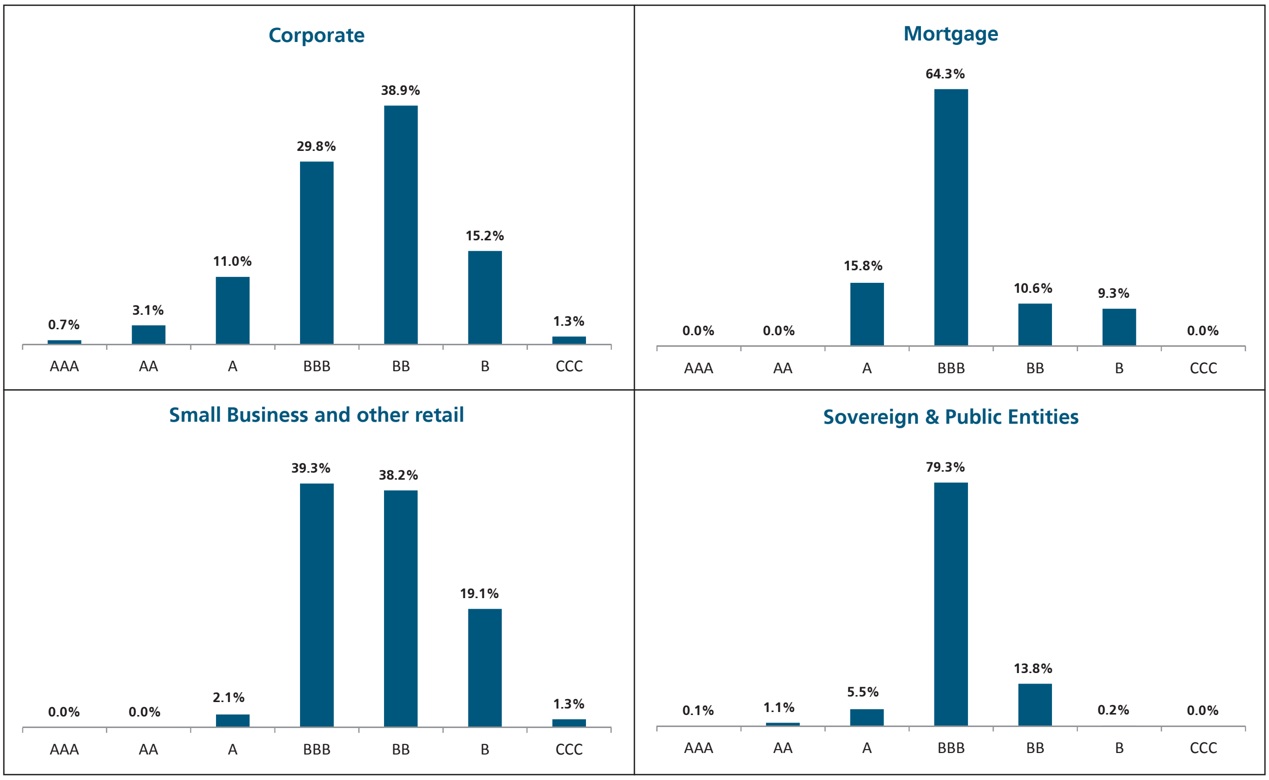
In addition to the tables required by supervisory provisions at the Group level, the following is the rating allocation for performing credit exposures to customers attributable to banks with internal models.

As at 31 December 2013, performing loans to customers assigned an individual rating internally or by an external agency accounted for 93% of the loans of banks with internal models and for 83% of the entire aggregate at the Group level.



The allocation shows a high level of investment grade exposures of 55.3%, up compared to the previous year (54.4%).

Following are the details of the rating allocations for the Corporate, Mortgage (residential mortgages for individuals), Small Business and other retail and Sovereign & Public Entities portfolios.



Investment grade positions account for 44.6%, 80.1%, 41.4% and 86.0% of the above portfolios, respectively.

A.3. Breakdown of guaranteed credit exposures by type of guarantee

A.3.1. Banking group - Guaranteed credit exposures to banks

(millions of euro)

	GUARANTEED ON-BALANCE SHEET CREDIT EXPOSURES				GUARANTEED OFF-BALANCE SHEET CREDIT EXPOSURES				TOTAL
	Totally guaranteed		Partly guaranteed		Totally guaranteed		Partly guaranteed		
		of which non-performing		*of which non-performing*		*of which non-performing*		*of which non-performing*	
NET EXPOSURE	**4,082**	***15***	**370**	***18***	**9,347**	**-**	**2,472**	**-**	**16,271**
COLLATERAL[(1)]									
Real estate assets	17	-	-	-	-	-	-	-	17
Mortgages	*10*	-	-	-	-	-	-	-	*10*
Financial leases	*7*	-	-	-	-	-	-	-	*7*
Securities	3,709	-	197	-	899	-	10	-	4,815
Other	4	-	3	-	8,925	-	2,139	-	11,071
GUARANTEES [(1)]									
Credit derivatives									
Credit-linked notes	-	-	-	-	-	-	-	-	-
Other derivatives									
- Governments and Central Banks	-	-	-	-	-	-	-	-	-
- Other public entities	-	-	-	-	-	-	-	-	-
- Banks	-	-	-	-	-	-	-	-	-
- Other counterparties	-	-	-	-	-	-	-	-	-
Guarantees given									
Governments and Central Banks	*172*	*14*	-	-	*88*	-	-	-	*260*
Other public entities	*27*	-	-	-	-	-	-	-	*27*
Banks	*2*	-	*3*	-	*33*	-	*6*	-	*44*
Other counterparties	*152*	*1*	*5*	-	-	-	*14*	-	*171*
TOTAL	**4,083**	***15***	**208**	**-**	**9,945**	**-**	**2,169**	**-**	**16,405**

[(1)] Fair Value of the collateral/guarantee or, if difficult to calculate, contractual value, the latter stated - as required by the regulations - up to the net exposure value.

A.3.2. Banking group - Guaranteed credit exposures to customers

(millions of euro)

	GUARANTEED ON-BALANCE SHEET CREDIT EXPOSURES				GUARANTEED OFF-BALANCE SHEET CREDIT EXPOSURES				TOTAL
	Totally guaranteed		Partly guaranteed		Totally guaranteed		Partly guaranteed		
		of which non-performing		*of which non-performing*		*of which non-performing*		*of which non-performing*	
NET EXPOSURE	**194,368**	***20,192***	**15,148**	***3,231***	**20,294**	***625***	**2,844**	***75***	**232,654**
COLLATERAL[(1)]									
Real estate assets	356,769	***44,344***	2,246	***517***	8,310	***684***	289	***9***	367,614
Mortgages	*348,501*	***43,293***	*2,207*	***493***	*8,310*	***684***	*289*	***9***	*359,307*
Financial leases	*8,268*	***1,051***	*39*	***24***	-	-	-	-	*8,307*
Securities	20,256	*365*	2,003	*526*	2,107	*59*	357	*5*	24,723
Other	8,858	*1,189*	1,175	*288*	3,211	*15*	188	*19*	13,432
GUARANTEES [(1)]									
Credit derivatives									
Credit-linked notes	-	-	-	-	-	-	-	-	-
Other derivatives									
- Governments and Central Banks	-	-	-	-	-	-	-	-	-
- Other public entities	-	-	-	-	-	-	-	-	-
- Banks	-	-	-	-	-	-	-	-	-
- Other counterparties	-	-	-	-	-	-	-	-	-
Guarantees given									
Governments and Central Banks	*2,176*	*60*	*159*	*9*	*191*	-	*3*	-	*2,529*
Other public entities	*526*	*27*	*232*	*11*	*8*	-	*4*	-	*770*
Banks	*2,363*	*45*	*317*	*7*	*214*	*6*	*43*	-	*2,937*
Other counterparties	*31,465*	*4,613*	*3,490*	*634*	*10,066*	*161*	*965*	*17*	*45,986*
TOTAL	**422,413**	***50,643***	**9,622**	***1,992***	**24,107**	***925***	**1,849**	***50***	**457,991**

[(1)] Fair Value of the guarantee or, if difficult to be determined, contractual value, the latter stated - as required by the regulations - up to the net exposure value.

B. BREAKDOWN AND CONCENTRATION OF CREDIT EXPOSURES

B.1. Banking group - Breakdown of on- and off-balance sheet credit exposures to customers by sector (book value)

(millions of euro)

	ON-BALANCE SHEET EXPOSURES					TOTAL ON-BALANCE SHEET EXPOSURES	OFF-BALANCE SHEET EXPOSURES				TOTAL OFF-BALANCE SHEET EXPOSURES	TOTAL 31.12.2013	TOTAL 31.12.2012
	Doubtful loans	Substandard loans	Restructured exposures	Past due exposures	Other exposures		Doubtful loans	Substandard loans	Other non-performing assets	Other exposures			
GOVERNMENTS													
Net exposure	1	1	-	5	76,856	76,863	-	-	-	3,650	3,650	80,513	79,105
Individual adjustments	-9	-1	-	-	X	-10	-	-	-	X	-	-10	-12
Collective adjustments	X	X	X	X	-5	-5	X	X	X	-	-	-5	-13
OTHER PUBLIC ENTITIES													
Net exposure	177	94	-	66	18,876	19,213	-	11	-	1,161	1,172	20,385	23,104
Individual adjustments	-65	-23	-	-3	X	-91	-	-1	-	X	-1	-92	-69
Collective adjustments	X	X	X	X	-51	-51	X	X	X	-3	-3	-54	-47
FINANCIAL INSTITUTIONS													
Net exposure	131	562	13	27	31,279	32,012	-	29	1	32,087	32,117	64,129	67,655
Individual adjustments	-325	-197	-4	-7	X	-533	-	-	-	X	-	-533	-355
Collective adjustments	X	X	X	X	-93	-93	X	X	X	-11	-11	-104	-101
INSURANCE COMPANIES													
Net exposure	-	-	-	-	1,493	1,493	-	-	-	1,953	1,953	3,446	2,985
Individual adjustments	-	-	-	-	X	-	-	-	-	X	-	-	-
Collective adjustments	X	X	X	X	-2	-2	X	X	X	-1	-1	-3	-6
NON-FINANCIAL COMPANIES													
Net exposure	10,678	11,398	2,242	1,537	172,735	198,590	245	748	366	70,577	71,936	270,526	299,904
Individual adjustments	-18,451	-3,310	-364	-182	X	-22,307	-113	-127	-44	X	-284	-22,591	-17,453
Collective adjustments	X	X	X	X	-1,947	-1,947	X	X	X	-184	-184	-2,131	-2,366
OTHER COUNTERPARTIES													
Net exposure	1,978	1,786	60	327	81,851	86,002	6	9	3	1,381	1,399	87,401	90,441
Individual adjustments	-2,785	-647	-45	-82	X	-3,559	-15	-1	-	X	-16	-3,575	-3,504
Collective adjustments	X	X	X	X	-345	-345	X	X	X	-9	-9	-354	-331

B.2. Banking group - Breakdown of on- and off-balance sheet credit exposures to customers by geographical area (book value)

(millions of euro)

	ITALY		OTHER EUROPEAN COUNTRIES		AMERICA		ASIA		REST OF THE WORLD	
	Net exposure	Total adjustments	Net exposure	Total adjustments	Net exposure	Total adjustments	Net exposure	Total adjustments	Net exposure	Total adjustments
A. ON-BALANCE SHEET EXPOSURES										
A.1. Doubtful loans	11,605	-19,048	1,340	-2,405	6	-21	4	-25	10	-136
A.2. Substandard loans	12,512	-3,609	1,209	-519	17	-7	5	-2	98	-41
A.3. Restructured exposures	1,913	-336	200	-54	-	-	143	-9	59	-14
A.4. Past due exposures	1,769	-219	135	-48	7	-1	4	-1	47	-5
A.5. Other exposures	317,051	-1,835	51,899	-502	7,919	-29	2,643	-18	3,578	-59
Total A	**344,850**	**-25,047**	**54,783**	**-3,528**	**7,949**	**-58**	**2,799**	**-55**	**3,792**	**-255**
B. OFF-BALANCE SHEET EXPOSURES										
B.1. Doubtful loans	226	-87	23	-27	-	-	-	-1	2	-13
B.2. Substandard loans	739	-112	44	-15	8	-1	1	-	5	-1
B.3. Other non-performing assets	365	-43	3	-1	-	-	-	-	2	-
B.4. Other exposures	50,895	-106	45,886	-78	12,660	-14	656	-3	712	-7
Total B	**52,225**	**-348**	**45,956**	**-121**	**12,668**	**-15**	**657**	**-4**	**721**	**-21**
TOTAL (A+B) 31.12.2013	**397,075**	**-25,395**	**100,739**	**-3,649**	**20,617**	**-73**	**3,456**	**-59**	**4,513**	**-276**
TOTAL 31.12.2012	**423,192**	**-20,492**	**107,789**	**-3,301**	**23,600**	**-85**	**3,523**	**-51**	**5,090**	**-328**

B.2 bis Breakdown of relations with customers resident in Italy by geographical area (book value)

(millions of euro)

	NORTH-WEST		NORTH-EAST		CENTRE		SOUTH AND ISLANDS	
	Net exposure	Total adjustments	Net exposure	Total adjustments	Net exposure	Total adjustments	Net exposure	Total adjustments
A. ON-BALANCE SHEET EXPOSURES								
A.1. Doubtful loans	4,015	-6,351	2,471	-4,199	2,499	-3,919	2,620	-4,579
A.2. Substandard loans	4,627	-1,341	2,518	-643	2,686	-775	2,681	-850
A.3. Restructured exposures	812	-132	635	-98	216	-43	250	-63
A.4. Past due exposures	402	-56	425	-47	483	-58	459	-58
A.5. Other exposures	101,696	-679	49,388	-392	121,870	-421	44,097	-343
Total A	**111,552**	**-8,559**	**55,437**	**-5,379**	**127,754**	**-5,216**	**50,107**	**-5,893**
B. OFF-BALANCE SHEET EXPOSURES								
B.1. Doubtful loans	57	-33	40	-23	99	-26	30	-5
B.2. Substandard loans	281	-28	132	-8	223	-53	103	-23
B.3. Other non-performing assets	299	-15	41	-24	17	-1	8	-3
B.4. Other exposures	21,647	-65	5,793	-22	20,849	-10	2,606	-9
Total B	**22,284**	**-141**	**6,006**	**-77**	**21,188**	**-90**	**2,747**	**-40**
TOTAL (A+B) 31.12.2013	**133,836**	**-8,700**	**61,443**	**-5,456**	**148,942**	**-5,306**	**52,854**	**-5,933**
TOTALE 31.12.2012	**137,528**	**-7,090**	**71,778**	**-4,319**	**159,681**	**-4,136**	**54,205**	**-4,947**

B.3 Banking group - Breakdown of on- and off-balance sheet credit exposures to banks by geographical area (book value)

(millions of euro)

	ITALY		OTHER EUROPEAN COUNTRIES		AMERICA		ASIA		REST OF THE WORLD	
	Net exposure	Total adjustments	Net exposure	Total adjustments	Net exposure	Total adjustments	Net exposure	Total adjustments	Net exposure	Total adjustments
A. ON-BALANCE SHEET EXPOSURES										
A.1. Doubtful loans	17	-7	12	-40	-	-	-	-2	-	-
A.2. Substandard loans	-	-	1	-	-	-	19	-6	-	-
A.3. Restructured exposures	-	-	-	-	-	-	-	-	-	-
A.4. Past due exposures	-	-	-	-	-	-	-	-	-	-
A.5. Other exposures	7,710	-5	17,445	-14	2,151	-2	4,504	-4	949	-
Total A	**7,727**	**-12**	**17,458**	**-54**	**2,151**	**-2**	**4,523**	**-12**	**949**	**-**
B. OFF-BALANCE SHEET EXPOSURES										
B.1. Doubtful loans	-	-	-	-	-	-	-	-	-	-
B.2. Substandard loans	-	-	-	-	-	-	-	-	-	-
B.3. Other non-performing assets	-	-	-	-	-	-	-	-	-	-
B.4. Other exposures	2,421	-6	61,477	-28	3,921	-1	1,789	-15	970	-10
Total B	**2,421**	**-6**	**61,477**	**-28**	**3,921**	**-1**	**1,789**	**-15**	**970**	**-10**
TOTAL (A+B) 31.12.2013	**10,148**	**-18**	**78,935**	**-82**	**6,072**	**-3**	**6,312**	**-27**	**1,919**	**-10**
TOTAL 31.12.2012	**18,155**	**-11**	**103,193**	**-93**	**7,070**	**-5**	**3,107**	**-11**	**2,085**	**-2**

B.3 Bis Breakdown of relations with banks resident in Italy by geographical area (book value)

(millions of euro)

	NORTH-WEST		NORTH-EAST		CENTRE		SOUTH AND ISLANDS	
	Net exposure	Total adjustments	Net exposure	Total adjustments	Net exposure	Total adjustments	Net exposure	Total adjustments
A. ON-BALANCE SHEET EXPOSURES								
A.1. Doubtful loans	17	-7	-	-	-	-	-	-
A.2. Substandard loans	-	-	-	-	-	-	-	-
A.3. Restructured exposures	-	-	-	-	-	-	-	-
A.4. Past due exposures	-	-	-	-	-	-	-	-
A.5. Other exposures	2,485	-4	1,345	-	3,415	-1	465	-
Total A	**2,502**	**-11**	**1,345**	**-**	**3,415**	**-1**	**465**	**-**
B. OFF-BALANCE SHEET EXPOSURES								
B.1. Doubtful loans	-	-	-	-	-	-	-	-
B.2. Substandard loans	-	-	-	-	-	-	-	-
B.3. Other non-performing assets	-	-	-	-	-	-	-	-
B.4. Other exposures	250	-2	313	-4	1,851	-	7	-
Total B	**250**	**-2**	**313**	**-4**	**1,851**	**-**	**7**	**-**
TOTAL (A+B) 31.12.2013	**2,752**	**-13**	**1,658**	**-4**	**5,266**	**-1**	**472**	**-**
TOTAL 31.12.2012	**3,461**	**-9**	**2,416**	**-1**	**11,711**	**-1**	**567**	**-**

B.4 Large risks

Large risks	
a) Book value (millions of euro)	97,832
b) Weighted value (millions of euro)	11,170
b) Number	4

On the basis of regulatory provisions, the number of large risks presented in the table was determined by reference to unweighted "exposures" in excess of 10% of regulatory capital, where "exposures" are defined as the sum of on-balance sheet assets at risk and off-balance sheet transactions (excluding those deducted from regulatory capital) with a customer or a group of related customers, without applying weighting factors.
Such presentation criteria result in the inclusion in the financial statement table for large risks of entities that - even with a weighting of 0% - present an unweighted exposure in excess of 10% of capital valid for the purposes of large risks.
In addition, in light of regulatory clarification provided by the Supervisory Authority, exposures for transactions undertaken with central counterparties in OTC derivatives and SFTs, which under certain conditions may be set to zero when determining counterparty risk, are also to be reduced to zero for the purposes of large risks, effective from the 2012 financial statements. Accordingly, in the above table they have been excluded from both the unweighted book value and the corresponding weighted value.

C. SECURITISATIONS AND ASSET SALES

This section does not include securitisations where the originators are Intesa Sanpaolo Group banks and all the liabilities (e.g. ABS securities, loans at the warehousing stage) issued by the vehicle companies are subscribed at the time of issue by one or more Group companies. For a description of these types of transaction, see the section on liquidity risk in Part E of the Notes to the consolidated financial statements.

C.1. Securitisations

Qualitative information

An initial transaction of 50 million euro involving securitisation of commercial loans in the electrical sector (Luce 2) was completed at the beginning of 2013. This was followed by an additional transaction of 35 million euro in April, involving loans in the gas sector (Gas 2). Furthermore, the securitisation of commercial loans in the Food & Beverages sector was expanded, bringing the nominal value of securitised loans from 245 million euro to 355 million euro. The vehicles used for the three transactions were Hermes Trade Receivables S.a.r.l. and Duomo Funding Plc.

Quantitative information

C.1.1. Banking group - Breakdown of exposures deriving from securitisations by quality of underlying asset

On-balance sheet

(millions of euro)

	On-balance sheet exposures					
	Senior		Mezzanine		Junior	
	exposure		exposure		exposure	
	gross	net	gross	net	gross	net
A. Originated underlying assets	**-**	**-**	**86**	**86**	**85**	**81**
a) Non-performing	-	-	-	-	13	13
b) Other	-	-	86	86	72	68
B. Third party underlying assets	**4,507**	**4,497**	**360**	**340**	**28**	**27**
a) Non-performing	-	-	-	-	-	-
b) Other	4,507	4,497	360	340	28	27
Total	**4,507**	**4,497**	**446**	**426**	**113**	**108**

Part of the exposures shown in the table above has been included within the structured credit products: 2,021 million euro of gross exposures and 2,012 million euro net, in any case almost entirely attributable to exposures not included under the US subprime category. For further information on the relative economic and risk effects, see the chapter on market risks in the Notes to the consolidated financial statements.

Off-balance sheet

(millions of euro)

	Guarantees given						Credit lines					
	Senior		Mezzanine		Junior		Senior		Mezzanine		Junior	
	exposure		exposure		exposure		exposure		exposure		exposure	
	gross	net	gross	net	gross	net	gross	net	gross	net	gross	net
A. Originated underlying assets	**-**	**-**	**-**	**-**	**-**	**-**	**833**	**833**	**-**	**-**	**-**	**-**
a) Non-performing	-	-	-	-	-	-	-	-	-	-	-	-
b) Other	-	-	-	-	-	-	833	833 (**)	-	-	-	-
B. Third party underlying assets (*)	**-**	**-**	**-**	**-**	**-**	**-**	**1,269**	**1,269**	**-**	**-**	**-**	**-**
a) Non-performing	-	-	-	-	-	-	-	-	-	-	-	-
b) Other	-	-	-	-	-	-	1,269	1,269	-	-	-	-
TOTAL	**-**	**-**	**-**	**-**	**-**	**-**	**2,102**	**2,102**	**-**	**-**	**-**	**-**

(*) Including Romulus and Duomo Asset Backed Commercial Paper (ABCP) programmes as detailed in the tables relating to third party securitisations.

(**) Amount referring to liquidity lines granted to cover loans which did not meet the criteria for derecognition pursuant to IAS 39

C.1.2. Banking group - Breakdown of exposures deriving from the main "originated" securitisations by type of securitised asset and by type of exposure

On-balance sheet

(millions of euro)

	On-balance sheet exposures					
	Senior		Mezzanine		Junior	
	Book value	Adjust./ recoveries	Book value	Adjust./ recoveries	Book value	Adjust./ recoveries
A. Fully derecognised	**-**	**-**	**-**	**-**	**18**	**-5**
A.1 Intesa Sec (*)						
- performing mortgages	-	-	-	-	-	-
A.2 Intesa Sec Npl						
- doubtful mortgages	-	-	-	-	*13*	*-5*
A.3 Cr Firenze Mutui						
- performing mortgages	-	-	-	-	*5*	-
B. Partly derecognised	-	-	-	-	-	-
C. Not derecognised	**-**	**-**	**86**	**1**	**63**	**-**
C.1 Intesa Sec 3						
- performing residential mortgages	-	-	*56*	-	*53*	-
C.2 Da Vinci						
- loans to the aircraft sector	-	-	*1*	*1*	-	-
C.3 Facility Services Securitisations						
- trade receivables	-	-	*1*	-	-	-
C.4 Electricity Securitisations						
- trade receivables	-	-	*24*	-	*8*	-
C.5 Gas Securitisation						
- trade receivables	-	-	*4*	-	*2*	-
TOTAL	**-**	**-**	**86**	**1**	**81**	**-5**

(*) Intesa Sec presents amounts for less than one million.

Intesa Sec 3 is not derecognised for financial statement purposes, but it is derecognised for prudential purposes. During the first half of 2013 the securitisation Split 2 was closed with the liquidation of the vehicle.
The securitisations in the above table include those for which the Group availed itself of the exemption from compliance to IAS/IFRS permitted on first-time adoption by IFRS 1. Based on this exemption, assets or liabilities sold not derecognised, based on previous accounting principles and deriving from securitisations prior to 1 January 2004, have not been recorded in the financial statements, even if derecognition does not meet the requirements of IAS 39.

Off-balance sheet

(millions of euro)

	Guarantees given						Credit lines					
	Senior		Mezzanine		Junior		Senior		Mezzanine		Junior	
	Net exposure	Adjust./ recoveries	Net exposure	Adjust./ recoveries	Net exposure	Adjust./ recoveries	Net exposure	Adjust./ recoveries	Net exposure	Adjust./ recoveries	Net exposure	Adjust./ recoveries
A. Fully derecognised	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
B. Partly derecognised	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
C. Not derecognised	**-**	**-**	**-**	**-**	**-**	**-**	**833**	**-**	**-**	**-**	**-**	**-**
C.1 Duomo Funding Plc.												
- trade receivables	-	-	-	-	-	-	*833*	-	-	-	-	-
TOTAL	**-**	**-**	**-**	**-**	**-**	**-**	**833**	**-**	**-**	**-**	**-**	**-**

C.1.3. Banking group - Breakdown of exposures deriving from the main "third party" securitisations by type of securitised asset and by type of exposure

On-balance sheet

(millions of euro)

	On-balance sheet exposures					
	Senior		Mezzanine		Junior	
	Book value	Adjust./ recoveries	Book value	Adjust./ recoveries	Book value	Adjust./ recoveries
A.1 Romulus (*)						
- Asset backed commercial papers	*2,118*	-	-	-	-	-
A.2 Fondo Immobili Pubblici						
- Financial credits deriving from rental of properties to the public sector	*242*	*7*	-	-	-	-
A.3 Posillipo Finance						
- Loans to the Italian health system	*157*	-	-	-	-	-
A.4 TCWGP						
- Project Finance loans	*147*	-	-	-	-	-
A.5 VOBA FINANCE Srl						
- Residential mortgages	*127*	*-3*	-	-	-	-
A.6 Berica Residential MBS S.r.l.						
- Residential mortgages	*119*	*3*	*7*	-	-	-
A.7 Sunrise S.r.l.						
- Consumer credit	*98*	*1*	*24*	*1*	-	-
A.8 Cordusio RMBS Securitisation						
- Residential mortgages	*54*	-	*32*	*1*	-	-
A.9 D'Annunzio						
- Loans to the Italian health system	*82*	-	-	-	-	-
A.10 CLARIS Finance S.r.l.						
- Residential mortgages	*81*	-	-	-	-	-
A.11 BESME						
- Financing for SMEs	*72*	-	-	-	-	-
A.12 AYT CEDULAS CAJA						
- Residential mortgages	*55*	-	-	-	-	-
A.13 Siena Mortgage						
- Residential mortgages	*55*	-	-	-	-	-
A.14 Duchess (**)						
- CLO	*54*	-	-	-	-	-
A.15 VELA HOME Srl						
- Residential mortgages	*45*	*1*	*5*	-	-	-
A.16 Mecenate						
- Residential mortgages	*48*	-	-	-	-	-
A.17 Residual portfolio divided in 314 securities (***)	*943*	*-4* (****)	*272*	*2*	*27*	*-1*
TOTAL	**4,497**	**5**	**340**	**4**	**27**	**-1**

(*) Romulus securities held in the Banking Group's portfolios are shown under third party securitisations, as these are ABCP issued by the vehicle partly for assets of the Banking Group and partly for risks originating from other economic operators, without distinction.

(**) Position included in packages, whose credit risk is entirely hedged by a specific credit default swap (CDS). The adjustment highlighted was, therefore, practically identical to the positive fair value of the derivative. For further information on the relevant economic and risk impacts, see the paragraph on structured credit products in Part E of the Notes to the consolidated financial statements.

(***) Please note that 62 million euro included among "Residual portfolio" refers to single tranche securitisations, classified as Senior securities and not as exposures to securitisations for supervisory purposes.

(****) Of which 2 million euro related to securities included in packages.

The table below shows the breakdown of the residual portfolio divided into 314 securities by type of underlying asset.

(millions of euro)

	On-balance sheet exposures					
	Senior		Mezzanine		Junior	
	Book value	Adjust./ recoveries	Book value	Adjust./ recoveries	Book value	Adjust./ recoveries
Residential mortgages (*)	363	-3	113	-	5	-1
Commercial mortgages	47	-	77	-	5	-
Loans deriving from leasing contracts	64	4	52	1	-	-
CDO Cash	108	-	1	-	-	-
Financing for SMEs	71	-	14	-	-	-
Loans to the Italian health system	71	-	-	-	-	-
Other ABS (CLO-CMO-CFO) (*)	64	-4	-	-	-	-
Consumer credit	53	-1	-	-	-	-
Electrical company loans due from the public sector	48	-	-	-	-	-
Loans to foreign public bodies	34	-	-	-	-	-
Project finance loans	-	-	-	-	17	-
Public property	4	-	8	1	-	-
WL Collateral CMO	8	-	-	-	-	-
Other assets	8	-	7	-	-	-
TOTAL	**943**	**-4**	**272**	**2**	**27**	**-1**

(*) Includes positions part of packages, whose credit risk is entirely hedged by a specific credit default swap (CDS). The adjustment highlighted was, therefore, practically identical to the positive fair value of the derivative. For further information on the relevant economic and risk impacts, see the paragraph on structured credit products in Part E of the Notes to the consolidated financial statements.

Off-balance sheet

(millions of euro)

	Guarantees given						Credit lines					
	Senior		Mezzanine		Junior		Senior		Mezzanine		Junior	
	Net exposure	Adjust./ recoveries	Net exposure	Adjust./ recoveries	Net exposure	Adjust./ recoveries	Net exposure	Adjust./ recoveries	Net exposure	Adjust./ recoveries	Net exposure	Adjust./ recoveries
A.1 Duomo												
- ABCP Conduit transactions	-	-	-	-	-	-	*1,269*	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**	**-**	**1,269**	**-**	**-**	**-**	**-**	**-**

In addition to the information shown in the table, the Group's trading portfolio as at 31 December 2013 also contains off-balance sheet transactions represented by credit default swaps with exposures to securitisations as underlyings for a nominal value of 86 million euro.

C.1.4. Banking group - Breakdown of exposures deriving from securitisations by portfolio and by type

(millions of euro)

	On-balance sheet exposures (*)			Off-balance sheet exposures		
	Senior	Mezzanine	Junior	Senior	Mezzanine	Junior
Financial assets held for trading	1,099	131	9	-	-	-
Financial assets measured at fair value	1	-	-	-	-	-
Financial assets available for sale	8	1	10	-	-	-
Investments held to maturity	-	-	-	-	-	-
Loans (**)	3,389	208	26	1,269	-	-
Total 31.12.2013	**4,497**	**340**	**45**	**1,269**	**-**	**-**
Total 31.12.2012	**4,998**	**429**	**47**	**1,573**	**-**	**-**

(*) Excluding on-balance sheet exposures deriving from originated securitisations in which assets sold have not been fully derecognised for a total of 149 million euro. As at 31 December 2013, off-balance sheet exposures deriving from originated securitisations whose assets sold were not fully derecognised from balance sheet assets totalled 833 million euro.

(**) This caption includes off-balance sheet exposures referred to "Guarantees given" and "Credit lines".

C.1.5. Banking group - Total amount of securitised assets underlying junior securities or other forms of backing

(millions of euro)

	Traditional securitisations	Synthetic securitisations
A. Originated underlying assets	**981**	**-**
A.1 Fully derecognised	72	*X*
1. Doubtful loans	*19*	*X*
2. Substandard loans	*-*	*X*
3. Restructured exposures	*-*	*X*
4. Past due exposures	*1*	*X*
5. Other assets	*52*	*X*
A.2 Partly derecognised	-	*X*
1. Doubtful loans	*-*	*X*
2. Substandard loans	*-*	*X*
3. Restructured exposures	*-*	*X*
4. Past due exposures	*-*	*X*
5. Other assets	*-*	*X*
A.3 Not derecognised	909	-
1. Doubtful loans	*11*	*-*
2. Substandard loans	*10*	*-*
3. Restructured exposures	*-*	*-*
4. Past due exposures	*7*	*-*
5. Other assets	*881*	*-*
B. Third party underlying assets	**358**	**-**
B.1. Doubtful loans	-	-
B.2. Substandard loans	1	-
B.3. Restructured exposures	-	-
B.4. Past due exposures	-	-
B.5. Other assets	357	-

C.1.6. Banking group - Stakes in special purpose vehicles

Name	Direct ownership	Registered office	% Stake
Adriano Lease Sec S.r.l. (*)	Intesa Sanpaolo	Conegliano Veneto (TV)	5.00%
Intesa Sanpaolo SEC SA (*)	Intesa Sanpaolo	Luxembourg	100.00%
Adriano Finance 2 (**)	Intesa Sanpaolo	Milano	5.00%
Intesa Sec S.p.A.	Intesa Sanpaolo	Milano	60.00%
Intesa Sec 3 S.r.l.	Intesa Sanpaolo	Milano	60.00%
Intesa Sec NPL S.p.A.	Intesa Sanpaolo	Milano	60.00%
Intesa Lease Sec S.r.l.	Leasint	Milano	100.00%
Augusto S.r.l.	Intesa Sanpaolo	Milano	5.00%
Colombo S.r.l.	Intesa Sanpaolo	Milano	5.00%
Diocleziano S.r.l.	Intesa Sanpaolo	Milano	5.00%
CR Firenze Mutui	CR Firenze	Conegliano Veneto (TV)	10.00%
Trade Receivables Investment Vehicle S.a.r.l.	Banca IMI/Duomo Funding	Luxembourg	100.00%
ISP OBG S.r.l. (ex ISP Sec 4 S.r.l.) (***)	Intesa Sanpaolo	Milano	60.00%
ISP CB Ipotecario S.r.l. (***)	Intesa Sanpaolo	Milano	60.00%
ISP CB Pubblico S.r.l. (***)	Intesa Sanpaolo	Milano	60.00%

(*) Self-securitisation vehicle described in Section 1.3 Banking Group - Liquidity Risk, Quantitative Information, paragraph 2.

(**) The vehicle was not operational at 31 December 2013.

(***) ISP CB Ipotecario, ISP CB Pubblico and ISP OBG are not traditional securitisation vehicles that issue securities, rather, they are involved in Covered Bond issues. For information, refer to Section C.3 of Part E of these Notes to the consolidated financial statements.

C.1.7. Banking group - Servicer activities – collection of securitised loans and repayment of securities issued by special purpose vehicles

Servicer	Special purpose vehicles	Securitised assets (period-end figure) (millions of euro)		Collections of loans in the year (millions of euro)		Percentage of reimbursed securities (period-end figure)					
						Senior		Mezzanine		Junior	
		Non-performing	Performing	Non-performing	Performing	Non-performing	Performing	Non-performing	Performing	Non-performing	Performing
Intesa Sanpaolo	Intesa Sec	1	-	-	-	0%	100%	0%	100%	0%	81%
Intesa Sanpaolo	Intesa Sec 3	42	761	6	238	0%	100%	0%	67%	0%	0%
Italfondiario	Intesa Sec NPL	17	-	9	-	100%	0%	46%	0%	0%	0%
CR Firenze	Cr Firenze Mutui	-	54	1	17	0%	98%	0%	0%	0%	0%
Total		**60**	**815**	**16**	**255**						

C.1.8. Banking group – Subsidiary special purpose vehicles

Intesa Sec

Securitisation of performing mortgages

(millions of euro)

A. Securitised assets		**2**
A.1 Loans	1	
A.2 Securities	-	
A.3 Other assets	1	
B. Investments of the funds collected from loan management		1
B.1 Debt securities	-	
B.2 Equities	-	
B.3 Liquidity	1	
C. Securities issued		**2**
C.1 Class A1	-	
C.2 Class A2	-	
C.3 Class B	-	
C.4 Class C	2	
D. Financing received		**-**
E. Other liabilities		**1**
E.1 Amounts due for services rendered	1	
E.2 Due to customers	-	
E.3 Due to SPV	-	
E.4 Accrued expenses – interest on securities issued	-	
E.5 Other accrued expenses	-	
F. Interest expense on securities issued		**-**
G. Commissions and fees		**-**
G.1 Servicing	-	
G.2 Other services	-	
H. Other expenses		**-**
H.1 Interest expense	-	
H.2 Additional return	-	
I. Interest income on securitised assets		**-**
L. Other revenues		**-**
L.1 Interest income	-	

Intesa Sec 3
Securitisation of performing residential mortgages

(millions of euro)

A. Securitised assets		**805**
A.1 Loans	803	
A.2 Securities	-	
A.3 Other assets	2	
B. Investments of the funds collected from loan management		**225**
B.1 Debt securities	-	
B.2 Equities	-	
B.3 Liquidity	225	
C. Securities issued		**822**
C.1 Class A1	-	
C.2 Class A2	-	
C.3 Class A3	676	
C.4 Class B	73	
C.5 Class C	73	
D. Financing received		**49**
E. Other liabilities		**166**
E.1 Amounts due for services rendered	-	
E.2 Due to customers	-	
E.3 Due to Parent Company	113	
E.4 Due to securitisation vehicle	-	
E.5 "Additional return" allowance	49	
E.6 Accrued expenses – interest on securities issued	1	
E.7 Accrued expenses on IRS	3	
E.8 Other accrued expenses	-	
F. Interest expense on securities issued		**4**
G. Commissions and fees		**2**
G.1 Servicing	2	
G.2 Securities placement commissions	-	
H. Other expenses		**28**
H.1 Interest expense	17	
H.2 Other expenses	1	
H.3 Forecasted losses on loans	1	
H.4 Additional return	9	
I. Interest income on securitised assets		**26**
L. Other revenues		**7**
L.1 Interest income	6	
L.2 Revenues from penalties for early termination and other	1	

Intesa Sec Npl
Securitisation of non-performing mortgages

(millions of euro)

A. Securitised assets		**21**
A.1 Loans	17	
A.2 Securities	-	
A.3 Other assets	4	
B. Investments of the funds collected from loan management		**5**
B.1 Debt securities	-	
B.2 Equities	-	
B.3 Liquidity	5	
C. Securities issued		**155**
C.1 Class A	-	
C.2 Class B	-	
C.3 Class C	-	
C.4 Class D	114	
C.5 Class E	41	
D. Financing received		**4**
E. Other liabilities		**37**
E.1 Amounts due for services rendered	1	
E.2 Accrued expenses – interest on securities issued	34	
E.3 Other accrued expenses	1	
E.4 Floor option premium received	1	
F. Interest expense on securities issued		**15**
G. Commissions and fees		**1**
G.1 Servicing	1	
G.2 Other services	-	
H. Other expenses		**38**
H.1 Interest expense	5	
H.2 Other expenses	1	
H.3 Losses on penalty interest	-	
H.4 Losses on loans	31	
H.5 Forecasted losses on loans	1	
I. Interest income on securitised assets		**10**
L. Other revenues		**21**
L.1 Interest income	-	
L.2 Recovery of legal expenses	-	
L.3 Write-backs	20	
L.4 Other income	1	

CR Firenze Mutui

Securitisation of performing residential mortgages

(millions of euro)

A. Securitised assets		**54**
A.1 Loans	54	
A.2 Securities	-	
A.3 Other assets	-	
B. Investments of the funds collected from loan management		**10**
B.1 Debt securities	-	
B.2 Equities	-	
B.3 Liquidity	10	
C. Securities issued		**54**
C.1 Class A	10	
C.2 Class B	28	
C.3 Class C	8	
C.4 Class D	8	
D. Financing received		3
E. Other liabilities		**7**
F. Interest expense on securities issued		**1**
G. Commissions and fees		**-**
G.1 Servicing	-	
G.2 Other services	-	
H. Other expenses		**1**
I. Interest income on securitised assets		**2**
L. Other revenues		**-**

C.2. Sales

A. Financial assets sold not fully derecognised

Qualitative information

For a description of the operations shown in tables C.2.1 and C.2.2 below, refer to the information shown below the relevant tables.
Conversely, for operations in debt securities against medium-/long-term repurchase agreements, refer to the information in Part B of the Notes to the consolidated financial statements.

Quantitative information

C.2.1. Banking group - Financial assets sold not derecognised: book value and full value

(millions of euro)

	Cash assets				Derivatives	31.12.2013		31.12.2012	
	Debt securities	Equities	UCI	Loans		Total	*of which non-performing assets*	Total	*of which non-performing assets*
FINANCIAL ASSETS HELD FOR TRADING	**6,356**	**5**	**3**	**-**	**-**	**6,364**	**-**	**4,151**	**-**
- Financial assets sold totally recognised (book value)	6,356	5	3	-	-	6,364	-	4,151	-
- Financial assets sold partly recognised (book value)	-	-	-	-	-	-	-	-	-
- Financial assets sold partly recognised (full value)	-	-	-	-	-	-	-	-	-
FINANCIAL ASSETS MEASURED AT FAIR VALUE	**-**	**-**	**-**	**-**	**X**	**-**	**-**	**169**	**-**
- Financial assets sold totally recognised (book value)	-	-	-	-	X	-	-	169	-
- Financial assets sold partly recognised (book value)	-	-	-	-	X	-	-	-	-
- Financial assets sold partly recognised (full value)	-	-	-	-	X	-	-	-	-
FINANCIAL ASSETS AVAILABLE FOR SALE	**8,226**	**-**	**-**	**-**	**X**	**8,226**	**-**	**9,734**	**-**
- Financial assets sold totally recognised (book value)	8,226	-	-	-	X	8,226	-	9,734	-
- Financial assets sold partly recognised (book value)	-	-	-	-	X	-	-	-	-
- Financial assets sold partly recognised (full value)	-	-	-	-	X	-	-	-	-
INVESTMENTS HELD TO MATURITY	**198**	**X**	**X**	**-**	**X**	**198**	**-**	**219**	**-**
- Financial assets sold totally recognised (book value)	198	X	X	-	X	198	-	219	-
- Financial assets sold partly recognised (book value)	-	X	X	-	X	-	-	-	-
- Financial assets sold partly recognised (full value)	-	X	X	-	X	-	-	-	-
DUE FROM BANKS	**724**	**X**	**X**	**-**	**X**	**724**	**-**	**1,280**	**-**
- Financial assets sold totally recognised (book value)	724	X	X	-	X	724	-	1,280	-
- Financial assets sold partly recognised (book value)	-	X	X	-	X	-	-	-	-
- Financial assets sold partly recognised (full value)	-	X	X	-	X	-	-	-	-
LOANS TO CUSTOMERS	**1,577**	**X**	**X**	**803**	**X**	**2,380**	**43**	**2,151**	***55***
- Financial assets sold totally recognised (book value)	1,577	X	X	803	X	2,380	43	2,151	55
- Financial assets sold partly recognised (book value)	-	X	X	-	X	-	-	-	-
- Financial assets sold partly recognised (full value)	-	X	X	-	X	-	-	-	-
Total 31.12.2013	**17,081**	**5**	**3**	**803**	**-**	**17,892**	**43**	**X**	***X***
Total 31.12.2012	**16,539**	**83**	**3**	**1,079**	**-**	**X**	**X**	**17,704**	***55***

Operations mainly refer to the use of securities held for short and medium/long-term repurchase agreements and loans to customers assigned as part of the SEC 3 securitisation.

C.2.2. Banking group - Financial liabilities corresponding to financial assets sold not derecognised: book value

(millions of euro)

	Due to customers		Due to banks		Securities issued		Total 31.12.2013	Total 31.12.2012
	Fully recognised	Partly recognised	Fully recognised	Partly recognised	Fully recognised	Partly recognised		
Financial assets held for trading	4,852	-	1,283	-	-	-	6,135	3,539
Financial assets measured at fair value	-	-	-	-	-	-	-	86
Financial assets available for sale	5,077	-	2,031	-	-	-	7,108	9,668
Investments held to maturity	-	-	-	-	-	-	-	-
Due from banks	-	-	14	-	-	-	14	163
Loans to customers	-	-	780	-	822	-	1,602	1,835
Total	**9,929**	**-**	**4,108**	**-**	**822**	**-**	**14,859**	**15,291**

The financial liabilities corresponding to financial assets sold not derecognised (shown in the columns Due to Customers and Due to Banks) mainly relate to repurchase agreements for securities recorded under assets.
On the other hand, in accordance with the regulations, the liabilities issued as part of the related securitisation by the SEC 3 vehicle (included within the scope of consolidation) are shown under securities issued.
However, they do not include the repurchase agreements relating to securities received under reverse repurchase agreements.

C.2.3. Banking group - Sales with liabilities having recourse exclusively on the assets sold: fair value

(millions of euro)

	Financial assets held for trading		Financial assets designated at fair value through profit and loss		Financial assets available for sale		Investments held to maturity (fair value)		Due from banks (fair value)		Loans to customers (fair value)		31.12.2013 TOTAL	31.12.2012 TOTAL
	Fin. Assets sold fully recognised	Fin. Assets sold partly recognised	Fin. Assets sold fully recognised	Fin. Assets sold partly recognised	Fin. Assets sold fully recognised	Fin. Assets sold partly recognised	Fin. Assets sold fully recognised	Fin. Assets sold partly recognised	Fin. Assets sold fully recognised	Fin. Assets sold partly recognised	Fin. Assets sold fully recognised	Fin. Assets sold partly recognised		
A. Cash assets	**6,364**	**-**	**-**	**-**	**8,226**	**-**	**196**	**-**	**713**	**-**	**2,269**	**-**	**17,768**	**17,467**
1. Debt securities	6,356	-	-	-	8,226	-	196	-	713	-	1,444	-	16,935	16,282
2. Equities	5	-	-	-	-	-	X	X	X	X	X	X	5	83
3. UCI	3	-	-	-	-	-	X	X	X	X	X	X	3	3
4. Loans	-	-	-	-	-	-	-	-	-	-	825	-	825	1,099
B. Derivatives	**-**	**-**	**X**	**X**	**X**	**X**	**X**	**X**	**X**	**X**	**X**	**X**	**-**	**-**
Total Assets	**6,364**	**-**	**-**	**-**	**8,226**	**-**	**196**	**-**	**713**	**-**	**2,269**	**-**	**17,768**	**17,467**
C. Associated liabilities	**6,042**	**-**	**-**	**-**	**7,108**	**-**	**-**	**-**	**19**	**-**	**1,549**	**-**	**X**	**X**
1. Due to customers	4,852	-	-	-	5,077	-	-	-	-	-	-	-	X	X
2. Due to banks	1,190	-	-	-	2,031	-	-	-	19	-	783	-	X	X
3. Securities issued	-	-	-	-	-	-	-	-	-	-	766	-	X	X
Total Liabilities	**6,042**	**-**	**-**	**-**	**7,108**	**-**	**-**	**-**	**19**	**-**	**1,549**	**-**	**14,718**	**15,253**
Net Value 2013	**322**	**-**	**-**	**-**	**1,118**	**-**	**196**	**-**	**694**	**-**	**720**	**-**	**3,050**	**X**
Net Value 2012	**612**	**-**	**82**	**-**	**25**	**-**	**213**	**-**	**1,095**	**-**	**187**	**-**	**X**	**2,214**

B. Financial assets sold fully derecognised with recognition of ongoing involvement

This type of exposure did not exist as at 31 December 2013.

C.3. Banking group - Covered bond transactions -

The Intesa Sanpaolo Group uses Covered Bonds (CB) to prudently establish eligible assets with Central Banks, or as a type of funding, by placing them on the market.
Transactions are structured by selling assets (loans, mortgages, securities) to a vehicle, with the simultaneous granting of a subordinated loan for payment of the sale price. In the Intesa Sanpaolo Group, in this phase the seller is always the same entity as the lender. Securities may be issued directly by the originator of the assets or by the Parent Company, relating to assets sold to the vehicle by other Group companies.
In accordance with IAS 39, these transactions do not represent sales without recourse for accounting purposes, as the Group companies involved maintained all the risks and rewards connected to the loans sold. Therefore, when recording the transactions, Bank of Italy provisions are applied, according to which, where the originator and the lender are the same entity, the separate assets of the vehicle, provided as security for the issues of Covered Bonds, are consolidated in the separate financial statements.

Over time, the Intesa Sanpaolo Group has carried out three Covered Bond issue programmes.

The first programme, launched at the end of July 2009, had an amount of 20 billion euro (the original amount was 10 billion euro). The guarantor of the Covered Bonds is the vehicle ISP CB Pubblico, to which a portfolio of performing loans and securities to the public sector, originated by the former subsidiary Banca Infrastrutture Innovazione e Sviluppo, now Intesa Sanpaolo, was transferred. In detail, performing loans and securities to the public sector with a total nominal value of around 14.4 billion euro were sold, of which around 1 billion euro in April 2013.
Against these sales, Covered Bonds were issued for a total nominal value of 13.3 billion euro (of which 3 billion euro relating to a covered bond which matured in the fourth quarter of 2011, 6.8 billion euro relating to issues acquired from the former BIIS and cancelled by Intesa Sanpaolo following the merger, and 3.2 billion euro relating to an exchange offer to investors during 2012).
During 2013:

– a new series of CB was issued for a nominal value of 2 billion euro. This is a floating-rate bond with maturity of less than two years, fully subscribed by Intesa Sanpaolo. The bond is listed on the Luxembourg Stock Exchange with Moody's A3 rating, and is eligible for Eurosystem transactions;
– a new series of CB was issued for a nominal value of 2.2 billion euro. This is a floating-rate bond with maturity of less than three years, fully subscribed by Intesa Sanpaolo. The bond is listed on the Luxembourg Stock Exchange with Moody's A3 rating, and is eligible for Eurosystem transactions.

As at 31 December 2013 a total nominal amount of 4.5 billion euro of issues made as part of the Covered Bond Programme of the vehicle ISP CB Pubblico was outstanding, of which 4.2 billion repurchased and 0.3 billion placed with third party investors.

In the second programme, amounting to a maximum of 20 billion euro, the guarantor of the Covered Bonds is the vehicle ISP CB Ipotecario S.r.l., to which Italian residential mortgage loans originated by Intesa Sanpaolo were transferred. In detail, these are sales of Italian residential mortgages with a nominal value of 12.7 billion euro, in addition to the sale, in April 2013, of a portfolio of Italian residential mortgages originated by Intesa Sanpaolo with a nominal value of 4.1 billion euro. In January 2013, an Italian government bond with a nominal value of 900 million euro reached maturity, resulting in the exit from the cover pool.
Over time, against the sale of these assets, Intesa Sanpaolo carried out issues of Covered Bonds with a total nominal value of approximately 17.7 billion euro (of which 8.2 billion euro subject to early redemption in 2012). During 2013:
– series 14 of CB was placed with institutional investors, in the form of a fixed-rate bond (3.375%) for a nominal value of 1 billion euro, with a 12-year maturity, listed on the Luxembourg Stock Exchange with Moody's A2 rating. The bond is eligible for Eurosystem refinancing transactions;
– series 15 of CB was placed with institutional investors, in the form of a fixed-rate bond (2.25%) for a nominal value of 750 million euro, with a 5-year maturity, listed on the Luxembourg Stock Exchange with Moody's A2 rating. The bond is eligible for Eurosystem refinancing transactions.

As at 31 December 2013 a total nominal amount of 11.3 billion euro of issues made as part of the Covered Bond Programme of the vehicle ISP CB Ipotecario was outstanding, fully placed with third party investors.

In 2012 the new multi-originator CB issue programme was launched, secured by mortgages totalling 30 billion euro. Aimed at fully retained issues, the programme provides for the issue of unrated securities which thus benefit from the rating of the issuer Intesa Sanpaolo. The portfolio used to collateralise the issues of Covered Bonds is composed of mortgages originated by Intesa Sanpaolo, Banco di Napoli, Cassa di Risparmio del Veneto, and, starting from the second half of 2013, Banca dell'Adriatico. In particular:
– Intesa Sanpaolo sold mortgages to the vehicle for a total nominal value of 13.4 billion euro, of which 1.3 billion euro sold in May 2013;
– Banco di Napoli sold mortgages to the vehicle for a total nominal value of 6.8 billion euro, of which 1.1 billion euro sold in May 2013;
– Cassa di Risparmio del Veneto sold mortgages to the vehicle for a total nominal value of 2.6 billion euro;
– Banca dell'Adriatico sold mortgages to the vehicle for a total nominal value of 1.1 billion euro in May 2013.

Over time, against the sale of these assets, Intesa Sanpaolo carried out issues of Covered Bonds with a total nominal value of approximately 19.1 billion euro. During 2013:
– the fifth series of CB was issued with a nominal value of 1.5 billion euro, 2-year maturity and a quarterly floating-rate coupon;
– the sixth series of CB was issued with a nominal value of 800 million euro, 7-year maturity and a quarterly floating-rate coupon.

All securities issued as part of the multi-originator programme are listed on the Luxembourg Stock Exchange and, as noted above, benefit from the rating of the issuer Intesa Sanpaolo. The characteristics of the issues make them eligible for Eurosystem refinancing transactions.
As at 31 December 2013 a total nominal amount of 21.4 billion euro of issues made as part of the Covered Bond Programme of the vehicle ISP OBG was outstanding, fully repurchased by Intesa Sanpaolo.

The key figures for ISP CB Pubblico, ISP CB Ipotecario and ISP OBG as at 31 December 2013 are shown in the table below. For further details on the securities issued as part of the programmes described above, reference should be made to the Notes to the Parent Company's financial statements – Part E – Section C.3 – Covered bond transactions.

(millions of euro)

COVERED BONDS		Vehicle data		Subordinated loan (1)	Covered Bonds issued	
		Total assets	Cumulated write-downs on securitised	amount	Nominal amount (2)	Book value (2)
ISP CB PUBBLICO	Performing public sector loans and securities	13,600	-	13,062	284	317
ISP CB IPOTECARIO	RMBSs (Performing residential mortgages)	17,601	35	16,344	11,326	11,931
ISP OBG	Performing mortgages	24,027	58	23,778	-	-

(1) The item includes the subordinated loan granted by the originator for the purchase of the portfolio of securitised performing loans. Such loan is subject to derecognition in the IAS-compliant financial statements of the originator and Intesa Sanpaolo Group consolidated financial statements. The figure shown above also includes the amount of subordinated loans disbursed in 2012, for which no issues have yet been made.

(2) The nominal amount and the book value shown in the table are to be considered net of securities repurchased.

D. BANKING GROUP - MODELS FOR THE MEASUREMENT OF CREDIT RISK

As at 31 December 2013, the expected loss on core banks (Basel 2 validation area) amounted to 0.64% of disbursed loans, an 11 percentage point increase on the figure as at the end of 2012. The economic capital corresponded to 4% of disbursed loans, an increase of 0.5% compared to the figure in 2012.

The increase in risk indicators derives from the worsening of ratings, primarily on customers in the Corporate and Retail SME portfolios. These ratings were also adjusted during the year to take account of the unfavourable outcomes of backtesting as a result of the difficult economic scenario. This increase was partly offset by the operational actions involving the recomposition of the portfolio towards better exposures and the transfers of loans to the non-performing loan category, which contributes to eliminating customers with worse ratings from the performing loans portfolio.

The internal rating and LGD models are subject to internal validation process and a level three control by the Internal Auditing Department. The control functions produce an annual report for the Bank of Italy on the compliance of the models with the supervisory regulations, which also verifies deviations of the ex ante estimates and the effective ex post values. This report, approved by the Management Board and the Supervisory Board of Intesa Sanpaolo, confirms the requirements of compliance.

1.2. BANKING GROUP - MARKET RISKS

As already highlighted in the introduction, the Intesa Sanpaolo Group policies relating to financial risk acceptance are defined by the Parent Company's Management Bodies, with the support of specific Committees, including the Group Risk Governance Committee and Group Financial Risks Committee.
The Group Risk Governance Committee is in charge, beside other functions, of proposing the Group risk management strategies and policies to the Statutory bodies, of ensuring compliance with the guidelines and indications of Supervisory authority concerning risk governance and of assessing the adequacy of the Group's economic and regulatory capital. The Committee coordinates the activities of specific Technical Committees, monitoring financial and operational risks, and is chaired by the Managing Director and CEO.
The Group Financial Risks Committee, chaired by the Chief Risk Officer and the Chief Financial Officer, is responsible for setting out the methodological and measurement guidelines for financial risks, establishing the operational limits and assessing the risk profile of the Group and its main operational units. The Committee also sets out the strategies for the management of the banking book to be submitted to the competent Bodies and establishes the guidelines on liquidity, interest rate and foreign exchange risk. The Committee operates on the basis of the operating and functional powers delegated by the Statutory bodies and under coordination of the Group Risk Governance Committee.
The Group's overall financial risk profile and the eventual necessary changes are examined periodically by the Group Financial Risks Committee.
The Parent Company's Risk Management Department is responsible for the development of corporate risk measurement and monitoring methodologies as well as for the proposals on the Bank's and the Group's system of operating limits. The Risk Management Department is also responsible in outsourcing for the risk measurement for certain operating units on the basis of specific service contracts.

The table below shows the items of the consolidated Balance Sheet that are subject to market risks, showing the positions for which VaR is the main risk measurement metrics and those for which the risks are monitored with other metrics. The latter mostly include the sensitivity analysis to the different risk factors (interest rate, credit spread, etc.).

(millions of euro)

	Book value (supervisory scope)	Main risk measurement metrics		
		VaR	Other	Risk factors measured using metrics included under Other
Assets subject to market risk	**499,311**	**102,383**	**396,928**	
Financial assets held for trading	48,159	47,190	969	Interest rate risk, credit spread, equity
Financial assets designated at fair value through profit and loss	1,192	842	350	Interest rate risk, credit spread
Financial assets available for sale	61,023	54,333	6,690	Interest rate risk, rischio equity
Financial assets held to maturity	2,051	-	2,051	Interest rate risk
Due from banks	26,231	-	26,231	Interest rate risk
Loans to customers	345,992	-	345,992	Interest rate risk
Hedging derivatives	7,534	18	7,516	Interest rate risk
Investments in associates and companies subject to joint control	7,129	-	7,129	Equity risk
Liabilities subject to market risk	**474,549**	**39,812**	**434,737**	
Due to banks	52,230	-	52,230	Interest rate risk
Due to customers	233,465	-	233,465	Interest rate risk
Securities issued	142,155	-	142,155	Interest rate risk
Financial liabilities held for trading	39,105	38,726	379	Interest rate risk
Financial liabilities designated at fair value through profit and loss	10	10	-	
Hedging derivatives	7,584	1,076	6,508	Interest rate risk

REGULATORY TRADING BOOK

1.2.1. INTEREST RATE RISK AND PRICE RISK

Consistent with the use of internal risk measurement models, the sections relative to interest rate and price risk have been grouped within the relevant portfolio.

QUALITATIVE INFORMATION

The quantification of trading risks is based on daily and periodic VaR of the trading portfolios of Intesa Sanpaolo and Banca IMI, which represent the main portion of the Group's market risks, to adverse market movements of the following risk factors:

– interest rates;
– equities and market indexes;
– investment funds;
– foreign exchange rates;
– implied volatilities;
– spreads in credit default swaps (CDSs);
– spreads in bond issues;
– correlation instruments;
– dividend derivatives;
– asset-backed securities (ABSs);
– commodities.

A number of the other Group subsidiaries hold smaller trading portfolios with a marginal risk (around 1% of the Group's overall risk). In particular, the risk factors of the international subsidiaries' trading portfolios are interest rates and foreign exchange rates, both relating to linear pay-offs.

Internal model validation

For some of the risk factors indicated above, the Supervisory Authority has validated the internal models for the reporting of the capital absorptions of both Intesa Sanpaolo and Banca IMI.
In particular, the validated risk profiles for market risks are: (i) generic/specific on debt securities and on equities for Intesa Sanpaolo and Banca IMI, (ii) position risk on quotas of UCI underlying CPPI (Constant Proportion Portfolio Insurance) products for Banca IMI, (iii) position risk on dividend derivatives and (iv) position risk on commodities for Banca IMI, the only legal entity in the Group authorised to hold open positions in commodities.

Stressed VaR

The requirement for stressed VaR is included when determining capital absorption effective 31 December 2011. The requirement derives from the determination of the VaR associated with a market stress period. This period was identified considering the following guidelines, on the basis of the indications presented in the Basel document "Revision to the Basel 2 market risk framework":

– the period must represent a stress scenario for the portfolio;
– the period must have a significant impact on the main risk factors for the portfolios of Intesa Sanpaolo and Banca IMI;
– the period must allow real historical series to be used for all portfolio risk factors.

In keeping with the historical simulation approach employed to calculate VaR, the latter point is a discriminating condition in the selection of the holding period. In fact, in order to ensure that the scenario adopted is effectively consistent and to avoid the use of driver or comparable factors, the historical period must ensure the effective availability of market data.
As at the date of preparation of the document, the period relevant to the measurement of stressed VaR is considered set as 1 January to 31 December 2011 for both Banca IMI and Intesa Sanpaolo.

VaR

The analysis of market risk profiles relative to the trading book uses various quantitative indicators and VaR is the most important. Since VaR is a synthetic indicator which does not fully identify all types of potential loss, risk management has been enriched with other measures, in particular simulation measures for the quantification of risks from illiquid parameters (dividends, correlation, ABS, hedge funds).
VaR estimates are calculated daily based on simulations of historical time-series, a 99% confidence level and 1-day holding period.
The section "Quantitative information" presents the estimates and development of VaR, defined as the sum of VaR and of the simulation on illiquid parameters, for the trading book of Intesa Sanpaolo and Banca IMI.

Incremental Risk Charge (IRC)

The Incremental Risk Charge (IRC) is the maximum potential loss in the credit trading portfolio resulting from an upgrade/downgrade or bankruptcy of the issuers, over a 1-year period, with a 99.9% confidence level. This measure is additional to VaR and enables the correct representation of the specific risk on debt securities and credit derivatives because, in addition to idiosyncratic risk, it also captures event and default risk.

Stress test

Stress tests measure the value changes of instruments or portfolios due to changes in risk factors of unexpected intensity and correlation, or extreme events, as well as changes representative of expectations of the future evolution of market variables. Stress tests are applied periodically to market risk exposures, typically adopting scenarios based on historical trends recorded by risk factors, for the purpose of identifying past worst case scenarios, or defining variation grids of risk factors to highlight the direction and non-linearity of trading strategies.

Sensitivity and greeks
Sensitivity measures make risk profiling more accurate, especially in the presence of option components. These measure the risk attributable to a change in the value of a financial position to predefined changes in valuation parameters including a one basis point increase in interest rates.

Level measures
Level measures are risk indicators which are based on the assumption of a direct relationship between the size of a financial position and the risk profile. These are used to monitor issuer/sector/country risk exposures for concentration analysis, through the identification of notional value, market value or conversion of the position in one or more benchmark instruments (so-called equivalent position).

QUANTITATIVE INFORMATION

Daily VaR evolution
During the fourth quarter of 2013, the market risks originated by Intesa Sanpaolo and Banca IMI were essentially stable compared to the previous periods: the average daily VaR for the fourth quarter of 2013 was 49.2 million euro, up by 3.4% on the third quarter.
With regard to the whole of 2013, the Group's average risk profile (57.9 million euro) decreased compared to the average values in 2012 (82.1 million euro).

Daily VaR of the trading portfolio for Intesa Sanpaolo and Banca IMI – Comparison between the 4th and the 3rd quarter of 2013 [(a)]

(millions of euro)

	average 4th quarter	minimum 4th quarter	maximum 4th quarter	average 3rd quarter	average 2nd quarter	average 1st quarter
Intesa Sanpaolo	10.5	8.9	13.8	8.2	11.7	14.1
Banca IMI	38.6	34.6	42.5	39.3	50.8	59.0
Total	**49.2**	**44.7**	**54.4**	**47.6**	**62.5**	**73.2**

[(a)] Each line in the table sets out past estimates of daily operating VaR calculated on the quarterly historical time-series respectively of Intesa Sanpaolo and Banca IMI; minimum and maximum values for Intesa Sanpaolo and Banca IMI are estimated using aggregate historical time-series and therefore do not correspond to the sum of the individual values in the column.

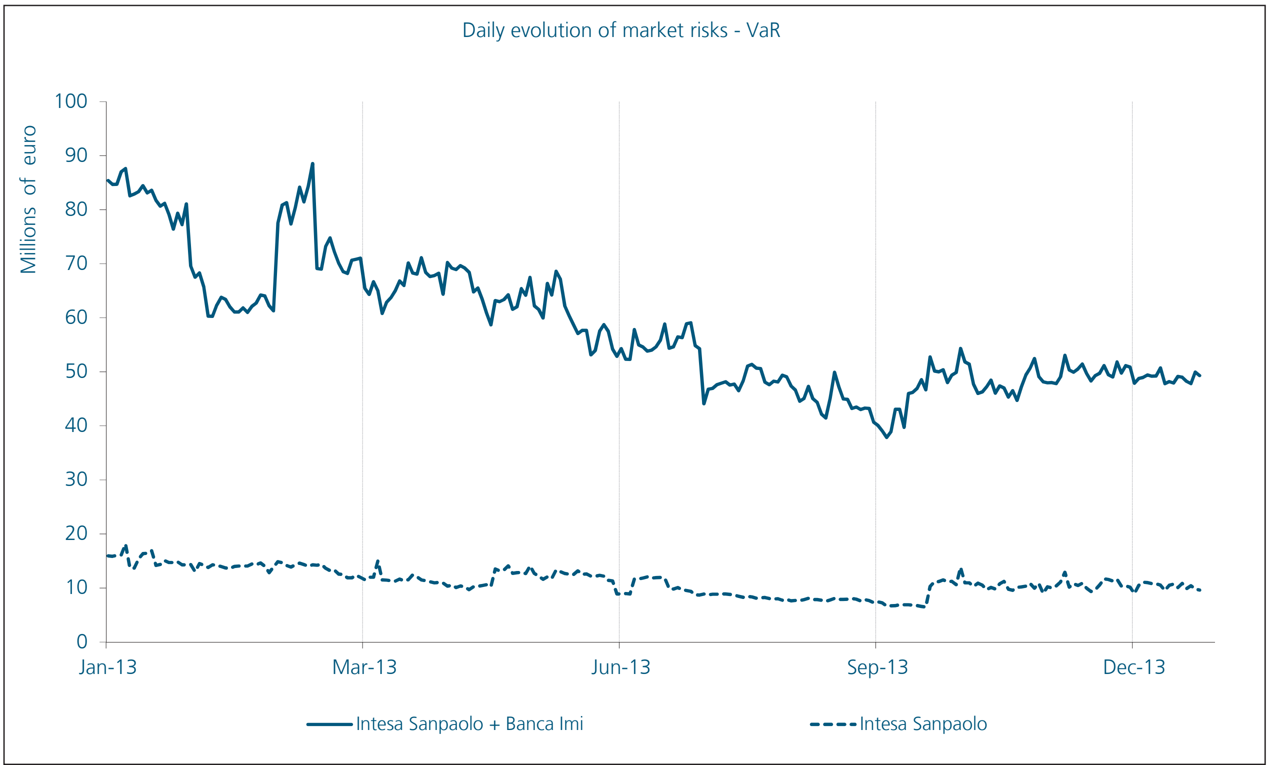
Daily VaR of the trading portfolio for Intesa Sanpaolo and Banca IMI – Comparison between 2013-2012 [(a)]

(millions of euro)

	2013				2012		
	average	minimum	maximum	last day	average	minimum	maximum
Intesa Sanpaolo	11.1	6.4	18.1	9.6	21.3	15.5	27.5
Banca IMI	46.9	31.1	74.2	39.6	60.8	41.7	92.1
Total	**57.9**	**37.8**	**88.5**	**49.3**	**82.1**	**63.5**	**115.4**

[(a)] Each line in the table sets out past estimates of daily operating VaR calculated on the quarterly historical time-series respectively of Intesa Sanpaolo and Banca IMI; minimum and maximum values for Intesa Sanpaolo and Banca IMI are estimated using aggregate historical time-series and therefore do not correspond to the sum of the individual values in the column.

The trend in the Group's VaR, shown in the following chart, was mainly determined by Banca IMI. The VaR peaked at the start of the year in particular, following the post-elections scenario, when tensions were recorded on the Italian government spread market. The risk measures stabilised during the year. This effect is due to the departure from the calculation of the historical simulation, used to calculate VaR, of the 2012 volatility scenarios pertaining to the Italy risk.



For Intesa Sanpaolo, the breakdown of the risk profile in the fourth quarter of 2013 with regard to the various factors shows the prevalence of the hedge fund risk, which represented 33% of total VaR. Credit spread risk, which includes the risk associated with sovereign government bonds, was the most significant component for Banca IMI, representing 63% of the total.

Contribution of risk factors to overall VaR [(a)]

4th quarter 2013	Shares	Hedge funds	Interest rates	Credit spreads	Foreign exchange rates	Other parameters	Commodities
Intesa Sanpaolo	20%	33%	12%	25%	9%	1%	0%
Banca IMI	10%	0%	12%	63%	1%	10%	4%
Total	**13%**	**9%**	**12%**	**53%**	**3%**	**8%**	**2%**

[(a)] Each line in the table sets out the contribution of risk factors considering the overall VaR 100%, calculated as the average of daily estimates in the fourth quarter of 2013, broken down between Intesa Sanpaolo and Banca IMI and indicating the distribution of overall VaR.

With regard to the hedge fund portfolio, the table below shows the exposures broken down by type of strategy adopted.

Contribution of strategies to portfolio breakdown [(a)]

	31.12.2013	31.12.2012
- Credit	47.1%	68.4%
- Catalist Driven	19.0%	0.0%
- Equity hedged	16.0%	18.2%
- Directional trading	13.7%	13.2%
- Equity Long Only	4.0%	0.0%
- Multi-strategy	0.2%	0.2%
Total hedge funds	**100.0%**	**100.0%**

[(a)] The table sets out on every line the percentage of total cash exposures calculated on amounts at period-end.

In 2013 the hedge fund portfolio maintained an asset allocation with a focus on strategies relating to distressed credit (about 47% of the total in terms of portfolio value); in addition the new "Catalist Driven" strategy was introduced, with a weight of 19% on the total portfolio amount.
Risk control with regard to the trading activity of Intesa Sanpaolo and Banca IMI also uses scenario analyses and stress tests. The impact on the income statement of selected scenarios relating to the evolution of stock prices, interest rates, credit spreads and foreign exchange rates as at the end of December is summarised in the following table.

(millions of euro)

	EQUITY		INTEREST RATES		CREDIT SPREADS		FOREIGN EXCHANGE RATES		COMMODITIES	
	volatility +10% and prices -5%	volatility -10% and prices +5%	+70bp	lower rate	-25bp	+25bp	-10%	+10%	-50%	+50%
Total	-20	24	-122	201	124	-124	1	-5	20	-1
of which SCP					*5*	*-5*				

In particular:
- on stock market positions, a 5% decrease in stock prices with a resulting 10% increase in volatility would have led to a loss of approximately 20 million euro;
- for exposures to interest rates, a rise of the curves of +70 basis points would have had a negative impact of 122 million euro, while potential gains would be recorded in a scenario with rates close to zero;
- for exposures affected by changes in credit spreads, a 25 basis point widening in spreads would have led to a 124 million euro loss, of which about 5 million euro attributable to structured credit products (SCP);
- on foreign exchange exposures, a 10% increase of the euro would have resulted in a loss of approximately 5 million euro;
- lastly, for commodity exposures, gains would be recorded in case of a 50% decrease in prices; conversely, in case of an increase, the potential losses would be equal to 1 million euro.

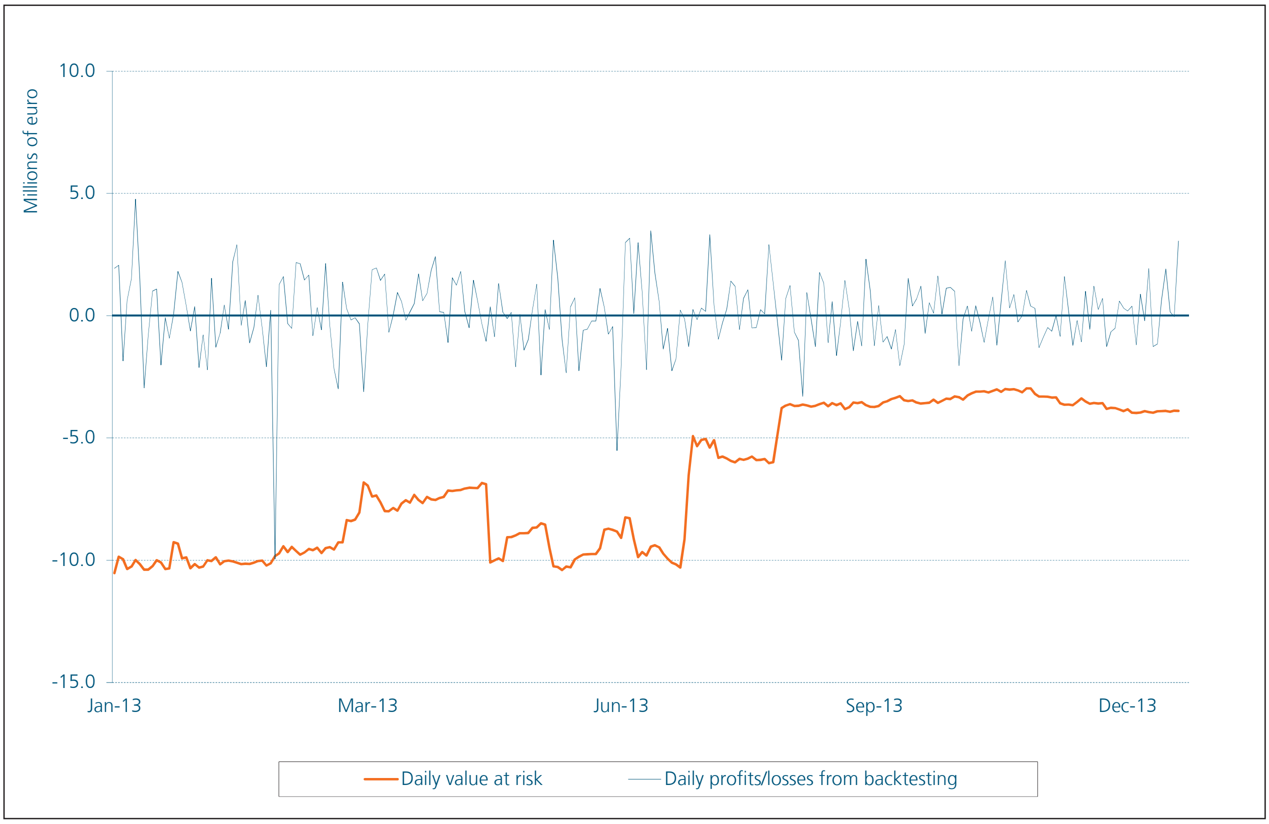
Backtesting

The effectiveness of the VaR calculation methods must be monitored daily via backtesting which, as concerns regulatory backtesting, compares:
- the daily estimates of value at risk;
- the daily profits/losses based on backtesting which are determined using actual daily profits and losses achieved by individual desks, net of components which are not considered in backtesting such as commissions and intraday activities.

Backtesting allows verification of the model's capability of correctly seizing, from a statistical viewpoint, the variability in the daily valuation of trading positions, covering an observation period of one year (approximately 250 estimates). Any critical situations relative to the adequacy of the Internal Model are represented by situations in which daily profits/losses based on backtesting highlight more than three occasions, in the year of observation, in which the daily loss is higher than the value at risk estimate. Current regulations require that backtesting is performed by taking into consideration both the actual P&L series recorded and the theoretical series. The latter is based on revaluation of the portfolio value through the use of pricing models adopted for the VaR measurement calculation. The number of significant backtesting exceptions is determined as the maximum between those for actual P&L and theoretical P&L.

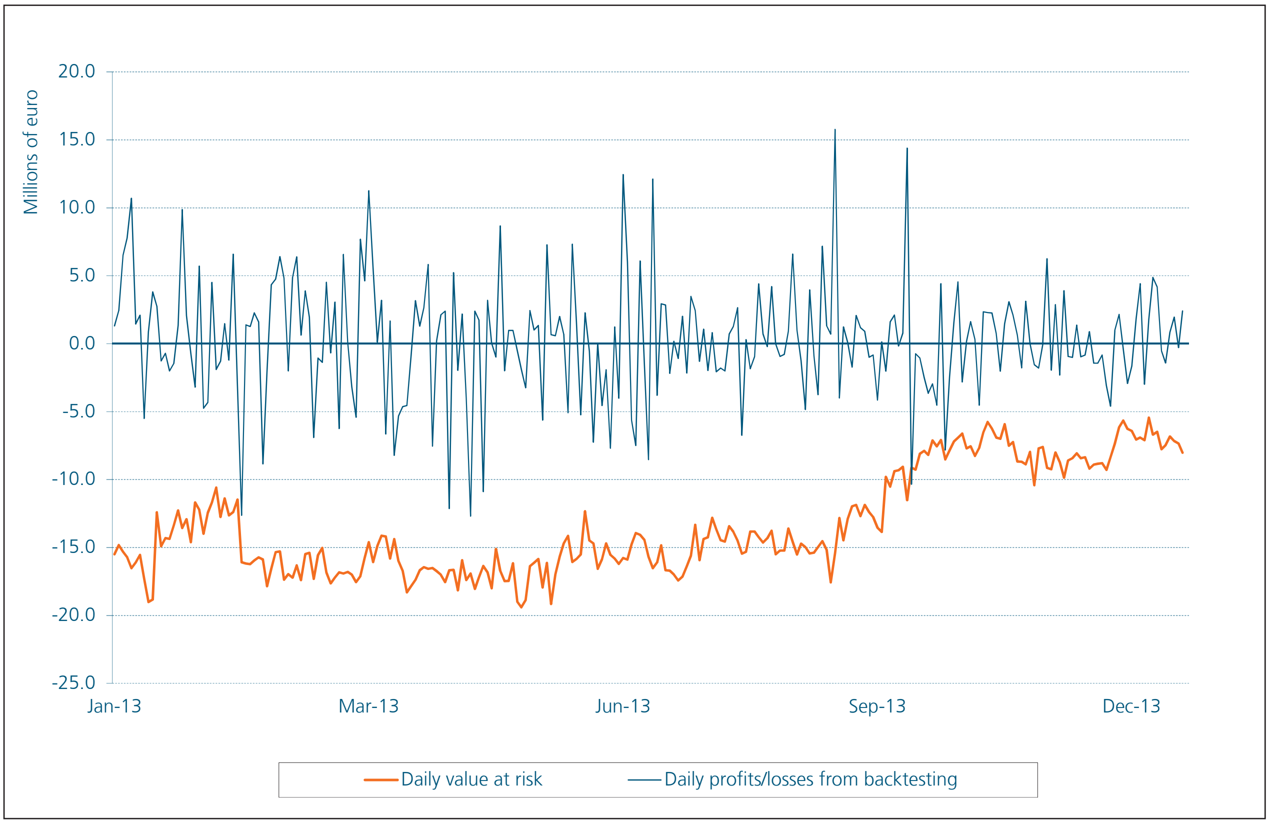
Backtesting in Intesa Sanpaolo

Intesa Sanpaolo's regulatory backtesting shows only one exception occurred in the days that immediately followed the political elections of February.



Backtesting in Banca IMI

Banca IMI's only backtesting exception refers to the theoretical P&L figure and can be attributed to the fluctuations in financial sector spreads.



Issuer risk

Issuer risk in the trading portfolio is analysed in terms of mark to market, with exposures aggregated by rating class, and it is monitored through a system of operating limits based on both rating classes and concentration indexes.

Breakdown of exposures by type of issuer for Intesa Sanpaolo and Banca IMI (a)

	Total	of which				
		Corporate	Financial	Emerging	Covered	Securitis.
Intesa Sanpaolo	38%	17%	1%	5%	77%	0%
Banca IMI	62%	3%	27%	1%	19%	50%
Total	**100%**	**8%**	**18%**	**3%**	**39%**	**32%**

(a) In the Total column, the table reports the contribution to total exposure of Intesa Sanpaolo and Banca IMI to issuer risk, breaking down the contribution to exposure by type of issuer.

Period-end percentage on area total, excluding Government bonds, own bonds and including cds.

The breakdown of the portfolio subject to issuer risk shows the prevalence of securities of the covered bond segment for Intesa Sanpaolo and the securitisation segment for Banca IMI.

Operating limits

The structure of limits reflects the risk level deemed to be acceptable with reference to single business areas, consistent with operating and strategic guidelines defined by top management. The attribution and control of limits at the various hierarchical levels implies the assignment of delegated powers to the heads of business areas, aimed at achieving the best trade-off between a controlled risk environment and the need for operating flexibility. The functioning of the system of limits and delegated powers is underpinned by the basic concepts of hierarchy and interaction described below.

The application of such principles led to the definition of a structure of limits in which the distinction between first level and second level limits is particularly important:

– first level limits: are approved by the Management Board, after the opinion of the Group Financial Risks Committee. Limit variations are proposed by the Risk Management Department, after the opinion of the Heads of Operating Departments. Limit absorption trends and the relative congruity analysis are periodically assessed by the Group Financial Risks Committee.

– second level limits: have the objective of controlling operations of the various desks on the basis of differentiated measures based on the specific characteristics of traded instruments and operating strategies, such as sensitivity, greeks and equivalent exposures.

In the second half of 2013 the Management Board resolved to decrease the VaR limit for the Group from 130 to 110 million. This decision was made to account for the changed volatility regime on the Italian government risk and in light of the average uses of the VaR for the period.

With respect to the component sub-allocated to the organisational units, it may be noted that the use of the VaR limit (held for trading component) for Intesa Sanpaolo averaged 43% in 2013, with a maximum use of 64%. For Banca IMI, the average VaR limit came to 51%, with a maximum use of 78%. It should be specified that for Banca IMI the VaR limit also includes the AFS component, inasmuch as these assets are managed in close synergy with HFT assets.

The use of the IRC limits at year end amounted to 54% for Intesa Sanpaolo (limit of 220 million euro) and 57% for Banca IMI (limit of 330 million euro).

The use of VaR operating limits on the AFS component (excluding Banca IMI) at year end was 33%. The limit for the AFS component was revised in the third quarter of 2013, raising it from 200 million euro to 150 million euro. This decision was made to account for the changed volatility regime on the Italian government risk and in light of the average uses of the VaR for the period.

BANKING BOOK
1.2.2 INTEREST RATE RISK AND PRICE RISK

QUALITATIVE INFORMATION

A. General aspects, interest rate risk and price risk management processes and measurement methods
Market risk originated by the banking book arises primarily in the Parent Company and the main Group companies involved in retail and corporate banking. The banking book also includes exposure to market risks deriving from the equity investments in quoted companies not fully consolidated, mostly held by the Parent Company and by Equiter, IMI Investimenti and Private Equity International.
The following methods are used to measure financial risks of the Group's banking book:
– Value at Risk (VaR);
– Sensitivity Analysis.
Value at Risk is calculated as the maximum potential loss in the portfolio's market value that could be recorded over a 10-day holding period with a 99% confidence level (parametric VaR). Besides measuring the equity portfolio, VaR is also used to consolidate exposure to financial risks of the various Group companies which perform banking book activities, thereby taking into account diversification benefits. Value at Risk calculation models have certain limitations, as they are based on the statistical assumption of the normal distribution of the returns and on the observation of historical data that may not be repeated in the future. Consequently, VaR results cannot guarantee that the possible future losses will not exceed the statistically calculated estimates.
Shift sensitivity analysis quantifies the change in value of a financial portfolio resulting from adverse movements in the main risk factors (interest rate, foreign exchange, equity). For interest rate risk, an adverse movement is defined as a parallel and uniform shift of ±100 basis points of the interest rate curve. The measurements include an estimate of the prepayment effect and of the risk originated by on demand customer deposits, whose features of stability and of partial and delayed reaction to interest rate fluctuations have been studied by analysing a large collection of historical data, obtaining a maturity representation model through equivalent deposits. As of January 2013, an update of the methodology has been introduced, aimed at sterilizing the credit spread impact, significantly increased during the recent financial crisis. Equity risk sensitivity is measured as the impact of a price shock of ±10%.
Furthermore the sensitivity of the interest margin is also measured by quantifying the impact on net interest income of a parallel and instantaneous shock in the interest rate curve of ±100 basis points, over a period of 12 months. This measure highlights the effect of variations in interest rates on the portfolio that is being measured, excluding assumptions on future changes in the mix of assets and liabilities and, therefore, it cannot be considered as an forecast indicator of the future levels of the interest margin.

B. Fair value hedging
C. Cash flow hedging
Hedging of interest rate risk is aimed at (i) protecting the banking book from variations in the fair value of loans and deposits due to movements in the interest rate curve or (ii) reducing the volatility of future cash flows related to a particular asset/liability. The main types of derivative contracts used are interest rate swaps (IRS), overnight index swaps (OIS), cross-currency swaps (CCS) and options on interest rates stipulated with third parties or with other Group companies. The latter, in turn, cover the risk in the market so that the hedging transactions meet the criteria to qualify as IAS-compliant for consolidated financial statements.
Hedging activities performed by the Intesa Sanpaolo Group are recorded using various hedge accounting methods. A first method refers to the fair value hedge of specifically identified assets and liabilities (micro-hedging), mainly consisting of bonds issued or acquired by Group companies and loans to customers. Moreover, macro-hedging is carried out on the stable portion of on demand deposits and in order to cover the risk of fair value changes intrinsic in the instalments under accrual generated by floating rate operations. The Group is exposed to this risk in the period from the date on which the rate is set and the date of payment of the relevant interests.
Another hedging method used is the cash flow hedge, which has the purpose of stabilising interest flow on both variable rate funding, to the extent that the latter finances fixed-rate investments, and on variable rate investments to cover fixed-rate funding (macro cash flow hedges).
The Risk Management Department is in charge of measuring the effectiveness of interest rate risk hedges for the purpose of hedge accounting, in compliance with international accounting standards.
During the year no hedging activities were performed to cover the price risk of the banking book.

D. Hedging of foreign investments
For equity investments in Group companies held in foreign currencies, risk hedging policies are assessed by the Group Risk Governance Committee and the Group Financial Risks Committee, taking into consideration the advantages and the costs embedded in hedging transactions.
During the year foreign exchange hedges were implemented against the exchange risk on gains in foreign currency generated by the Parent Company's branches abroad.

QUANTITATIVE INFORMATION

Banking book: internal models and other sensitivity analysis methodologies

Interest margin sensitivity – assuming a 100 basis point change in interest rates – amounted to 264 million euro at the end of 2013, in line with the 270 million euro at the end of 2012.
In the case of invariance of the other income components, the aforesaid potential impact would be reflected also in the Group's year-end net income and taking into account the abovementioned assumptions concerning the measurement procedures.
In 2013, interest rate risk generated by the Intesa Sanpaolo Group's banking book, measured through shift sensitivity analysis, averaged 85 million euro with a year-end figure of 206 million euro, almost entirely concentrated on the euro currency; these figures compare with 386 million euro at the end of 2012. Interest rate risk, measured in terms of VaR, averaged 39 million euro in 2013, with a minimum value of 27 million euro and a maximum value of 56 million euro. At the end of December 2013, VaR totalled 40 million euro (83 million euro at the end of 2012).
Price risk generated by minority stakes in quoted companies, mostly held in the AFS (Available for Sale) category and measured in terms of VaR, recorded an average level during 2013 of 68 million euro (81 million euro at the end of 2012), with peak and minimum values of 80 million euro and 33 million euro respectively (this figure coincides with the value at the end of 2013).
Lastly, the table below shows a sensitivity analysis of the banking book to price risk, measuring the impact on Shareholders' Equity of a price shock of ±10% for the abovementioned quoted assets recorded in the AFS category.

Price risk: impact on Shareholders' Equity

		Impact on shareholders' equity (millions of euro)
Price shock	+10%	-10
Price shock	-10%	10

1.2.3. FOREIGN EXCHANGE RISK

QUALITATIVE INFORMATION

A. General aspects, foreign exchange risk management processes and measurement methods

"Foreign exchange risk" is defined as the possibility that foreign exchange rate fluctuations produce significant changes, both positive and negative, in the Group's balance sheet aggregates. The key sources of exchange rate risk lie in:

– foreign currency loans and deposits held by corporate and retail customers;
– purchases of securities, equity investments and other financial instruments in foreign currencies;
– conversion into domestic currency of assets, liabilities and income of branches and subsidiaries abroad;
– trading of foreign currencies and banknotes;
– collection and/or payment of interest, commissions, dividends and administrative costs in foreign currencies.

More specifically, "structural" foreign exchange risk refers to the exposures deriving from the commercial operations and the strategic investment decisions of the Intesa Sanpaolo Group.
Foreign exchange transactions, spot and forward, are carried out mostly by Banca IMI, which also operates in the name and on behalf of the Parent Company with the task of guaranteeing pricing throughout the Bank and the Group while optimizing the proprietary risk profile deriving from brokerage of foreign currencies traded by customers.
The main types of financial instruments traded include: spot and forward exchange transactions in foreign currencies, forex swaps, domestic currency swaps, and foreign exchange options.

B. Foreign exchange risk hedging activities

Foreign exchange risk deriving from operating positions in foreign currency in the banking book is systematically transferred from the business units to the Parent Company's Treasury Department, for the purpose of guaranteeing the elimination of such risk. Similar risk containment is performed by the various Group companies for their banking book. Essentially, foreign exchange risk is mitigated by the practice of raising funds in the same currency as assets.
Held for trading exposures are included in the trading book where foreign exchange risk is measured and subjected to daily VaR limits.

QUANTITATIVE INFORMATION

1. Breakdown by currency of assets and liabilities and of derivatives

(millions of euro)

	Currencies							
	US dollar	GB pound	Swiss franc	Hungarian forint	Egyptian pound	Croatian kuna	Yen	Other currencies
A. FINANCIAL ASSETS	**22,502**	**1,672**	**2,294**	**2,704**	**3,481**	**3,357**	**590**	**6,227**
A.1 Debt securities	3,677	871	56	943	1,168	620	182	1,965
A.2 Equities	712	51	12	1	72	24	-	122
A.3 Loans to banks	6,958	172	82	238	537	1,002	66	1,254
A.4 Loans to customers	11,155	578	2,144	1,522	1,704	1,711	342	2,886
A.5 Other financial assets	-	-	-	-	-	-	-	-
B. OTHER ASSETS	**2,813**	**349**	**61**	**360**	**85**	**186**	**73**	**396**
C. FINANCIAL LIABILITIES	**19,644**	**1,637**	**846**	**3,305**	**2,981**	**2,005**	**418**	**4,146**
C.1 Due to banks	5,877	694	492	167	8	135	87	518
C.2 Due to customers	6,505	513	293	2,940	1,967	1,870	137	2,414
C.3 Debt securities	7,262	430	61	198	1,006	-	194	1,214
C.4 Other financial liabilities	-	-	-	-	-	-	-	-
D. OTHER LIABILITIES	**459**	**229**	**17**	**86**	**-**	**209**	**11**	**145**
E. FINANCIAL DERIVATIVES								
- Options								
long positions	*1,587*	*85*	*161*	*3*	*-*	*-*	*102*	*261*
short positions	*2,006*	*63*	*112*	*6*	*-*	*-*	*119*	*310*
- Other derivatives								
long positions	*39,736*	*5,153*	*1,497*	*2,437*	*-*	*94*	*1,237*	*7,004*
short positions	*42,915*	*5,326*	*3,207*	*1,345*	*-*	*59*	*1,481*	*7,380*
TOTAL ASSETS	**66,638**	**7,259**	**4,013**	**5,504**	**3,566**	**3,637**	**2,002**	**13,888**
TOTAL LIABILITIES	**65,024**	**7,255**	**4,182**	**4,742**	**2,981**	**2,273**	**2,029**	**11,981**
DIFFERENCE (+/-)	**1,614**	**4**	**-169**	**762**	**585**	**1,364**	**-27**	**1,907**

2. Internal models and other sensitivity analysis methodologies

Management of foreign exchange risk relative to trading activities is included in the operating procedures and in the estimation methodologies of the internal model based on VaR calculations, as already illustrated.

Foreign exchange risk expressed by equity investments in foreign currency (banking book), including Group companies, originated a VaR (99% confidence level, 10-day holding period) amounting to 46 million euro as at 31 December 2013. This potential impact would only be reflected in the Shareholders' Equity.

1.2.4. DERIVATIVES

A. FINANCIAL DERIVATIVES

A.1. Regulatory trading book: period-end and average notional amounts

(millions of euro)

	31.12.2013		31.12.2012	
	Over the counter	Central counterparties	Over the counter	Central counterparties
1. Debt securities and interest rates	**2,168,308**	**131,615**	**2,641,115**	**119,053**
a) Options	195,842	52,892	264,213	35,847
b) Swaps	1,970,987	-	2,376,024	-
c) Forwards	24	-	55	-
d) Futures	1,455	78,723	823	83,206
e) Others	-	-	-	-
2. Equities and stock indices	**31,672**	**26,962**	**22,432**	**19,721**
a) Options	31,242	25,510	21,492	18,474
b) Swaps	370	-	568	-
c) Forwards	60	-	372	-
d) Futures	-	1,452	-	1,247
e) Others	-	-	-	-
3. Foreign exchange rates and gold	**113,895**	**175**	**106,769**	**270**
a) Options	14,788	-	12,982	-
b) Swaps	32,153	-	24,906	-
c) Forwards	64,816	-	68,389	2
d) Futures	-	175	-	268
e) Others	2,138	-	492	-
4. Commodities	**7,677**	**1,612**	**7,714**	**2,009**
5. Other underlying assets	**-**	**-**	**-**	**-**
TOTAL	**2,321,552**	**160,364**	**2,778,030**	**141,053**
AVERAGE VALUES	**2,554,287**	**148,530**	**2,942,130**	**170,625**

Transactions in futures presented in the column "Over the counter" refer to transactions closed through direct participants in organised futures markets not belonging to the banking group.

By convention, the column "Over the counter" includes transactions in OTC derivatives transferred to the Swapclear circuit (LCH group) of 1,163,518 million euro as at 31 December 2013 (928,321 million euro as at 31 December 2012).

A.2. Banking book: period-end and average notional amounts

A.2.1.Hedging

(millions of euro)

	31.12.2013		31.12.2012	
	Over the counter	Central counterparties	Over the counter	Central counterparties
1. Debt securities and interest rates	**237,254**	**-**	**279,361**	**-**
a) Options	5,384	-	8,982	-
b) Swaps	231,870	-	270,379	-
c) Forwards	-	-	-	-
d) Futures	-	-	-	-
e) Others	-	-	-	-
2. Equities and stock indices	**-**	**-**	**-**	**-**
a) Options	-	-	-	-
b) Swaps	-	-	-	-
c) Forwards	-	-	-	-
d) Futures	-	-	-	-
e) Others	-	-	-	-
3. Foreign exchange rates and gold	**3,363**	**-**	**4,027**	**-**
a) Options	-	-	-	-
b) Swaps	3,363	-	4,027	-
c) Forwards	-	-	-	-
d) Futures	-	-	-	-
e) Others	-	-	-	-
4. Commodities	-	**-**	-	**-**
5. Other underlying assets	-	**-**	-	**-**
TOTAL	**240,617**	**-**	**283,388**	**-**
AVERAGE VALUES	**260,363**	**-**	**257,416**	**-**

A.2.2.Other derivatives

(millions of euro)

	31.12.2013		31.12.2012	
	Over the counter	Central counterparties	Over the counter	Central counterparties
1. Debt securities and interest rates	**10,430**	**-**	**12,931**	**-**
a) Options	5,256	-	8,022	-
b) Swaps	5,174	-	4,909	-
c) Forwards	-	-	-	-
d) Futures	-	-	-	-
e) Others	-	-	-	-
2. Equities and stock indices	**5,255**	**-**	**4,174**	**-**
a) Options	5,255	-	4,174	-
b) Swaps	-	-	-	-
c) Forwards	-	-	-	-
d) Futures	-	-	-	-
e) Others	-	-	-	-
3. Foreign exchange rates and gold	**952**	**-**	**3,255**	**-**
a) Options	43	-	80	-
b) Swaps	780	-	1,388	-
c) Forwards	129	-	1,787	-
d) Futures	-	-	-	-
e) Others	-	-	-	-
4. Commodities	**-**	**-**	**-**	**-**
5. Other underlying assets	**-**	**-**	**-**	**-**
TOTAL	**16,637**	**-**	**20,360**	**-**
AVERAGE VALUES	**18,193**	**-**	**22,192**	**-**

The table above shows the financial derivatives recognised in the financial statements in the trading book, but not forming part of the regulatory trading book. In particular, the table shows the derivatives recorded separately from the combined financial instruments and the derivatives used to hedge debt securities measured at fair value through profit and loss, operational foreign exchange risk hedging derivatives correlated to specific foreign-currency funding and the put and call options relating to commitments on equity investments.

A.3. Financial derivatives gross positive fair value – breakdown by product

(millions of euro)

	Positive fair value			
	31.12.2013		31.12.2012	
	Over the counter	Central counterparties	Over the counter	Central counterparties
A. Regulatory trading book	**27,044**	**790**	**42,092**	**451**
a) Options	4,728	693	6,175	361
b) Interest rate swaps	20,164	-	34,071	-
c) Cross currency swaps	1,331	-	825	-
d) Equity swaps	6	-	30	-
e) Forwards	646	-	826	-
f) Futures	-	97	-	90
g) Others	169	-	165	-
B. Banking book - hedging	**7,535**	**-**	**11,651**	**-**
a) Options	303	-	314	-
b) Interest rate swaps	6,992	-	10,732	-
c) Cross currency swaps	240	-	605	-
d) Equity swaps	-	-	-	-
e) Forwards	-	-	-	-
f) Futures	-	-	-	-
g) Others	-	-	-	-
C. Banking book - other derivatives	**689**	**-**	**746**	**-**
a) Options	289	-	212	-
b) Interest rate swaps	396	-	519	-
c) Cross currency swaps	3	-	13	-
d) Equity swaps	-	-	-	-
e) Forwards	1	-	2	-
f) Futures	-	-	-	-
g) Others	-	-	-	-
TOTAL	**35,268**	**790**	**54,489**	**451**

A.4. Financial derivatives gross negative fair value – breakdown by product

(millions of euro)

	Negative fair value			
	31.12.2013		31.12.2012	
	Over the counter	Central counterparties	Over the counter	Central counterparties
A. Regulatory trading book	**33,034**	**550**	**45,922**	**506**
a) Options	9,476	488	8,162	433
b) Interest rate swaps	21,262	-	35,224	-
c) Cross currency swaps	1,465	-	1,593	-
d) Equity swaps	2	-	23	-
e) Forwards	645	-	725	-
f) Futures	-	62	-	73
g) Others	184	-	195	-
B. Banking book - hedging	**7,584**	**-**	**10,460**	**-**
a) Options	-	-	82	-
b) Interest rate swaps	7,383	-	10,145	-
c) Cross currency swaps	201	-	233	-
d) Equity swaps	-	-	-	-
e) Forwards	-	-	-	-
f) Futures	-	-	-	-
g) Others	-	-	-	-
C. Banking book - other derivatives	**856**	**-**	**874**	**-**
a) Options	726	-	634	-
b) Interest rate swaps	120	-	184	-
c) Cross currency swaps	10	-	54	-
d) Equity swaps	-	-	-	-
e) Forwards	-	-	2	-
f) Futures	-	-	-	-
g) Others	-	-	-	-
TOTAL	**41,474**	**550**	**57,256**	**506**

By convention, the column "Over the counter" includes transactions in OTC derivatives transferred to the Swapclear circuit (LCH group) of 2,749 million euro (768 million euro as at 31 December 2012).

A.5. Over the counter financial derivatives: regulatory trading book – notional amounts, gross positive and negative fair values by counterparty – contracts not included under netting arrangements

(millions of euro)

	Governments and Central Banks	Public entities	Banks	Financial institutions	Insurance companies	Non-financial companies	Other counterparties
1. Debt securities and interest rates							
- notional amount	-	2,843	17,574	8,279	1,326	30,620	230
- positive fair value	-	451	395	227	2	1,329	11
- negative fair value	-	-12	-744	-142	-8	-72	-1
- future exposure	-	19	139	37	4	176	1
2. Equities and stock indices							
- notional amount	3	-	5,240	362	3,108	4	14
- positive fair value	-	-	1	1	-	-	-
- negative fair value	-	-	-4,985	-23	-203	-	-4
- future exposure	-	-	402	6	2	-	-
3. Foreign exchange rates and gold							
- notional amount	290	150	4,676	9,125	501	13,855	121
- positive fair value	23	-	20	104	1	382	2
- negative fair value	-	-17	-787	-96	-3	-130	-2
- future exposure	22	11	73	171	5	224	1
4. Other values							
- notional amount	-	-	29	43	-	3,665	-
- positive fair value	-	-	5	1	-	50	-
- negative fair value	-	-	-13	-1	-	-52	-
- future exposure	-	-	1	4	-	394	-

A.6. Over the counter financial derivatives: regulatory trading book – notional amounts, gross positive and negative fair values by counterparty – contracts included under netting arrangements

(millions of euro)

	Governments and Central Banks	Public entities	Banks	Financial institutions	Insurance companies	Non-financial companies	Other counterparties
1. Debt securities and interest rates							
- notional amount	7,225	-	846,958	1,249,225	954	3,074	-
- positive fair value	2,579	-	16,115	2,778	15	166	-
- negative fair value	-10	-	-18,046	-5,395	-13	-127	-
2. Equities and stock indices							
- notional amount	-	-	19,210	3,571	160	-	-
- positive fair value	-	-	518	166	-	-	-
- negative fair value	-	-	-259	-144	-20	-	-
3. Foreign exchange rates and gold							
- notional amount	-	-	66,486	12,029	512	6,150	-
- positive fair value	-	-	573	468	154	422	-
- negative fair value	-	-	-1,388	-135	-8	-72	-
4. Other values							
- notional amount	-	-	529	93	-	3,318	-
- positive fair value	-	-	20	2	-	64	-
- negative fair value	-	-	-13	-2	-	-107	-

A.7. Over the counter financial derivatives: banking book – notional amounts, gross positive and negative fair values by counterparty – contracts not included under netting arrangements

(millions of euro)

	Governments and Central Banks	Public entities	Banks	Financial institutions	Insurance companies	Non-financial companies	Other counterparties
1. Debt securities and interest rates							
- notional amount	-	442	2,928	304	-	156	5,275
- positive fair value	-	9	-	-	-	5	3
- negative fair value	-	-	-132	-1	-	-	-269
- future exposure	-	7	4	2	-	-	2
2. Equities and stock indices							
- notional amount	-	-	3,843	34	-	619	510
- positive fair value	-	-	100	-	-	-	-
- negative fair value	-	-	-342	-	-	-96	-57
- future exposure	-	-	44	-	-	-	-
3. Foreign exchange rates and gold							
- notional amount	-	-	395	15	-	1	24
- positive fair value	-	-	32	-	-	-	-
- negative fair value	-	-	-4	-	-	-	-
- future exposure	-	-	-	-	-	-	-
4. Other values							
- notional amount	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	-	-

A.8. Over the counter financial derivatives: banking book – notional amounts, gross positive and negative fair values by counterparty – contracts included under netting arrangements

(millions of euro)

	Governments and Central Banks	Public entities	Banks	Financial institutions	Insurance companies	Non-financial companies	Other counterparties
1. Debt securities and interest rates							
- notional amount	-	-	232,858	5,721	-	-	-
- positive fair value	-	-	7,607	186	-	-	-
- negative fair value	-	-	-6,810	-518	-	-	-
2. Equities and stock indices							
- notional amount	-	-	230	19	-	-	-
- positive fair value	-	-	57	9	-	-	-
- negative fair value	-	-	-	-	-	-	-
3. Foreign exchange rates and gold							
- notional amount	-	-	3,651	229	-	-	-
- positive fair value	-	-	214	-	-	-	-
- negative fair value	-	-	-143	-68	-	-	-
4. Other values							
- notional amount	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-

A.9. Residual maturity of over the counter financial derivatives: notional amounts

(millions of euro)

	Up to 1 year	Between 1 and 5 years	Over 5 years	Total
A. Regulatory trading book	**887,782**	**924,614**	**509,156**	**2,321,552**
A.1 Financial derivatives on debt securities and interest rates	796,677	873,637	497,994	2,168,308
A.2 Financial derivatives on equities and stock indices	6,830	23,156	1,686	31,672
A.3 Financial derivatives on foreign exchange rates and gold	80,756	23,663	9,476	113,895
A.4 Financial derivatives - other values	3,519	4,158	-	7,677
B. Banking book	**73,099**	**118,670**	**65,485**	**257,254**
B.1 Financial derivatives on debt securities and interest rates	70,684	114,459	62,541	247,684
B.2 Financial derivatives on equities and stock indices	1,354	2,968	933	5,255
B.3 Financial derivatives on foreign exchange rates and gold	1,061	1,243	2,011	4,315
B.4 Financial derivatives - other values	-	-	-	-
Total 31.12.2013	**960,881**	**1,043,284**	**574,641**	**2,578,806**
Total 31.12.2012	**1,436,773**	**1,043,367**	**601,638**	**3,081,778**

A.10 Over the counter financial derivatives: counterparty risk/financial risk – internal models

Since as at 31 December 2013, the Group was not authorised to use EPE internal models to calculate counterparty risk for regulatory purposes, it has not prepared this table; rather, it has prepared tables from A.3 to A.8 above. As at 31 December 2013, for the Parent Company and Banca IMI the Group used EPE internal model metrics to monitor replacement risk for operational purposes through daily calculation of the PFE (Potential Future Exposure) measure at the 95th percentile associated with the OTC derivatives in the trading and banking book. 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 and Banca IMI.

B. CREDIT DERIVATIVES

B.1. Credit derivatives: period-end and average notional amounts

(millions of euro)

	Regulatory trading book		Banking book	
	single counterparty	more counterparties (*basket*)	single counterparty	more counterparties (*basket*)
1. Protection purchases				
- Credit default products	18,565	46,994	-	-
- Credit spread products	-	-	-	-
- Total rate of return swap	-	-	-	-
- Others	-	-	-	-
Total 31.12.2013	**18,565**	**46,994**	**-**	**-**
Average values	**22,870**	**49,571**	**-**	**-**
Total 31.12.2012	**25,745**	**52,159**	**-**	**-**
2. Protection sales				
- Credit default products	18,004	46,690	-	-
- Credit spread products	-	-	-	-
- Total rate of return swap	67	-	-	-
- Others	-	-	-	-
Total 31.12.2013	**18,071**	**46,690**	**-**	**-**
Average values	**31,400**	**49,600**	**-**	**-**
Total 31.12.2012	**24,993**	**52,520**	**-**	**-**

Part of the contracts in force as at 31 December 2013, shown in the table above, has been included within the structured credit products, namely: 229 million euro of protection purchases and 160 million euro of protection sales, in any case almost entirely attributable to exposures not included in US subprime exposures.
For further information on the relative economic and risk effects, see the chapter on structured credit products in this Part of the Notes to the consolidated financial statements.

B.2. Over the counter credit derivatives: gross positive fair value – breakdown by product

(millions of euro)

	Positive fair value	
	31.12.2013	31.12.2012
A. Regulatory trading book	**1,497**	**1,544**
a) Credit default products	1,402	1,394
b) Credit spread products	-	-
c) Total rate of return swap	95	150
d) Others	-	-
B. Banking book	**-**	**-**
a) Credit default products	-	-
b) Credit spread products	-	-
c) Total rate of return swap	-	-
d) Others	-	-
TOTAL	**1,497**	**1,544**

Part of the positive fair values, recognised as at 31 December 2013, and shown in the table above, has been included within the structured credit products, namely: 51 million attributable to positions taken on creditworthiness indexes and protection purchases as part of structured packages.
For further information on the relative economic and risk effects, see the chapter on structured credit products in this Part of the Notes to the consolidated financial statements.

B.3. Over the counter credit derivatives: gross negative fair value – breakdown by product

(millions of euro)

	Negative fair value	
	31.12.2013	31.12.2012
A. Regulatory trading book	**1,734**	**1,879**
a) Credit default products	1,636	1,737
b) Credit spread products	-	-
c) Total rate of return swap	98	142
d) Others	-	-
B. Banking book	**-**	**-**
a) Credit default products	-	-
b) Credit spread products	-	-
c) Total rate of return swap	-	-
d) Others	-	-
TOTAL	**1,734**	**1,879**

Part of the negative fair values, recognised as at 31 December 2013, and shown in the table above, has been included within the structured credit products, namely: 49 million attributable to long positions on creditworthiness indexes and protection sales not included under the US subprime category.
For further information on the relative economic and risk effects, see the chapter on structured credit products in this Part of the Notes to the consolidated financial statements.

B.4. Over the counter credit derivatives: gross (positive and negative) fair values by counterparty – contracts not included under netting arrangements

(millions of euro)

	Governments and Central Banks	Public entities	Banks	Financial institutions	Insurance companies	Non-financial companies	Other counterparties
REGULATORY TRADING BOOK							
1. Protection purchases							
- notional amount	-	88	290	577	-	-	-
- positive fair value	-	61	-	26	-	-	-
- negative fair value	-	-	-2	-3	-	-	-
- future exposure	-	4	21	38	-	-	-
2. Protection sales							
- notional amount	-	-	421	762	-	-	-
- positive fair value	-	-	3	97	-	-	-
- negative fair value	-	-	-1	-317	-	-	-
- future exposure	-	-	7	23	-	-	-
BANKING BOOK							
1. Protection purchases							
- notional amount	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
2. Protection sales							
- notional amount	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-

B.5. Over the counter credit derivatives: gross (positive and negative) fair values by counterparty – contracts included under netting arrangements

(millions of euro)

	Governments and Central Banks	Public entities	Banks	Financial institutions	Insurance companies	Non-financial companies	Other counterparties
REGULATORY TRADING BOOK							
1. Protection purchases							
- notional amount	-	-	44,743	19,861	-	-	-
- positive fair value	-	-	126	80	-	-	-
- negative fair value	-	-	-806	-323	-	-	-
2. Protection sales							
- notional amount	-	-	46,318	17,260	-	-	-
- positive fair value	-	-	813	291	-	-	-
- negative fair value	-	-	-129	-153	-	-	-
BANKING BOOK							
1. Protection purchases							
- notional amount	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
2. Protection sales							
- notional amount	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-

B.6. Residual maturity of credit derivatives: notional amounts

(millions of euro)

	Up to 1 year	Between 1 and 5 years	Over 5 years	Total
A. Regulatory trading book	**13,719**	**114,051**	**2,550**	**130,320**
A.1 Credit derivatives with "qualified reference obligation"	11,872	104,403	2,110	118,385
A.2 Credit derivatives with "unqualified reference obligation"	1,847	9,648	440	11,935
B. Banking book	**-**	**-**	**-**	**-**
B.1 Credit derivatives with "qualified reference obligation"	-	-	-	-
B.2 Credit derivatives with "unqualified reference obligation"	-	-	-	-
Total 31.12.2013	**13,719**	**114,051**	**2,550**	**130,320**
Total 31.12.2012	**19,621**	**131,334**	**4,462**	**155,417**

B.7. Credit derivatives: counterparty risk/financial risk – internal models

As at 31 December 2013, the Group was not authorised to use EPE-type internal models for supervisory purposes.

C. CREDIT AND FINANCIAL DERIVATIVES

C.1. Over the counter credit and financial derivatives: net fair values and future exposure by counterparty

(millions of euro)

	Governments and Central Banks	Public entities	Banks	Financial institutions	Insurance companies	Non-financial companies	Other counterparties
1. Financial derivatives - bilateral agreements							
- positive fair value	2,570	-	1,660	208	158	416	-
- negative fair value	-	-	-1,382	-2,859	-29	-69	-
- future exposure	106	-	799	2,933	40	335	-
- net counterparty risk	2,676	-	887	241	193	723	-
2. Credit derivatives - bilateral agreements							
- positive fair value	-	-	-	1	-	-	-
- negative fair value	-	-	-3	-2	-	-	-
- future exposure	-	-	1	3	-	-	-
- net counterparty risk	-	-	1	3	-	-	-
3. "Cross product" agreements							
- positive fair value	-	-	1,042	464	-	-	-
- negative fair value	-	-	-2,896	-571	-	-	-
- future exposure	-	-	2,974	797	-	-	-
- net counterparty risk	-	-	3,166	807	-	-	-

In the above table, the net amount of counterparty risk has been decreased, in accordance with regulatory provisions governing counterparty risk, to account for the transactions in OTC derivatives transferred to the Swapclear circuit (LCH group), amounting to 2,856 million euro.

1.3 BANKING GROUP - LIQUIDITY RISK

QUALITATIVE INFORMATION

General aspects, liquidity risk management processes and measurement methods
Liquidity risk is defined as the risk that the Bank may not be able to meet its payment obligations due to the inability to obtain funds on the market (funding liquidity risk) or liquidate its assets (market liquidity risk).

The arrangement of a suitable control and management system for that specific risk has a fundamental role in maintaining stability, not only at the level of each individual bank, but also of the market as a whole, given that imbalances within a single financial institution may have systemic repercussions. Such a system must be integrated into the overall risk management system and provide for incisive controls consistent with developments in the context of reference.

The "Guidelines for Group Liquidity Risk Management" approved by Intesa Sanpaolo's corporate bodies illustrate the tasks of the various corporate functions, the rules and the set of control and management processes aimed at ensuring prudent monitoring of liquidity risk, thereby preventing the emergence of crisis situations. The key principles underpinning the Liquidity Policy of the Intesa Sanpaolo Group are:
– the existence of liquidity management guidelines approved by senior management and clearly disseminated throughout the bank;
– the existence of an operating structure that works within set limits and of a control structure that is independent from the operating structure;
– the constant availability of an adequate amount of liquidity reserves in relation to the pre-determined liquidity risk tolerance threshold;
– the assessment of the impact of various scenarios, including stress testing scenarios, on the cash inflows and outflows over time and the quantitative and qualitative adequacy of liquidity reserves;
– the adoption of an internal fund transfer pricing system that accurately incorporates the cost/benefit of liquidity, on the basis of the Intesa Sanpaolo Group's funding conditions.

From an organisational standpoint, a detailed definition is prepared of the tasks assigned to the strategic and management supervision bodies and reports are presented to the senior management concerning certain important formalities such as the approval of measurement methods, the definition of the main assumptions underlying stress scenarios and the composition of early warnings used to activate emergency plans.

The departments of the Parent Company that are in charge of ensuring the correct application of the Guidelines are, in particular, the Treasury Department and the Planning Department, Strategic ALM and Capital Management Department, responsible for liquidity management, and the Risk Management Department, directly responsible for measuring liquidity risk on a consolidated basis.

With regard to liquidity risk measurement metrics and mitigation tools, in addition to defining the methodological system for measuring short-term and structural liquidity indicators, the Group also formalises the maximum tolerance threshold (risk appetite) for liquidity risk, the criteria for defining liquidity reserves and the rules and parameters for conducting stress tests.

The short-term Liquidity Policy is aimed at ensuring an adequate, balanced level of cash inflows and outflows with certain or estimated maturities included in 12 months' time horizon, in order to respond to periods of tension, including extended periods of tension, on different funding markets, also by establishing adequate liquidity reserves in the form of assets eligible for refinancing with Central Banks or liquid securities on private markets. To that end, and in keeping with the liquidity risk appetite, the system of limits consists of two short-term indicators for holding periods of one week (cumulative projected imbalance in wholesale operations) and of one month (Short Term Gap).

The cumulative projected wholesale imbalances indicator measures the Bank's independence from unsecured wholesale funding in the event of a freeze of the money market and aims to ensure financial autonomy, assuming the use on the market of only the highest quality liquidity reserves. The short-term gap indicator measures, for the various short-term time brackets, the ratio between availability of liquidity reserves and expected positive cash flows to expected and potential cash outflows, with reference to both on- and off-balance sheet captions. This indicator aims to ensure that the Bank maintains an adequate level of unencumbered liquidity reserves that may be converted into cash to meet expected and potential liquidity requirements. To that end, the behavioural coefficients and assumptions underlying the valuation of expected and potential cash flows incorporate cautionary and extremely prudential assumptions (such as: (i) the loss of a portion of customer demand deposits, (ii) unforeseen uses of undrawn committed credit and liquidity lines and (iii) an increase in market volatility for determining haircuts on liquidity reserves and estimating the potential future exposure associated with derivatives positions) effectively constituting an especially severe "base prudential scenario", with the adoption of run-off percentages for demand deposits more conservative than those identified by Basel 3 (LCR).

The aim of Intesa Sanpaolo Group's structural Liquidity Policy is to control and manage the risks deriving from the mismatch of the medium to long-term maturities of the assets and liabilities and involves the adoption of internal limits on maturities' transformations aimed at preventing the medium to long-term operations from giving rise to excessive imbalances to be financed in the short term. These limits take into account the liquidity characteristics of the assets and the behavioural representation models used for the items characterised by a liquidity profile other than the contractual profile (e.g. demand positions and estimated prepayments on mortgages).

The Guidelines also call for the periodic estimate of the liquidity position in an acute combined stress scenario (both firm specific and market related), with the definition of a target threshold for the 3-month stressed short-term gap, aiming at establishing an overall level of reserves suitable to face greater cash outflows during a period of time (3 months) adequate to take the required operating measures to restore the Group to balanced conditions. The acute stress scenario is determined by combining:

– a "firm-specific" stress scenario, relating to a liquidity crisis specific to the Bank, reflected in an accelerated withdrawal of funds by deposit-holders, a significant reduction in the realised value of assets due to the need for immediate liquidation of assets not eligible for refinancing through repurchase agreements, the activation of downgrade triggers and the need to repurchase own debt securities or honour extra-contractual obligations in order to attenuate reputational risk;
– a "market-related" stress scenario, representing a general market crisis extending to both the financial and industrial sectors, characterised by, for example: (i) failure to repay granted credit facilities to corporate customers; (ii) a sudden increase in uses of lines of credit and guarantees; and (iii) a significant increase in market volatility, with negative effects on the value of reserves or potential future exposure associated with positions in derivatives, resulting in larger haircuts and the need for additional guarantees.

The Guidelines also establish methods for management of a potential liquidity crisis, defined as a situation of difficulty or inability of the Bank to meet its cash obligations falling due, without implementing procedures and/or employing instruments that, due to their intensity or manner of use, do not qualify as ordinary administration. By setting itself the objectives of safeguarding the Group's asset value and also guaranteeing the continuity of operations under conditions of extreme liquidity emergency, the Contingency Liquidity Plan ensures the identification of the early warning signals and their ongoing monitoring, the definition of procedures to be implemented in situations of liquidity stress, the immediate lines of action, and the intervention measures for the resolution of emergencies. The early warning indexes, aimed at spotting the signs of a potential liquidity strain, both systematic and specific, are monitored with daily frequency by the Risk Management Department.

In 2013, the Group's liquidity position remained largely within the risk limits provided for in the Group's Liquidity Policy both in terms of short-term and structural liquidity indicators.

The stress test, applied by considering total available liquidity reserves, yielded results widely in excess of the target threshold, with a liquidity surplus capable of meeting extraordinary cash outflows for a period of more than three months. Adequate, timely information regarding the development of market conditions and the position of the Bank and/or Group was provided to company bodies and internal committees in order to ensure full awareness and manageability of the prevalent risk factors.

As at 31 December 2013, the liquidity reserves eligible with the various Central Banks came to 124 billion euro (115 billion euro at the end of December 2012), of which the unencumbered part came to 88 billion euro (67 billion euro at the end of 2012).

Basel 3 new metrics on the liquidity risk

The new provisions on liquidity[5], which were introduced in the European Union on 27 June 2013 with the publication of (EU) Regulation 575/2013 and Directive 2013/36/EU, incorporated the new minimum liquidity requirements by adjusting them to European specificities. At the same time the European Banking Authority (EBA) was entrusted with developing guidelines aimed at enhancing regulatory harmonization in Europe through the «Single Rulebook», which will provide a regulatory framework for the so-called Single Supervisory Mechanism (SSM) to exercise its tasks. These measures make up the reference regulatory framework of the European Union for banks and the investment firms since 1 January 2014. Starting from March 2014, the banking Groups are also obliged to fulfil specific reporting requirements to measure their exposure to the liquidity risk.

To reflect such regulatory measures and ensure the regular use, also for management purposes, of the new regulatory metrics, the "Guidelines for Group Liquidity Rik Management" in December 2013 were updated by Intesa Sanpaolo's corporate bodies, replacing, from January 2014, the current internal indicators with the metrics defined by the Basel Committee (LCR: Liquidity Coverage Ratio; NSFR: Net Stable Funding Ratio)

The Liquidity Coverage Ratio (LCR) is aimed at strengthening the short-term liquidity risk profile, ensuring a detention of sufficient unencumbered high quality liquid assets (HQLA) that can be easily and immediately converted into cash in the private markets to satisfy the short-term liquidity requirements (30 days) in a liquidity stress scenario. To this end, the Liquidity Coverage Ratio measures the ratio between: (i) the stock of HQLA and (ii) the total net cash outflows calculated according to the scenario parameters defined by the regulatory framework. The LCR will gradually come into force, starting with a percentage of 60% from January 2015.

The Net Stable Funding Ratio (NSFR) instead pursues the objective of making the Group more resilient over a longer time horizon by ensuring the use of more stable and longer-term funding sources to fund the existing activities in a way to guarantee a sustainable maturity structure of assets and liabilities. NSFR's regulatory requirement, which is still subject to a period of observation, will come into force starting from 1 January 2018.

While awaiting the definitive enforcement, the Intesa Sanpaolo Group's level of adherence to the new regulatory indicators is measured by adopting the international metrics of BCBS and incorporating the regulatory amendments published by the regulators from time to time.

Intesa Sanpaolo Group's sound liquidity position, supported by suitable high quality liquid assets (HQLA) and the significant contribution from the retail stable funding, is proven by the LCR and NSFR results recorded during 2013, which always stood (LCR and NSFR >100%) well above the minimum regulatory requirement.

[5]See the reform plan which the Basel Comittee for Bank Supervision (BCBS) defined in December 2010 and subsequently amended and integrated in January 2013 to strengthen the regulations concerning liquidity.

QUANTITATIVE INFORMATION

1. Breakdown by contractual residual maturity of financial assets and liabilities

The breakdown by maturity of financial assets and liabilities is shown in the tables below according to the rules set forth in financial statement regulations (Bank of Italy Circular 262 and related clarifications issued by the Supervisory Authority), using accounting information organised by contractual residual maturity.

Therefore, no operational data was used that would require, for example, the modelling of demand liabilities and the representation of cash items according to their level of liquidability.

Currency of denomination: Euro

(millions of euro)

	On demand	Between 1 and 7 days	Between 7 and 15 days	Between 15 days and 1 month	Between 1 and 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Over 5 years	Unspecified maturity
Cash assets	**56,424**	**11,091**	**10,948**	**15,182**	**28,725**	**28,807**	**39,597**	**117,759**	**100,886**	**2,075**
A.1 Government bonds	13	23	2,115	3,077	6,407	11,115	14,104	18,117	6,458	3
A.2 Other debt securities	52	4	526	1,302	944	1,046	1,256	7,151	7,136	5
A.3 Quotas of UCI	1,928	-	-	-	-	-	-	-	-	-
A.4 Loans	54,431	11,064	8,307	10,803	21,374	16,646	24,237	92,491	87,292	2,067
- Banks	*6,520*	*1,100*	*1,139*	*742*	*499*	*790*	*765*	*999*	*41*	*2,006*
- Customers	*47,911*	*9,964*	*7,168*	*10,061*	*20,875*	*15,856*	*23,472*	*91,492*	*87,251*	*61*
Cash liabilities	**153,056**	**16,070**	**15,477**	**11,284**	**27,599**	**24,846**	**30,378**	**80,622**	**32,899**	**2,172**
B.1 Deposits and current accounts	146,319	2,534	3,613	4,709	10,250	10,600	13,835	10,857	2,878	1
- Banks	*3,762*	*108*	*1,349*	*125*	*1,800*	*1,673*	*356*	*2,096*	*1,245*	*-*
- Customers	*142,557*	*2,426*	*2,264*	*4,584*	*8,450*	*8,927*	*13,479*	*8,761*	*1,633*	*1*
B.2 Debt securities	38	161	166	2,540	7,793	13,479	15,633	64,406	24,976	2,171
B.3 Other liabilities	6,699	13,375	11,698	4,035	9,556	767	910	5,359	5,045	-
Off-balance sheet transactions										
C.1 Financial derivatives with exchange of capital										
- Long positions	*33*	*9,769*	*5,031*	*7,773*	*10,321*	*4,812*	*6,131*	*15,416*	*6,523*	*5*
- Short positions	*69*	*7,269*	*4,384*	*4,285*	*13,061*	*3,549*	*4,940*	*11,616*	*7,219*	*5*
C.2 Financial derivatives without exchange of capital										
- Long positions	*30,012*	*5*	*24*	*53*	*386*	*436*	*662*	*864*	*261*	*-*
- Short positions	*29,577*	*33*	*43*	*63*	*305*	*330*	*519*	*874*	*254*	*-*
C.3 Deposits and loans to be settled										
- Long positions	*24,398*	*11*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*
- Short positions	*-*	*24,371*	*-*	*-*	*2*	*2*	*20*	*13*	*-*	*-*
C.4 Irrevocable commitments to lend funds										
- Long positions	*794*	*14,593*	*70*	*34*	*346*	*1,125*	*865*	*9,695*	*1,240*	*-*
- Short positions	*25,752*	*1,965*	*8*	*8*	*31*	*46*	*39*	*43*	*73*	*-*
C.5 Financial guarantees given	108	31	1	9	48	19	38	121	274	1
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with exchange of capital										
- Long positions	*-*	*-*	*-*	*-*	*1,005*	*1,323*	*1,716*	*18,483*	*2,215*	*-*
- Short positions	*-*	*-*	*-*	*-*	*1,005*	*1,323*	*1,716*	*18,483*	*2,215*	*-*
C.8 Credit derivatives without exchange of capital										
- Long positions	*855*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*
- Short positions	*976*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*

Currency of denomination: US dollar

(millions of euro)

	On demand	Between 1 and 7 days	Between 7 and 15 days	Between 15 days and 1 month	Between 1 and 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Over 5 years	Unspecified maturity
Cash assets	**3,048**	**1,559**	**985**	**2,627**	**3,467**	**1,956**	**1,259**	**5,869**	**2,020**	**8**
A.1 Government bonds	1	-	-	-	3	5	22	751	135	-
A.2 Other debt securities	10	361	-	113	94	58	55	1,789	502	-
A.3 Quotas of UCI	630	-	-	-	-	-	-	-	-	-
A.4 Loans	2,407	1,198	985	2,514	3,370	1,893	1,182	3,329	1,383	8
- Banks	*1,540*	*514*	*389*	*1,361*	*1,258*	*1,544*	*258*	*30*	*67*	-
- Customers	*867*	*684*	*596*	*1,153*	*2,112*	*349*	*924*	*3,299*	*1,316*	*8*
Cash liabilities	**4,143**	**1,853**	**1,228**	**1,757**	**3,624**	**1,079**	**282**	**3,620**	**1,972**	**-**
B.1 Deposits and current accounts	4,013	1,192	1,061	904	487	175	182	83	91	-
- Banks	*765*	*698*	*337*	*494*	*51*	*38*	*21*	*20*	-	-
- Customers	*3,248*	*494*	*724*	*410*	*436*	*137*	*161*	*63*	*91*	-
B.2 Debt securities	-	180	138	132	1,398	32	100	3,427	1,881	-
B.3 Other liabilities	130	481	29	721	1,739	872	-	110	-	-
Off-balance sheet transactions										
C.1 Financial derivatives with exchange of capital										
- Long positions	*217*	*6,032*	*4,207*	*3,958*	*8,240*	*2,920*	*3,635*	*7,441*	*2,969*	*3*
- Short positions	*172*	*7,318*	*4,379*	*6,667*	*6,504*	*3,795*	*4,489*	*7,917*	*2,533*	*3*
C.2 Financial derivatives without exchange of capital										
- Long positions	*828*	*2*	-	-	*2*	*3*	*15*	-	-	-
- Short positions	*807*	-	-	*1*	*5*	*5*	*10*	-	-	-
C.3 Deposits and loans to be settled										
- Long positions	*20*	-	-	-	-	-	-	-	-	-
- Short positions	-	*3*	*17*	-	-	-	-	-	-	-
C.4 Irrevocable commitments to lend funds										
- Long positions	*15*	*7*	*1*	-	*140*	*169*	*585*	*5,965*	*555*	-
- Short positions	*7,342*	*69*	*1*	-	*18*	-	-	*1*	-	-
C.5 Financial guarantees given	1	-	-	-	1	3	3	-	-	1
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with exchange of capital										
- Long positions	-	-	-	-	*220*	*472*	*640*	*7,774*	*244*	-
- Short positions	-	-	-	-	*220*	*472*	*640*	*7,774*	*244*	-
C.8 Credit derivatives without exchange of capital										
- Long positions	*299*	-	-	-	-	-	-	-	-	-
- Short positions	*259*	-	-	-	-	-	-	-	-	-

Currency of denomination: Pound sterling

(millions of euro)

	On demand	Between 1 and 7 days	Between 7 and 15 days	Between 15 days and 1 month	Between 1 and 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Over 5 years	Unspecified maturity
Cash assets	**234**	**43**	**15**	**59**	**59**	**29**	**70**	**596**	**395**	**-**
A.1 Government bonds	-	-	-	-	-	4	3	309	44	-
A.2 Other debt securities	6	-	-	-	2	1	2	78	293	-
A.3 Quotas of UCI	-	-	-	-	-	-	-	-	-	-
A.4 Loans	228	43	15	59	57	24	65	209	58	-
- Banks	*128*	*21*	*2*	*12*	*4*	*5*	-	-	-	-
- Customers	*100*	*22*	*13*	*47*	*53*	*19*	*65*	*209*	*58*	-
Cash liabilities	**353**	**78**	**247**	**64**	**385**	**28**	**92**	**61**	**295**	**-**
B.1 Deposits and current accounts	260	76	19	43	20	20	44	-	-	-
- Banks	*26*	*3*	*6*	*20*	*1*	-	-	-	-	-
- Customers	*234*	*73*	*13*	*23*	*19*	*20*	*44*	-	-	-
B.2 Debt securities	-	2	-	21	4	7	48	27	295	-
B.3 Other liabilities	93	-	228	-	361	1	-	34	-	-
Off-balance sheet transactions										
C.1 Financial derivatives with exchange of capital										
- Long positions	*13*	*585*	*304*	*455*	*655*	*187*	*335*	*388*	*2,658*	-
- Short positions	*7*	*598*	*261*	*665*	*673*	*143*	*218*	*454*	*2,532*	-
C.2 Financial derivatives without exchange of capital										
- Long positions	*120*	-	-	-	-	*1*	-	-	-	-
- Short positions	*93*	-	-	-	-	-	*1*	-	-	-
C.3 Deposits and loans to be settled										
- Long positions	-	*36*	-	-	-	-	-	-	-	-
- Short positions	-	*36*	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to lend funds										
- Long positions	-	-	-	-	-	*1*	-	*196*	-	-
- Short positions	*241*	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees given	-	-	-	-	-	-	-	-	-	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with exchange of capital										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without exchange of capital										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-

Currency of denomination: Hungarian forint

(millions of euro)

	On demand	Between 1 and 7 days	Between 7 and 15 days	Between 15 days and 1 month	Between 1 and 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Over 5 years	Unspecified maturity
Cash assets	**319**	**91**	**299**	**644**	**186**	**479**	**279**	**321**	**152**	**-**
A.1 Government bonds	-	18	5	50	107	1	18	1	2	-
A.2 Other debt securities	-	-	286	454	-	-	-	-	-	-
A.3 Quotas of UCI	-	-	-	-	-	-	-	-	-	-
A.4 Loans	319	73	8	140	79	478	261	320	150	-
- Banks	*55*	*65*	-	*118*	-	-	-	-	-	-
- Customers	*264*	*8*	*8*	*22*	*79*	*478*	*261*	*320*	*150*	-
Cash liabilities	**1,357**	**211**	**75**	**266**	**248**	**147**	**145**	**410**	**466**	**-**
B.1 Deposits and current accounts	1,357	211	75	266	248	120	131	253	466	-
- Banks	*7*	*4*	-	-	*4*	*7*	*44*	*59*	*41*	-
- Customers	*1,350*	*207*	*75*	*266*	*244*	*113*	*87*	*194*	*425*	-
B.2 Debt securities	-	-	-	-	-	27	14	157	-	-
B.3 Other liabilities	-	-	-	-	-	-	-	-	-	-
Off-balance sheet transactions										
C.1 Financial derivatives with exchange of capital										
- Long positions	-	*137*	*141*	*204*	*505*	*28*	*6*	-	-	-
- Short positions	-	*104*	*71*	*12*	*129*	*19*	*14*	-	-	-
C.2 Financial derivatives without exchange of capital										
- Long positions	-	*3*	-	-	*81*	*77*	*61*	*232*	-	-
- Short positions	-	*3*	-	-	*81*	*77*	*61*	*232*	-	-
C.3 Deposits and loans to be settled										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to lend funds										
- Long positions	-	-	-	*26*	*9*	*62*	*36*	*1*	-	-
- Short positions	*134*	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees given	-	-	-	-	-	-	-	-	-	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with exchange of capital										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without exchange of capital										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-

Currency of denomination: Swiss franc

(millions of euro)

	On demand	Between 1 and 7 days	Between 7 and 15 days	Between 15 days and 1 month	Between 1 and 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Over 5 years	Unspecified maturity
Cash assets	**182**	**30**	**17**	**90**	**84**	**72**	**127**	**585**	**1,222**	**-**
A.1 Government bonds	-	-	-	-	-	-	-	-	-	-
A.2 Other debt securities	-	-	-	-	-	-	-	3	53	-
A.3 Quotas of UCI	-	-	-	-	-	-	-	-	-	-
A.4 Loans	182	30	17	90	84	72	127	582	1,169	-
- Banks	*24*	*21*	*11*	*21*	-	*4*	-	-	-	-
- Customers	*158*	*9*	*6*	*69*	*84*	*68*	*127*	*582*	*1,169*	-
Cash liabilities	**195**	**30**	**2**	**18**	**189**	**29**	**48**	**124**	**211**	**-**
B.1 Deposits and current accounts	187	30	2	18	136	29	48	116	211	-
- Banks	*29*	*2*	-	*6*	*115*	*8*	*13*	*105*	*211*	-
- Customers	*158*	*28*	*2*	*12*	*21*	*21*	*35*	*11*	-	-
B.2 Debt securities	-	-	-	-	53	-	-	8	-	-
B.3 Other liabilities	8	-	-	-	-	-	-	-	-	-
Off-balance sheet transactions										
C.1 Financial derivatives with exchange of capital										
- Long positions	-	*124*	*108*	*33*	*710*	*65*	*279*	*418*	-	-
- Short positions	-	*228*	*224*	*353*	*1,074*	*231*	*327*	*599*	*237*	-
C.2 Financial derivatives without exchange of capital										
- Long positions	*25*	-	-	-	*126*	-	-	-	-	-
- Short positions	*13*	*1*	*1*	*2*	-	-	-	-	-	-
C.3 Deposits and loans to be settled										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to lend funds										
- Long positions	-	-	-	-	*2*	-	-	*18*	*5*	-
- Short positions	*35*	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees given	-	-	-	-	-	1	-	-	-	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with exchange of capital										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without exchange of capital										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-

Currency of denomination: Other currencies

(millions of euro)

	On demand	Between 1 and 7 days	Between 7 and 15 days	Between 15 days and 1 month	Between 1 and 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Over 5 years	Unspecified maturity
Cash assets	**1,793**	**722**	**640**	**816**	**2,301**	**1,710**	**1,484**	**3,238**	**971**	**813**
A.1 Government bonds	6	79	14	260	1,206	868	448	715	237	-
A.2 Other debt securities	1	-	-	1	22	37	22	56	53	-
A.3 Quotas of UCI	66	-	-	-	-	-	-	-	-	-
A.4 Loans	1,720	643	626	555	1,073	805	1,014	2,467	681	813
- Banks	*659*	*464*	*499*	*27*	*390*	*4*	*1*	*172*	*-*	*813*
- Customers	*1,061*	*179*	*127*	*528*	*683*	*801*	*1,013*	*2,295*	*681*	*-*
Cash liabilities	**4,026**	**689**	**232**	**267**	**808**	**698**	**811**	**2,351**	**441**	**-**
B.1 Deposits and current accounts	3,992	683	208	255	743	549	621	470	64	-
- Banks	*221*	*31*	*36*	*7*	*56*	*10*	*15*	*84*	*34*	*-*
- Customers	*3,771*	*652*	*172*	*248*	*687*	*539*	*606*	*386*	*30*	*-*
B.2 Debt securities	5	6	5	12	65	145	190	1,839	184	-
B.3 Other liabilities	29	-	19	-	-	4	-	42	193	-
Off-balance sheet transactions										
C.1 Financial derivatives with exchange of capital										
- Long positions	*21*	*1,071*	*785*	*786*	*1,305*	*950*	*1,292*	*3,923*	*227*	*1*
- Short positions	*32*	*1,465*	*1,249*	*1,157*	*1,940*	*868*	*1,135*	*2,306*	*125*	*1*
C.2 Financial derivatives without exchange of capital										
- Long positions	*163*	*21*	*20*	*-*	*7*	*54*	*16*	*44*	*-*	*-*
- Short positions	*177*	*-*	*-*	*2*	*7*	*37*	*27*	*44*	*-*	*-*
C.3 Deposits and loans to be settled										
- Long positions	*2*	*48*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*
- Short positions	*-*	*50*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*
C.4 Irrevocable commitments to lend funds										
- Long positions	*38*	*17*	*31*	*24*	*95*	*78*	*121*	*156*	*487*	*-*
- Short positions	*1,086*	*70*	*1*	*1*	*8*	*25*	*38*	*53*	*7*	*-*
C.5 Financial guarantees given	-	3	1	2	4	29	12	26	-	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with exchange of capital										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without exchange of capital										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-

2. Disclosure on encumbered assets recognised in the financial statements

(millions of euro)

	Encumbered		**Unencumbered**		**31.12.2013**
	Book value	Fair value	Book value	Fair value	**Total Book value**
1. Cash and cash equivalents	-	X	6,525	X	6,525
2. Debt securities	27,320	25,606	64,090	62,338	91,410
3. Equities	34	34	5,043	5,043	5,077
4. Loans	60,670	X	294,900	X	355,570
5. Other financial assets	1	X	40,125	X	40,126
6. Non-financial assets	95	X	39,019	X	39,114
TOTAL 31.12.2013	**88,120**	**25,640**	**449,702**	**67,381**	**537,822**

Intragroup deposits of 3,604 million euro, established to serve securities lending with subjects outside the Group, were netted.

3. Disclosure on encumbered owned assets recognised in the financial statements

(millions of euro)

	Encumbered	Unencumbered	31.12.2013
1. Other financial assets	17,861	51,844	69,705
- Securities	*17,861*	*51,645*	*69,506*
- Other	-	*199*	*199*
2. Non-financial assets	-	-	-
TOTAL 31.12.2013	**17,861**	**51,844**	**69,705**

The guarantees provided in connection with the refinancing operations at the European Central Bank amount to 26.6 billion euro for the owned assets recorded and to 2.5 billion euro for the assets not recognised in the financial statements.

4. Self-securitisations

The Intesa Sanpaolo Group has carried out securitisations in which all the liabilities issued by the vehicle companies involved were subscribed by Group companies.
With regard to the self-securitisations undertaken with the vehicles Sanvitale 1 and Sanvitale 2, it is specified that, compared to the situation highlighted in the 2012 financial statements, the transactions were terminated, with retrocession of the loans and settlement of the swap in March 2013 and January 2013, respectively.
A brief description of the existing transactions as at 31 December 2013 is provided below.

Adriano Lease SEC S.r.l.

The transaction in question is a securitisation undertaken pursuant to Law 130/99 with the support of the vehicle Adriano Lease SEC S.r.l., which took the form of the sale by the subsidiary Leasint of a portfolio of loans selected on the basis of pre-defined criteria and arising from performing property, equipment and car lease contracts, for a total amount of approximately 5.8 billion euro. The purpose of the transaction is to expand the liquidity reserve that may be activated through refinancing transactions on the Eurosystem. The vehicle Adriano Lease SEC issued two series of notes:

- a senior series, with a nominal value of 2.8 billion euro, listed and assigned an A+ rating by Standard & Poor's and AAA by DBRS. The security amortisation period started on July 2013; as at 31 December 2013 its residual book value was 947 million euro;
- a junior series, with a nominal value of 3 billion euro, unlisted and unrated.

All of these notes were purchased by the subsidiary Leasint. In 2013, the senior notes were used to undertake refinancing transactions with the European Central Bank through the Parent Company, Intesa Sanpaolo.

Intesa Sanpaolo SEC S.A.

The securitisation of loans issued to large international corporate customers by some international branches of Intesa Sanpaolo (Frankfurt, Hong Kong, Madrid and New York) was finalised in August 2013. The securitisation was conducted through the Luxemburg-based vehicle company Intesa Sanpaolo SEC. SA., which is wholly owned and is part of the Group.
The securities issued, totalling about 318 million euro, were subscribed by Intesa Sanpaolo and used for about 302 million euro (corresponding to the most senior class of notes issued, representing the principal of the securitised loans) as collateral of a loan received by a primary European bank.
The table below shows the characteristics of the securities issued by the vehicles and subscribed by the Group companies.

(millions of euro)

Vehicle		Type of security issued	Type of asset securitised	External rating	Principal as at 31.12.2013
Adriano Lease SEC S.r.l.					**3,991**
		Senior	Loans deriving from leasing contracts	A+	947
		Junior	Loans deriving from leasing contracts	no rating	3,044
Intesa Sanpaolo SEC SA					**318**
of wich issued in euro					291
	Secured Principal Notes	Senior	Loans to large corporate foreign customers	no rating	276
	Secured Income Notes	Junior	Loans to large corporate foreign customers	no rating	15
of wich issued in usd					27
	Secured Principal Notes	Senior	Loans to large corporate foreign customers	no rating	26
	Secured Income Notes	Junior	Loans to large corporate foreign customers	no rating	1
TOTAL					**4,309**

INFORMATION ON SOVEREIGN RISK

As at 31 December 2013 the Intesa Sanpaolo Group's sovereign debt exposure was represented by debt securities for 120 billion euro (of which 45 billion euro in securities held in Group insurance companies' portfolios) and by other loans for 22 billion euro.
Among these, the exposure to Italian government securities totalled approximately 103 billion euro, in addition to around 20 billion euro represented by loans. The exposure figure increased by approximately 13 billion euro compared to that recorded as at 31 December 2012.
The following table illustrates the book value of the aforementioned Intesa Sanpaolo Group exposures to sovereign risk.

(millions of euro)

	DEBT SECURITIES							LOANS
	Banking Group					Insurance companies (*)	Total	
	Loans and Receivables	Financial assets available for sale	Investments held to maturity	Financial assets designated at fair value through profit and loss	Financial assets held for trading			
EU Countries	**7,766**	**50,152**	**1,531**	**612**	**9,372**	**44,343**	**113,776**	**21,917**
Austria	-	4	3	-	15	16	38	-
Belgium	-	63	-	-	38	19	120	-
Bulgaria	-	-	-	-	-	-	-	-
Cyprus	9	-	-	-	-	-	9	-
Croatia	194	-	28	565	11	-	798	1,070
Czech Republic	-	26	-	-	1	-	27	25
Denmark	-	-	-	-	-	-	-	-
Estonia	-	-	-	-	-	-	-	-
Finland	-	-	-	-	37	8	45	12
France	109	3	-	-	418	111	641	17
Germany	39	119	-	-	488	1,964	2,610	-
Greece	-	-	-	-	34	-	34	-
Hungary	28	943	19	-	33	6	1,029	225
Ireland	-	-	-	-	-	81	81	-
Italy	6,896	47,215	414	47	6,973	41,808	103,353	19,692
Latvia	-	-	-	-	-	-	-	57
Lithuania	-	20	-	-	-	-	20	-
Luxembourg	50	55	-	-	298	102	505	-
Malta	-	-	-	-	-	-	-	-
Netherlands	-	34	-	-	151	69	254	-
Poland	25	-	-	-	37	-	62	-
Portugal	-	-	-	-	16	21	37	15
Romania	10	143	-	-	2	-	155	15
Slovakia	-	1,375	1,067	-	29	-	2,471	120
Slovenia	-	152	-	-	-	-	152	180
Spain	406	-	-	-	526	116	1,048	489
Sweden	-	-	-	-	212	22	234	-
United Kingdom	-	-	-	-	53	-	53	-
North African Countries	**-**	**1,119**	**-**	**-**	**50**	**-**	**1,169**	**27**
Algeria	-	-	-	-	-	-	-	27
Egypt	-	1,119	-	-	50	-	1,169	-
Libya	-	-	-	-	-	-	-	-
Morocco	-	-	-	-	-	-	-	-
Tunisia	-	-	-	-	-	-	-	-
Japan	**-**	**-**	**-**	**-**	**136**	**-**	**136**	**-**
Other Countries	**1,631**	**1,567**	**249**	**5**	**606**	**1,107**	**5,165**	**216**
TOTAL	**9,397**	**52,838**	**1,780**	**617**	**10,164**	**45,450**	**120,246**	**22,160**

(*) Debt securities held by insurance companies are recognised as follows: 44.749 million euro in the available-for-sale portfolio, 505 million euro in the portfolio of assets designated at fair value through profit and loss and 196 million euro in the trading portfolio.

INFORMATION ON STRUCTURED CREDIT PRODUCTS

Qualitative information

In 2013 there was a substantial decline in the portfolio on risk positions classified as part of the loan portfolio. As regards the trading book, the increase in exposure during the year is largely attributable to the purchase of ABSs by the subsidiary Banca IMI.
2013 yielded a positive contribution to profit of 67 million euro, of which 33 million euro deriving from realised profits and 34 million euro from revaluation, down compared to 96 million euro as at 31 December 2012.

The risk exposure to structured credit products amounted to 2,033 million euro as at 31 December 2013 with respect to funded and unfunded ABSs/CDOs, compared to 2,247 million euro as at 31 December 2012, in addition to an exposure of 26 million euro with respect to structured packages (this position was 3 million euro as at 31 December 2012).
The reduction in the exposure during 2013 was, in relation to financial assets held for trading, associated with the termination of two CDO funded structures included within the "Contagion Area" with a TruPS risk exposure of 54 million euro and of two unfunded Super Senior CDO positions recorded under "Other structured credit products" for 83 million euro. These decreases, however, were largely offset by the increase in risk exposure in European/US ABSs/CDOs held by Banca IMI.
With regard to the exposure represented by securities classified under the loan portfolio, on the other hand, a significant decrease was recorded, almost all of which attributable to the Parent Company loan portfolio and for the most part due to sales. Sales on the market were also carried out by Banca Fideuram, which reduced its position in structured credit products to zero.
Lastly, with regard to exposure in packages, the figure of 26 million euro recorded as at 31 December 2013 was entirely due to a substantial improvement in the creditworthiness of the counterparty which led to a positive fair value of the credit derivative.

In the summary tables provided below, table (a) sets out risk exposure and income statement captions (sum of realised charges and profits, write-downs and write-backs) as at 31 December 2013, compared with the corresponding values recorded as at 31 December 2012.
Table (b) sets out figures related to structured packages, normally made up of an asset (security) whose credit risk is entirely hedged by a specific credit default swap. Risk exposure in the table refers to the protection seller and not to the issuer of the asset hedged.
Values expressed in USD as at 31 December 2012 were translated to euro at an exchange rate of 1.3194 euro per dollar, and as at 31 December 2013 at an exchange rate of 1.3791 euro per dollar.

Structured credit products: summary tables
a) Exposure in funded and unfunded ABSs/CDOs

(millions of euro)

Financial assets held for trading	31.12.2013		31.12.2012	
	Risk exposure (*) (including write-downs and write-backs)	**Income Statement** Profits (Losses) on trading	**Risk exposure** (*) (including write-downs and write-backs)	**Income Statement** Profits (Losses) on trading
US subprime exposure	**1**	**-9**	**9**	**-3**
Contagion area	**-20**	**8**	**33**	**65**
- Multisector CDOs (1)	-20	8	-21	18
- Alt-A	-	-	-	-
- TruPS	-	-	54	47
- Prime CMOs	-	-	-	-
Other structured credit products	**1,087**	**38**	**844**	**44**
- European/US ABSs/CDOs	1,043	17	716	31
- Unfunded super senior CDOs	44	21	128	16
- Other unfunded positions	-	-	-	-3
Total	**1,068**	**37**	**886**	**106**
in addition to:				
Positions of funds	-	-	-	11
Total Financial assets held for trading	**1,068**	**37**	**886**	**117**

Loans	31.12.2013		31.12.2012	
	Risk exposure (**) (including write-downs and write-backs)	**Income Statement**	**Risk exposure** (**) (including write-downs and write-backs)	**Income Statement**
US subprime exposure	**2**	**-**	**3**	**-**
Contagion area	**27**	**3**	**43**	**1**
- Multisector CDOs	-	3	8	1
- Alt-A	19	-	23	-
- TruPS	-	-	-	-
- Prime CMOs	8	-	12	-
Other structured credit products	**936**	**-13**	**1,315**	**-1**
- Funded European/US ABSs/CDOs	789	-18	1,017	-8
- Funded super senior CDOs	147	5	298	7
- Other Romulus funded securities	-	-	-	-
Total	**965**	**-10**	**1,361**	**-**
in addition to:				
Positions of funds	-	-	-	-
Total Loans	**965**	**-10**	**1,361**	**-**
TOTAL	**2,033**	**27**	**2,247**	**117**

(1) The short position of the Multisector CDO segment was generated as a result of the closing of almost all the risk positions which had been included from the beginning, and the maintenance of derivatives on indices for the operational hedging of said positions. More specifically, these comprise 7 million euro in risk exposure hedged by 27 million euro in "short" operational positions.

(*) The column "Risk exposure" sets out: for securities, fair value; for derivatives, the nominal value of the contract, net of write-downs and write-backs recorded at reference date. Such amounts correspond, for "long" positions, to the maximum potential loss (in the event of a 100% default and a recovery rate of 0). For "short" positions, vice versa, they indicate the maximum potential gain (in the same scenario in terms of default and recovery levels).

(**) For assets reclassified to loans, exposure to risk is provided by the carrying amount of the security, equal to the fair value at the riclassification date, plus accrued interest calculated at the effective interest rate net of net value adjustments to the portfolio.

b) Exposure in packages

(millions of euro)

	31.12.2013		31.12.2012	
	Credit exposure to monoline insurers (CDS fair value post write-down for CRA)	**Income Statement** Profits (Losses) on trading	**Credit exposure to monoline insurers** (CDS fair value post write-down for CRA)	**Income Statement** Profits (Losses) on trading
Monoline risk	25	40	-	-21
Non monoline packages	1	-	3	-
TOTAL	**26**	**40**	**3**	**-21**

From an income statement perspective, structured credit products generated a net income of 67 million euro as at 31 December 2013 compared to 96 million euro for 2012.
The exposure in funded and unfunded ABSs/CDOs had an effect on “Profits (Losses) on trading – Caption 80” of 37 million euro. The profit on this segment was a result of the effects of:

– unfunded Super Senior CDO positions included in “Other structured credit products” for +21 million euro, of which 18 million euro deriving from termination of the two structures mentioned previously and 3 million euro from revaluation of outstanding positions;
– European and US funded ABSs/CDOs (+17 million euro), entirely attributable to the subsidiary Banca IMI and including 8 million euro attributable to profits realised on the partial disposal of the trading book and +9 million from revaluation of outstanding positions;
– instruments included in the “Contagion Area” (+8 million euro) and particularly in the Multisector CDO segment.
– the contribution of the subprime exposure for -9 million euro, of which -1 million euro attributable to losses realised on the sale of several structures and -8 million euro due to the further impairment of unfunded structures in the portfolio, which were valued as irrecoverable.

The securities reclassified to the loan portfolio had a negative impact of 10 million euro on the income statement as at 31 December 2013. This result is the combination of the 8 million euro in profits realised on the sale of positions (of which -4 million attributable to the sale of securities held by Fideuram) and -18 million euro in impairment losses on securities included in the portfolio.
As at 31 December 2013 the loan portfolio contained ABSs issued by parties resident in EU countries in situations of financial difficulty (known as “PIGS”). In particular, these consist of:

– 151 million euro in nominal value of securities issued by parties resident in Spain; as at 31 December 2013 these securities had a book value of 136 million euro and a fair value of 119 million euro;
– 83 million euro in nominal value of securities issued by parties resident in Portugal; as at 31 December 2013 these securities had a book value of 79 million euro and a fair value of 70 million euro;
– 4 million euro in nominal value of securities issued by parties resident in Greece; as at 31 December 2013 these securities had a book value of 4 million euro and a fair value of 3 million euro;
– 3 million euro in nominal value of securities issued by parties resident in Ireland; as at 31 December13 these securities had a book value of 2 million euro and a fair value of 1 million euro.

The “Monoline risk” and “Non-monoline packages” made a positive contribution of 40 million euro to “Profits (Losses) on trading – caption 80” as at 31 December 2013, up strongly on the -21 million euro recorded at the end of 2012. The segment trend reflects the spread volatility for the counterparty on which this exposure is concentrated.

It should be noted that the "Structured credit products" aggregate was identified in 2007, immediately following the outbreak of the "subprime phenomenon" and, in disclosure to the market, has been kept essentially constant.
As at 31 December 2013, the aggregate included bonds reclassified as loans, which are summarised in the tables below.

(millions of euro)

	Nominal value	Risk exposure (*) (including write-downs and write-backs)	Fair value as at 31.12.2013	Benefit from the reclassification as at 31.12.2013	Effect on Shareholders' Equity
Reclassified securities:					
- from financial assets available for sale to loans	131	115	80	-	35
- from financial assets held for trading to loans	728	669	589	80	-
Total Securities reclassified to loans	**859**	**784**	**669**	**80**	**35**
Securities classified under loans from inception	185	181			
Total securities classified under loans from inception	**185**	**181**			
TOTAL LOANS	**1,044**	**965**	**669**	**80**	**35**

(*) For assets reclassified to loans, exposure to risk is provided by the carrying amount of the security plus accrued interest calculated at the effective interest rate net of net value adjustments to the portfolio.

(millions of euro)

Negative economic effect without reclassification for 2008	-299
Negative economic effect without reclassification for 2009	-7
Positive economic effect without reclassification for 2010	117
Negative economic effect without reclassification for 2011	-25
Positive economic effect without reclassification for 2012	67
Positive economic effect without reclassification for 2013	67
BENEFIT FROM THE RECLASSIFICATION AS AT 31.12.2012	**-80**

In addition to the structured credits identified during the subprime crisis, the Group continues to invest in this type of security as part of its normal customer lending operations. In particular, securities were recorded in the loan portfolio of the conduit Duomo for a nominal value of 1,237 million euro, with underlyings originated in recent years, but not impacted by the 2007 crisis. As at 31 December 2013, there were no signs of impairment of the collateral of the structured products in question.

INFORMATION ON ACTIVITIES PERFORMED THROUGH SPECIAL PURPOSE ENTITIES (SPEs)

For the purpose of this analysis, legal entities established to pursue a specific, clearly defined and limited objective are considered Special Purpose Entities:
- to raise funds on the market by issuing specific financial instruments;
- to acquire, sell, manage specific assets, separating them from the financial statements of the Originator, for the purpose of carrying out securitisations of assets and for acquiring funding through self-securitisations and issues of Covered Bonds (CB);
- to develop and/or finance a specific business initiative, capable of generating, through an economic activity, cash flows which permit the complete reimbursement of the debt;
- to finance the acquisition of a target company which, through its economic activity, will be capable of generating cash flows for the SPEs which permit the complete reimbursement of the debt;

The sponsor of the transaction is normally an entity which requests the structuring of a transaction in a SPE for the purpose of reaching certain objectives. In some cases the Bank is the sponsor and establishes a SPE with the objective of raising finance, securitising its assets, for funding and other purposes, or offering customers a financial service. There are no changes in the scope of consolidation with respect to those adopted in the previous year.

Funding SPEs

These are entities incorporated abroad to raise funds on specific markets. The SPEs issue financial instruments, normally guaranteed by Intesa Sanpaolo, and transfer the funds raised to the Parent Company. The change in Italian law which enables the Parent Company Intesa Sanpaolo to directly issue hybrid notes eliminated the funding activities carried out through these methods. For this reason, the total of this type of funding made up a marginal amount of total direct customer deposits.
The only SPE of this type which falls within the scope of the Group's consolidated financial statements pursuant to IAS 27 is Intesa Funding LLC, with headquarters in the USA. This is a subsidiary which issues commercial paper on the US market.
The table below shows the information and figures for the vehicle as at 31 December 2013.

(millions of euro)

		Vehicle data		Liquidity lines		Guarantees given		Securities issued	of which: held by the Group		
		Total assets	Cumulated losses	loan facilities	use	nature	amount	amount	amount	IAS classification	Valuation
INTESA FUNDING LLC	Funding	300	-	-	-	(1)	300	300			

(1) Subordinated guarantee given by Intesa Sanpaolo.

The total assets of this vehicle are almost entirely made up of intragroup items. The funding of this vehicle increased compared to the previous year (48 million euro as at 31 December 2012) as a result of the improved market conditions and despite the difficulties in acquiring funding on the US market due to an unsuitable rating.

SPEs for insurance products

These are entities (UCITS) established for the purpose of investing internal funds of unit-linked and index-linked products of the Group’s insurance companies, which retain the majority of the risks and rewards; SPEs for insurance products are consolidated pursuant to IAS 27 / SIC 12.
In the Group there are 67 entities of this type with total net assets of approximately 15.8 billion euro (of which 6.4 billion euro relative to funds that report to Fideuram Gestions).
As at 31 December 2013, the assets of the funds in which Intesa Sanpaolo Vita/Intesa Sanpaolo Life hold the majority of the units outstanding are invested in bonds and liquidity for around 49% (except for the SPLux Sicav 2 Equity 100 fund, which has invested around 99% of the portfolio in equity funds and shares) and, for the remainder, in equity and bond mutual funds (around 31%), in corporate bonds (around 7%), and in shares and equity mutual funds (around 13%). In any case, these funds do not hold securities with underlying subprime mortgages or any other structured credit products affected by the financial crisis.
The total assets of these SPEs made up around 2.5% of the Group’s total consolidated assets.

Securitisation SPEs

These are SPEs that enable an entity to transfer assets from its balance sheet assets, transforming them in securities which can be placed on the market. This category includes structures used for raising funds through securitisations of a portion of assets owned by the transferor. In particular, this involves the spin-off of a package of balance sheet assets (generally loans) and its subsequent transfer to a vehicle which, to finance the purchase, issues securities later placed on the market (traditional securitisations) or purchased in full by the transferor (self-securitisations). In the first case, the funds raised in this way are reversed to the transferor, whereas the commitments to the subscribers are met using the cash funds generated by the loans sold. In the second case the securities issued by the vehicle are used by the Group company that subscribes them as collateral for raising funds.
This category also includes SPEs used by the Intesa Sanpaolo Group to implement the covered bond issue programme.
SPEs of this type that were part of the scope of consolidation as at 31 December 2013 pursuant to IAS 27 or SIC 12, were: Intesa SEC S.p.A., Intesa SEC 3 S.r.l., Intesa SEC NPL S.p.A., ISP CB Ipotecario S.r.l., ISP CB Pubblico S.r.l., ISP OBG S.r.l., Adriano Lease SEC S.r.l., Intesa Sanpaolo Sec S.A. and Trade Receivable Investment Vehicle S.a.r.l.. Adriano Finance 2 S.r.l. is included in the scope of consolidation but at present is on stand-by.
Compared to the information provided in the 2012 financial statements, please note that in August 2013 the vehicle Intesa Sanpaolo Sec S.A. was created with the aim of implementing a self-securitisation of loans. In addition, the vehicles Intesa SEC 2 S.r.l. and Adriano Finance S.r.l. were merged by incorporation into Intesa Sanpaolo.
These are companies incorporated under Italian law, except for Trade Receivable Investment Vehicle and Intesa Sanpaolo Sec S.A. which are set up in Luxembourg. The securitised assets of this type of vehicle are represented by performing mortgages. The following vehicles represent an exception:
- Intesa SEC NPL S.p.A., whose securitised assets consist of doubtful mortgages;
- Intesa Sanpaolo Sec S.A. whose assets are represented by loans issued to large international corporate customers by some international branches of Intesa Sanpaolo;
- Adriano Lease SEC S.r.l., whose securitised assets consist of performing loans deriving from lease contracts;
- Trade Receivable Investment Vehicle S.a.r.l., whose securitised assets are represented by trade receivables originated by

primary customers and purchased by the Intesa Sanpaolo Group without recourse to be subsequently securitised through the issue of unrated securities.

The vehicle's remaining cash commitments are in addition to the above assets.

The vehicles Adriano Lease SEC S.r.l. and Intesa Sanpaolo Sec S.A. are used to implement self-securitisations. For more details on this type of transaction, see section 1.3 – Liquidity risk – in Part E of the Notes to the consolidated financial statements.

In the case of ISP CB Pubblico S.r.l., ISP CB Ipotecario S.r.l. and ISP OBG S.r.l., the sale of the assets to the vehicle is aimed at implementing covered bond issue programmes. Additional details on the operations of these vehicles are provided in Section C of Part E of the Notes to the consolidated financial statements.

The securities held by Intesa Sanpaolo and by Group companies have been measured according to the provisions for the specific IAS/IFRS category for each security, as indicated in the table below, which shows the information and figures for these vehicles as at 31 December 2013.

(millions of euro)

	Type of asset	Vehicle data		Liquidity lines		Guarantees given		Securities issued	of which: held by the Group		
		Total assets	Cumulated losses	loan facilities	use	nature	amount	book value	amount	IAS classification	Valuation
INTESA SEC SPA [1]	Performing mortgages	3	1	-	-	-	-	2	-		
INTESA SEC 3 SRL [2]	Performing mortgages	1,030	10	-	-	-	-	822	109	AFS - HFT - Loans	Fair value - amortised cost
INTESA SEC NPL SPA [3]	Non-performing loans	26	-	-	-	-	-	155	13	AFS - Loans	Fair value - amortised cost
Adriano Lease SEC S.r.l.	Performing leasing contracts	4,140	-	-	-	-	-	3,991	-		
ISP CB IPOTECARIO S.r.l. [4]	Residential mortgages	17,601	35	18,905	16,344	-	-	-	-		
ISP CB PUBBLICO S.r.l. [4]	Loans to the public sector	13,600	-	15,817	13,062	-	-	-	-		
ISP OBG S.r.l. [4]	Multioriginator performing mortgages	24,027	58	25,580	23,773	-	-	-	-		
CR Firenze Mutui S.r.l.	Performing mortgages	64	-	-	-	-	-	54	5	HFT-Loans	Fair value - amortised cost
Intesa Sanpaolo Sec S.A.	Loans issued to large international corporate customers	321	-	-	-	-	-	316	-		
Trade Receivable Investment Vehicle S.a.r.l.	Trade receivables	85	-	-	-	-	-	82	39	HFT	Fair value

(1) ISP is committed to supporting the vehicle through a limited recourse subordinated loan, in relation to any higher charge or liability of a fiscal, legal, regulatory or supervisory nature other than the securities and operating costs deriving from the securitisation.

(2) ISP granted a limited recourse subordinated loan of 45 million euro used by the vehicle to set up the cash reserve which makes up the credit enhancement of the operation required by the rating agencies. The loan was increased by 23 million euro in November 2013. Swap contracts signed with ISP are in place as interest rate risk hedge.

(3) ISP granted a guarantee and indemnity contract currently used for approximately 0.9 million euro, in case of representations or guarantees which lead to a reduction in loan value. The bank is also committed to support the vehicle through limited recourse subordinated loan, in relation to any higher charge or liability of a fiscal, legal, regulatory or supervisory nature. The subordinated loan was granted for approximately 3.1 million euro. The indemnity does not cover security-related costs and securitisation operating costs. Cumulated losses shall be absorbed by tranches E (equity) and D held by ISP whose value was adjusted both in the current and in previous years. An Interest Rate Cap contract and an Interest Rate Floor contract are in place as interest rate risk hedge.

(4) These vehicles were set up pursuant to art. 7-bis of Italian Law 130/99. Therefore they do not issue securities, but guarantees to holders of securities (Covered Bonds) issued by ISP. The vehicle ISP OBG S.r.l. is used for a multioriginator CB issue programme.

The IAS/IFRS rules on first time adoption (IFRS 1) and the derecognition of financial assets and liabilities have been applied in full to the securitisations and self-securitisations.

Furthermore, pursuant to SIC 12, Intesa Sanpaolo controlled:

– Romulus Funding Corporation, a company based in the USA with the mission of purchasing financial assets, consisting of loans or securities with predefined eligibility criteria originating from Group customers, and financing purchases by issuing Asset-Backed Commercial Papers;
– Duomo Funding Plc., an entity that operates in a similar manner to Romulus Funding Corporation, but is limited to the European market, and is financed through funding agreements with Romulus.

The assets originated by customers have been placed in the vehicle Duomo, leaving Romulus activity of fund-raising on the U.S. market. Nonetheless, due to an unsuitable rating, the vehicle had difficulties in obtaining funding on the US market through commercial papers. As at 31 December 2013, 2.1 billion euro of the around 2.6 billion euro in securities issued by Romulus had been repurchased by the Parent Company Intesa Sanpaolo.

The table below shows the information and figures for the above two vehicles as at 31 December 2013.

(millions of euro)

		Vehicle data		Liquidity lines		Guarantees given		Securities issued	of which: held by the Group		
		Total assets	Cumulated losses	loan facilities	use	nature	amount	amount	amount	IAS classification	Valuation
ROMULUS FUNDING CORP.	Asset-backed commercial paper conduit	2,650 [1]		-	-		-	2,649	2,118	Loans	Amortised cost
DUOMO FUNDING CORP.	Asset-backed commercial paper conduit	2,665	-	2,102 [2]	-		-	-			

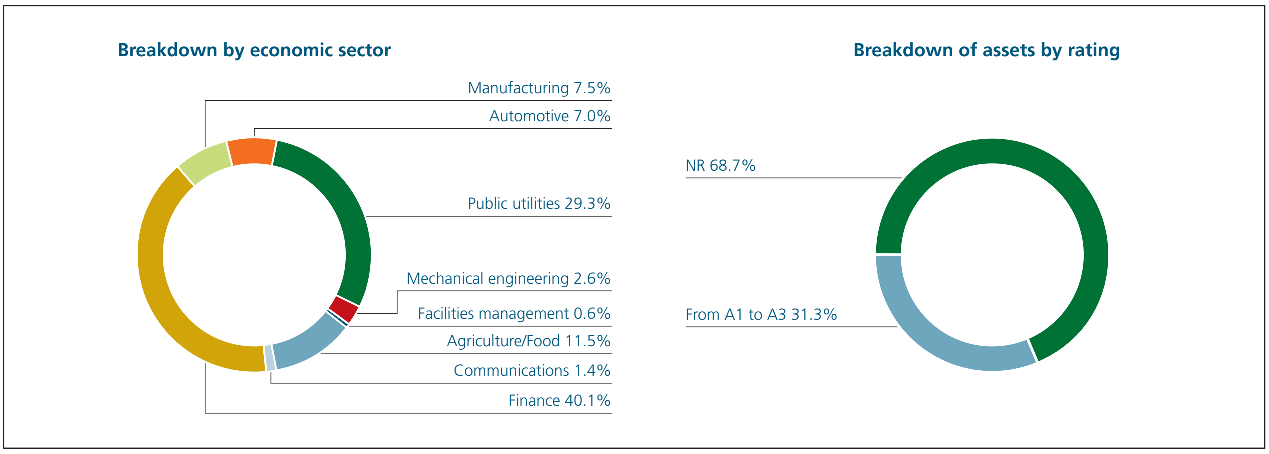
(1) Entirely made up of loans disbursed to Duomo for transactions booked in the financial statements of the vehicle.
(2) of which 833 million euro referring to credit lines granted to cover loans which did not meet the criteria for derecognition pursuant to IAS 39.

The total assets of the vehicle Romulus include receivables from Duomo for 2,650 million euro.

With regard to the portfolio of the vehicle Duomo, at the end of 2013 – in addition to receivables from Group banks for 1,154 million euro – this portfolio includes loans to customers for 1,467 million euro. Of these, 1,237 million euro consisted of structured credit products subscribed in the context of normal customer lending activity, the collateral for which had not shown any sign of impairment as at 31 December 2013. In portfolio, the vehicle also holds quotas of a mutual fund originated by an Intesa Sanpaolo Group company with a value of 44 million euro as at 31 December 2013.

The total assets of the above SPEs, net of dealings between the two vehicles, made up 0.4% of the total consolidated assets.

The following additional information is provided concerning the portfolios of assets held by the two vehicles:



With reference to the geographical distribution of the assets held by the two vehicles, please note that more than 97% of the debtors of the total assets are located in Italy.
Please note that the uses in relation to the eligible assets in the portfolios of the Romulus and Duomo vehicles were of sufficient quality for the commercial papers issued by Romulus to maintain the A-2/P-2 ratings.

Lastly, Intesa Sanpaolo acquired protection on its credit risk exposure from the Da Vinci vehicle as part of a synthetic securitisation operation to hedge and actively manage risk exposure in the aircraft and aeronautic sector.
As at 31 December 2013, the Group's exposure to vehicle Da Vinci amounted to 1 million euro in nominal value, entirely represented by securities, classified as available for sale. Their book value at the end of 2013 amounted to 1 million euro. Their fair value adjustment was recorded with an offsetting entry in the Shareholders' equity valuation reserves.

Financial Engineering SPEs
These SPEs carry out investment and funding transactions that achieve better risk/return combinations than those generated by standard transactions, through their special structures aimed at optimising accounting, tax and/or regulatory aspects. These structures have been set up to respond to the needs of primary customers and provide solutions that offer financing at competitive interest rates and investments with higher returns.
Lunar Funding, a vehicle set up in Ireland and used for repackaging operations by a leading bank, is still included in the scope of consolidation.

Project Financing SPEs
These are financing instruments for capital intensive projects, which are based on the economic or financial validity of the industrial or infrastructural project, and are independent from the standing/creditworthiness of the sponsors who developed the "entrepreneurial" idea. The financing of the initiative is based on the project's capacity to generate positive cash flows, sufficient to reimburse loans received and guarantee an adequate risk-adjusted return on invested capital.
Such vehicles are established by sponsor "entrepreneurs", mostly abroad in order to benefit from operating and legal/bureaucratic efficiency.
The Intesa Sanpaolo Group has financed entities of this type, as normal borrowers, without acting as sponsor.
None of these SPEs is consolidated, since Group companies do not hold any stake or interest in the venture capital of these companies and no presumed control assumptions apply. Where there are guarantees represented by pledges of shares of the SPE, contractual terms exclude the possibility of exercise of voting rights by the Bank.

Asset Backed SPEs
These are transactions aimed at acquisition / construction / management of physical assets by SPEs financed by one or more entities. Their recovery prospects mostly depend upon the cash flows generated by the assets. The assets generate cash flows in their recurring operations (e.g. rentals, goods transportation contracts, etc.) or in their non-recurring operations (e.g. a real estate disposal plan). Generally the assets are also the collateral for the financing obtained from the vehicle.

The Intesa Sanpaolo Group has financed entities of this type, as normal borrowers, without any direct equity investments or any other interests which might lead to presume the role of sponsor. The risk accepted is always a normal credit risk and the benefits are represented by the return on the financing granted.
The Group consolidates only those entities in which it holds the majority of voting rights. Only one entity is this type of SPE (with total assets of around 10 million euro as at 31 December 2013), whose capital is held by an international subsidiary.

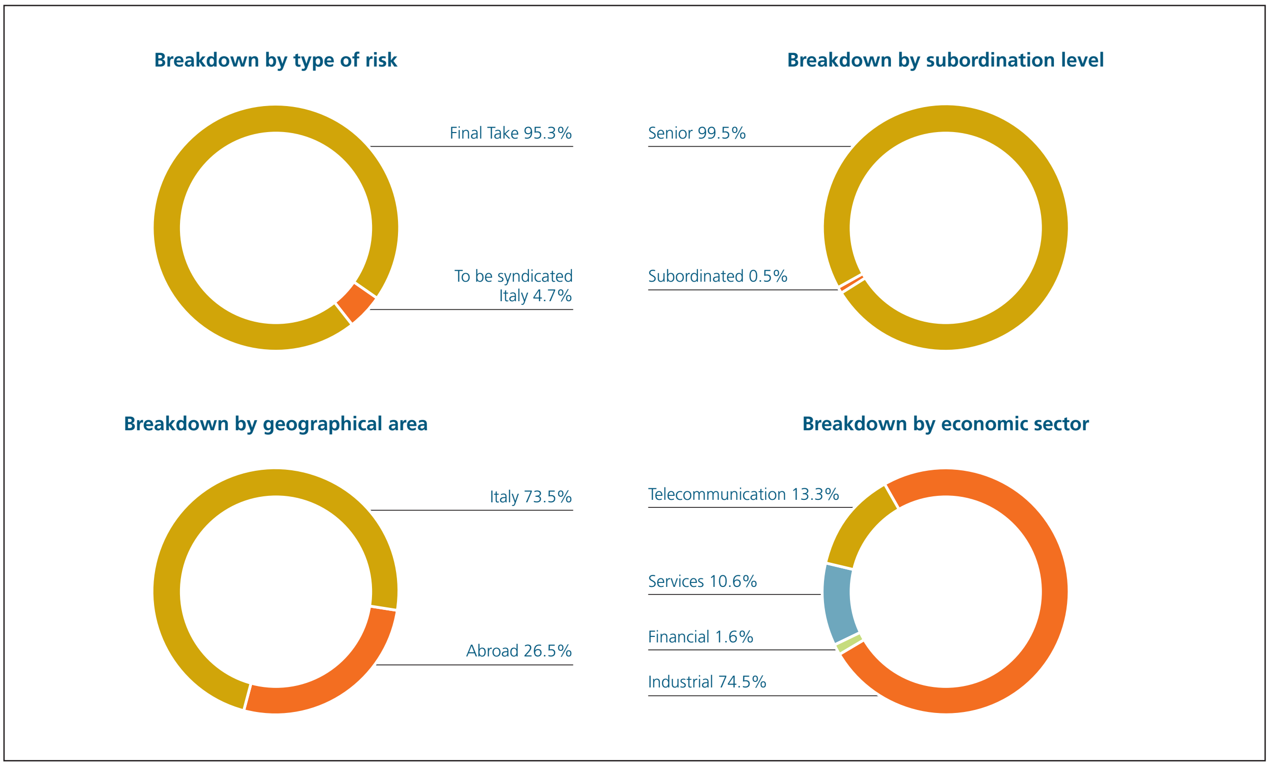
Leveraged & Acquisition Finance SPEs
For the description of the transactions which involve these vehicles see the specific section dedicated to Leveraged Finance transactions.

Credit Derivatives SPEs

Credit derivatives are contracts which permit the synthetic transfer of credit risk of a specific borrower from the protection buyer to the protection seller. Especially in structures connected to synthetic securitisations, it is possible to achieve the transfer of credit risk of a portfolio of assets from a SPE to the Bank, both by a credit derivative protection sold or by the purchase of securities with embedded credit derivatives. In certain cases (e.g. monoline) the SPE is protection seller and offers the Bank the possibility of hedging risk on portfolios of assets.
There are no equity investments or other interests which might lead to the role of sponsor.
None of these SPEs is consolidated, since there are never any equity investments or forms of indirect control by the Bank. The relations with the parties are fundamentally based on the stipulation of derivative contracts or the acquisition of securities with embedded credit derivatives. This never leads to the transfer to the Bank of most of the risks and rewards deriving from the activities of the vehicle.

INFORMATION ON LEVERAGED FINANCE TRANSACTIONS

Since there is no univocal and universally agreed-upon definition of leveraged finance transactions, Intesa Sanpaolo decided to include in this category the exposures (loans granted and disbursed in relation to structured financing operations, normally medium/long term) to legal entities in which the majority of share capital is held by private equity funds.
These are mainly positions in support of Leveraged Buy Out projects (therefore with high financial leverage), i.e. linked to the full or partial acquisition of companies through recourse to SPEs created for this purpose. After acquisition of the target company's shares/quotas package, these SPEs are normally merged into the target. The target companies generally have good economic prospects, stable cash flows in the medium term and low original leverage levels. Intesa Sanpaolo has financed entities of this type, as normal borrowers, without acting as sponsor.
None of these SPEs is consolidated, since the guarantees to support the transaction are solely instrumental for the granting of the financing and are never directed to the acquisition of direct or indirect control over the vehicle.
As at 31 December 2013, 120 transactions for a total amount granted of 3,637 million euro met the above definition.
These exposures are classified under the loans portfolio. They also include the portions of syndicated loans underwritten or under syndication. In line with disclosure requirements, breakdown of exposures by geographical area, economic sector and by level of subordination is set out below.



INFORMATION ON INVESTMENTS IN HEDGE FUNDS

The hedge fund portfolio as at 31 December 2013 totalled 744 million euro, compared to the 696 million euro recorded at the end of 2012. The increase in the value of the portfolio is attributable to the capital gains deriving from outstanding positions at the end of 2013, in addition to several increases of units, only partially offset by the effect of the change in the exchange rate on positions denominated in U.S. dollars.

As at the same date, the contribution to "Profits (Losses) on trading – caption 80" of these investments was positive at +70 million euro. Of these net profits:
– 8 million euro related to trading of funds for the year;
– 65 million euro consisting of net valuations of positions outstanding at year end;
– -3 million of losses on foreign exchange transactions.

Taking into account the net capital gains on the final residual amount (65 million euro), these were spread across 34 positions, 26 of which recording capital gains (69 million euro) and 8 capital losses (-4 million euro).

During 2013, the portfolio's overall strategy remained in line with the one pursued in 2012, i.e. geared towards benefiting from the occurrence of specific corporate events, which are generally independent from the general trend, and thus avoid spikes in volatility. However, the year just ended, and in particular the fourth quarter of 2013, benefited from a combination of positive factors generated on the markets, such as the easing of the strains on the sovereign debt of peripheral EU countries, the real improvement of the global economic conditions and the accommodating policy by the ECB and the FED. In the year, these phenomena triggered a substantial recovery in the indexes of the main world markets and the credit, which in turn positively affected the performance of the funds in the portfolio.

INFORMATION ON TRADING TRANSACTIONS IN DERIVATIVES WITH CUSTOMERS

The Intesa Sanpaolo Group is active in the sale of "over the counter" (OTC) derivatives to various customer segments, through two main poles (in terms of volumes traded):

– Banca dei Territori Division, for the sale of derivative products to retail and corporate customers with consolidated turnover under 350 million euro, through the branch network of Intesa Sanpaolo and of the Group's Italian banks. Derivatives sold by the network are hedged back to back with a swap house which, in most cases, is Banca IMI;
– Corporate Division, for the sale of derivative products to corporate customers with consolidated turnover over 150 million euro, through the branch network of Intesa Sanpaolo and the Group's Italian banks, and to public entities, through the Public Finance and Infrastructure Department. Derivatives sold by the network are hedged back to back with Banca IMI.

Customer financial needs that the Intesa Sanpaolo Group aims to satisfy through derivative instruments are diverse and depend on customer segment. In short, the following picture emerges:

1) retail and business customers served by Banca dei Territori acquire derivative instruments for investment or the hedging of financial risks, with a few typical differences:
   i) companies enter into derivative contracts to hedge risks, mostly interest rate and foreign exchange risk;
   ii) individuals normally do not stipulate derivatives explicitly with the Intesa Sanpaolo Group as counterparty, with the exception of contracts aimed at hedging interest rate risk on retail mortgages;
2) customers of the Corporate Division (mostly large businesses, mainly qualified operators) sign derivative contracts for hedging/managing risks, mostly interest rate and foreign exchange risk;
3) entities of the Public Administration, served by the Public Finance and Infrastructure Department within the Corporate Division, sign derivative contracts to manage their liquidity and modify/hedge their debt positions.

The centres of responsibility which sign contracts with customers (essentially, Intesa Sanpaolo and Network Banks) do not take market risks, since these are systematically hedged back to back, in most cases with the Group's securities house, Banca IMI. The latter hedges the risks transferred to it dynamically and collectively, in respect of assigned limits, for the purpose of maximising financial effectiveness. Counterparty risk is not transferred.

Considering only relations with customers, as at 31 December 2013, the Intesa Sanpaolo Group, in relation to derivatives trading with retail customers, non-financial companies and public entities (therefore excluding banks, financial and insurance companies), presented a positive fair value, not having applied netting agreements, of 5,542 million euro (7,314 million euro as at 31 December 2012). The notional value of such derivatives totalled 54,087 million euro (55,865 million euro as at 31 December 2012). Of these, the notional value of plain vanilla contracts was 51,817 million euro (50,168 million euro as at 31 December 2012), and of structured contracts was 4,475 million euro (5,697 million euro as at 31 December 2012).

Please note that the positive fair value of structured contracts outstanding with the 10 customers with the highest exposures was 363 million euro (516 million euro as at 31 December 2012). The same indicator, referred to the total contracts with a positive fair value, was 3,610 million euro.

Conversely, negative fair value determined with the same criteria, for the same types of contracts and with the same counterparties, totalled 606 million euro as at 31 December 2013 (1,054 million euro as at 31 December 2012).

The notional value of such derivatives totalled 17,627 million euro (15,701 million euro as at 31 December 2012). Of these, the notional value of plain vanilla contracts was 17,787 million euro (13,743 million euro as at 31 December 2012), and of structured contracts was 1,030 million euro (1,958 million euro as at 31 December 2012).

The fair value of derivative financial instruments stipulated with customers was determined considering, as for all other OTC derivatives, the creditworthiness of the single counterparty ("Bilateral Credit Value Adjustment"). With regard to contracts outstanding as at 31 December 2013, this led to a positive effect of 7 million euro being recorded under "Profits (Losses) on trading" in the income statement.

As regards the means of calculation of the aforesaid bilateral Credit Value Adjustment and, in general, the various methodologies used in the determination of the fair value of financial instruments, see Part A.4 of the Notes to the consolidated financial statements - Information on fair value.

Please note that contracts made up of combinations of more elementary derivative instruments have been considered "structured" and that the aforesaid figures do not include fair value of derivatives embedded in structured bond issues as well as the relative hedges agreed by the Group.

1.4. BANKING GROUP – OPERATIONAL RISK

QUALITATIVE INFORMATION

General aspects, operational risk management processes and measurement methods

Operational risk is defined as the risk of suffering losses due to inadequacy or failures of processes, human resources and internal systems, or as a result of external events. Operational risk includes legal risk, that is, the risk of losses deriving from breach of laws or regulations, contractual, out-of-contract responsibilities or other disputes; strategic and reputation risks are not included.
The Intesa Sanpaolo Group has for some time defined the overall operational risk governance framework by setting up a Group policy and organisational processes for measuring, managing and controlling operational risk.
With regard to Operational Risk, the Group has adopted the Advanced Measurement Approach (AMA – internal model) to determine the associated capital requirement 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, a third set including Banca Infrastrutture Innovazione e Sviluppo. In December 2012 the full demerger of the Bank was completed in favour of the Parent Company Intesa Sanpaolo S.p.A. and Leasint S.p.A.;
- 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 international 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 control of the Group's operational risks was attributed to the Management Board, which identifies risk management policies, and to the Supervisory Board, which is in charge of their approval and verification, as well as of the guarantee of the functionality, efficiency and effectiveness of the risk management and control system.
The tasks of the Group Compliance and Operational Risk Committee include periodically reviewing the overall operational risk profile, authorising any corrective measures, coordinating and monitoring the effectiveness of the main mitigation activities and approving operational risk transfer strategies.

The Group has a centralised function within the Risk Management Department for management of the Group’s operational risk. This function is responsible for the definition, implementation, and monitoring of the methodological and organisational framework, as well as for the measurement of the risk profile, the verification of mitigation effectiveness and reporting to Top Management.
In compliance with current requirements, the individual Organisational Units are responsible for identifying, assessing, managing and mitigating risks. Specific officers and departments have been identified within these business units to be responsible for Operational Risk Management (structured collection of information relative to operational events, scenario analyses and evaluation of the business environment and internal control factors).

The Integrated self-assessment process, conducted on an annual basis, allows the Group to:

- identify, measure, monitor and mitigate operational risk through identification of the main operational problem issues and definition of the most appropriate mitigation actions;
- create significant synergies with the specialised functions of the Human Resources Department and the Personnel and Organisation Department that supervise the planning of operational processes and business continuity issues and with control functions (Compliance, Administrative and Financial Governance and Internal Auditing) that supervise specific regulations and issues (Legislative Decree 231/01, Law 262/05) or conduct tests of the effectiveness of controls of company processes.

The Self-assessment process identified a good overall level of control of operational risks and contributed to enhancing the diffusion of a business culture focused on the ongoing control of these risks.
The process of collecting data on operational events (in particular operational losses, obtained from both internal and external sources) provides significant information on the exposure. It also contributes to building knowledge and understanding of the exposure to operational risk, on the one hand, and assessing the effectiveness or potential weaknesses of the internal control system, on the other hand.
The internal model for calculating capital absorption is conceived in such a way as to combine all the main sources of quantitative (operational losses) and qualitative information (self-assessment).
The quantitative component is based on an analysis of historical data concerning internal events (recorded by organisational units, appropriately verified by the central function and managed by a dedicated IT system) and external events (from the Operational Risk Management eXchange Association).
The qualitative component (scenario analyses) focuses on the forward-looking assessment of the risk exposure of each unit and is based on the structured, organised collection of subjective estimates expressed directly by management (subsidiaries, Parent Company’s business areas, the Corporate Centre) with the objective of assessing the potential economic impact of particularly severe operational events.
Capital-at-risk is therefore identified as the minimum amount at Group level required to bear the maximum potential loss (worst case); Capital-at-risk is estimated using a Loss Distribution Approach model (actuarial statistical model to calculate the Value-at-risk of operational losses), applied on quantitative data and the results of the scenario analysis assuming a one-year estimation period, with a confidence level of 99.90%; the methodology also applies a corrective factor, which derives from the qualitative analyses of the risk level of the business environment, to take account of the effectiveness of internal controls in the various organizational units.

Operational risks are monitored by an integrated reporting system, which provides Management with support information for the management and/or mitigation of the operational risk.
In order to support the operational risk governance process on a continuous basis, a structured training programme was fully implemented for employees actively involved in this process.

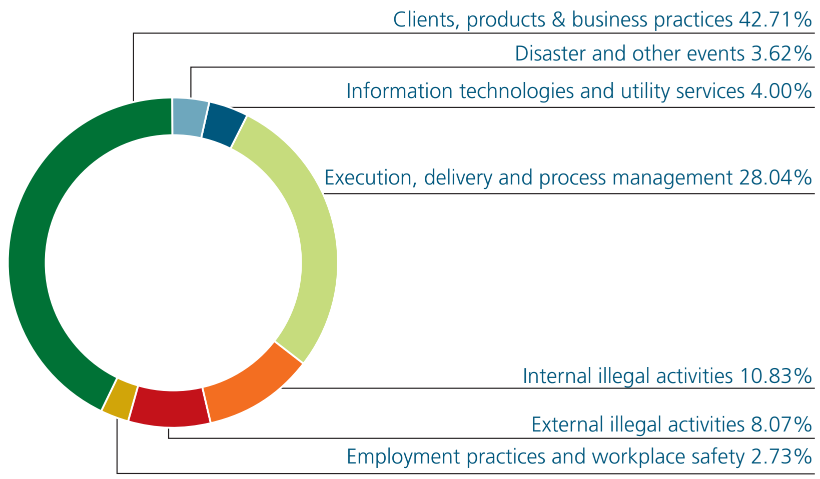
In addition the Group activated a traditional operational risk transfer policy (to protect against offences such as employee disloyalty, theft and theft damage, cash and valuables in transit losses, computer fraud, forgery, earthquake and fire, and third-party liability), which contributes to mitigating exposure to operational risk. At the end of June, in order to allow optimum use of the available operational risk transfer tools and to take advantage of the capital benefits, pursuant to applicable regulations the Group stipulated an innovative insurance coverage policy known as Operational Risk Insurance Programme, which offers additional coverage to traditional policies, significantly increasing the limit of liability, transferring the risk of significant operational losses to the insurance market. The internal model's insurance mitigation component was approved by the Bank of Italy in June 2013 with immediate effect of its benefits on operations and on the capital requirements.

QUANTITATIVE INFORMATION

To determine its capital requirements, the Group employs a combination of the methods allowed under applicable regulations. The capital absorption resulting from this process amounts to 1,819 million euro (2,059 million as at 31 December 2012).

The following shows the breakdown of capital requirement relating to the Advanced Measurement Approach (AMA) by type of operational event.

Breakdown of capital requirement (Advanced Measurement Approach - AMA) by type of operational event



LEGAL RISKS

Legal risks are thoroughly and individually analysed by the Parent Company and Group companies. Provisions are made to the Allowances for risks and charges when there are legal obligations for which it is probable that funds will be disbursed to meet such obligations and where the amount of the disbursement may be reliably estimated.
As at 31 December 2013 a total of 19,104 disputes were pending, with total remedy sought of 10,312 million euro and allowances of 888 million euro. Among the main types of lawsuits, bankruptcy revocatory actions had remedy sought of 890 million euro and allowances of 129 million euro; lawsuits concerning financial services had remedy sought of 509 million euro and allowances of 140 million euro; lawsuits concerning terms applied to customers had remedy sought of 824 million euro and allowances of 167 million euro; lawsuits for operational errors had remedy sought of 382 million euro and allowances of 83 million euro and labour lawsuits had remedy sought of 196 million euro and allowances of 114 million euro.
The most complex and/or potentially costly legal procedures are described in the paragraphs below.

Dispute relating to anatocism - In 1999, the Italian Court of Cassation reversed its stance and found the quarterly capitalisation of interim interest payable on current accounts to be unlawful, assuming that the relevant clauses in bank contracts do not integrate the contract with a "regulatory" standard practice, but rather with a "commercial" practice, and therefore, such clauses are not adequate to derogate from the prohibition of anatocism pursuant to Art. 1283 of the Italian Civil Code.
The subsequent Legislative Decree 342 of 1999 confirmed the legitimacy of interim capitalisation of interest on current accounts, as long as interest is calculated with the same frequency on deposits and loans. From April 2000 (the date on which this regulation came into effect), quarterly capitalisation of both interest income and expense was applied to all current accounts.
Therefore the dispute on this issue concerns only those contracts which were stipulated before the indicated date.
In the judgment no. 24418 handed down by its Joint Sections on 2 December 2010, the Court of Cassation ruled that the ten-year statute of limitations applicable to account-holders' entitlement to reimbursement of capitalised interest debited on the current account begins to toll on the date the account is closed, if the account had an overdraft facility and the facility's limit was respected, or on the date on which deposits were made to cover part or all of previous interest debits if the account was drawn beyond such limits or did not have an overdraft facility.
These principles have not always been uniformly applied by courts in the first and second instances. However, though with varying effectiveness based on the specific cases, they contribute to a general decrease in the claims for restitution put forward by account

holders, especially when the claims relate to transactions far back in time.
In addition to this aspect, it must be noted that, though the overall number of pending lawsuits increased slightly due to the current economic situation, it remains at an insignificant level in absolute terms and is the subject of constant monitoring. The risks related to these disputes are covered by specific, adequate provisions to the Allowances for risks and charges.

Dispute relating to investment services - Disputes relating to investment services show a diversified trend based on the type of financial instrument concerned by the dispute.
Disputes relating to the Parmalat and Cirio bonds have always remained at modest levels (also as a result of the customer care tools implemented by the Bank in order to reduce the negative impact on customers) and can be considered as coming to an end.
There is a general decrease in disputes concerning Argentina bonds, due to a significant reduction in the number of disputes which have arisen over the last few years.
The litigation concerning bonds issued by companies belonging to the Lehman Brothers Group increased slightly compared to previous years from a developmental standpoint, but remained at insignificant levels in absolute terms. The judgments to this point in relation to Intesa Sanpaolo – with the exception of a single isolated previous case subject to appeal – have all been favourable to the Bank.
As part of a system-wide initiative, the Intesa Sanpaolo Group oversaw and secured the establishment of proof of debt in the insolvency procedures pending in various foreign countries for its customers who hold the aforementioned bonds, at no cost to its customers.
Though disputes concerning derivative products increased compared to previous years, they remain at insignificant levels (both in number and value).
All risks related to this category of disputes are constantly monitored and covered by accurate allowances that reflect the specific characteristics of the individual cases.

Disputes regarding the Cirio Group default - In November 2002, the Cirio Group defaulted on the repayment of a loan issued on the Euromarket. This event led to a cross default on all its existing issues. In April 2007, ten companies of the Cirio Group in Extraordinary Administration notified Intesa Sanpaolo and Banca Caboto, as well as five other banks, considered to be severally liable, of the filing of a claim for the reimbursement of alleged damages deriving from:
- the worsening of the default of the Cirio Group, from the end of 1999 to 2003, favoured also by the issue in the 2000-2002 period of 6 bond issues; the damages thereof are quantified – adopting three different criteria – with the main criteria in 2,082 million euro and, with the control criteria, in 1,055 million euro or 421 million euro;
- the impossibility by the Extraordinary Administration procedures of undertaking bankruptcy repeal, for undetermined amounts, in the event that the default of Cirio Group companies was not postponed in time;
- the payment of fees of 9.8 million euro for the placement of the various bond issues.

In a judgment filed on 3 November 2009, the Court of Rome found the Cirio Group’s claims to be unfounded on the merits and therefore rejected said claims on the grounds of a lack of a causal relationship between the actions of the banks named defendants in the suit and the claimed damage event.
The claimants appealed against this judgment, proposing in that venue a stay of enforcement of the judgment to pay legal fees, firstly, and said petition was accepted by the Rome Court of Appeals. The lawsuit has been postponed to 27 January 2016 for an evidentiary hearing.

Disputes regarding tax-collection companies sold - As part of the government's re-internalisation of tax collection operations, Intesa Sanpaolo sold to Equitalia S.p.A. (a company owned by Agenzia delle Entrate - Italian Revenue Agency - and INPS) the entire share capital of Gest Line and ETR/ESATRI, companies which managed tax-collection activities in the respective areas of the former Sanpaolo Imi Group (Gest Line) and the former Intesa Group (ETR/ESATRI), undertaking to indemnify the buyer against any out-of-period expenses associated with the collection activity carried out up to the moment of sale of the investment. The most significant portion of those out-of-period expenses consist in costs incurred for operations referring to events occurring prior to the sale, such as charges resulting from negative outcomes of litigation with taxpayers and tax authorities or labour law disputes, tax collection expenses not recovered due to events attributable to the former concessionaires (mainly expenses for unsuccessful administrative detentions). The above commitments were triggered not only by contractual guarantees, but also by a statute, which entered into force in 2005, that directly transfers to the seller any payment obligation concerning tax collection activities conducted by the company sold prior to the sale thereof. In October 2012 a board of experts was set up for dialogue with Equitalia, concerning both the grounds for and the amount of the requests for compensation submitted pertaining to said guarantee. This board of experts is also examining the asset items the Seller may use for offsetting (ex. the remaining allowances for risks on the sale balance sheet which have not been used, deferred amounts in the accounts, default interest collected by Equitalia but pertaining to the Seller, as it accrued prior to the sale).
Specifically regarding the litigation, as things stand, two main disputes should be noted. The first constitutes the interpretation ruling with the Municipality of Bologna to determine the calculation criteria for currency appreciation which are not clearly indicated in the judgment issued by the Emilia Romagna Regional Section of the Court of Auditors, sentencing the Bank to pay the Municipality of Bologna 4 million euro in principal in the proceedings for lost tax revenue promoted in June 2010 (for alleged irregularities which allegedly gave rise to the unenforceability of the receivables being collected). Intesa Sanpaolo paid this amount on 13 March 2012. The interpretation ruling relating to the quantification of the currency appreciation recently concluded with the judgment of the First Central Section of the Court of Auditors, filed on 11 December 2013, which rejected the Bank's defence. Thus, it is expected that the Municipality of Bologna will enforce said decision for an amount of around 2.5 million euro, which is fully covered by the overall allowances for former Gest Line risks.
The second ruling was promoted before the Campania Regional Section of the Court of Auditors by the bankruptcy proceedings of SERIT S.p.A., which was already the collection agent for section "B" of the Province of Caserta. The bankruptcy appellant is claiming that the defendants (in addition to our Bank, Ministry for Economy and Finance and the Italian Revenue Agency) are liable for breach of contract with the resulting request for compensation for the damages suffered, as a result of the failure to refund the taxes paid in advance by SERIT under the "contingent payment obligation" system (note that in 1994 SERIT'S concession was revoked and then assigned to Banco Napoli as Government Commission Agent). The claim for damages is

quantified as 129 million euro, unless more accurately specified through an expert's report to be drawn up during the proceedings.
The Bank's defence is founded on valid defense arguments which lead us to consider the dispute as free from risks.

Intesa Sanpaolo (formerly Banca OPI, then Banca Infrastrutture Innovazione e Sviluppo) and Municipality of Taranto litigation - Banca Infrastrutture Innovazione e Sviluppo (BIIS), as the successor to Banca OPI, was involved in a case pending before the Court of Taranto brought by the Municipality of Taranto in relation to the subscription in 2004 by Banca OPI of a 250 million euro bond issued by the Municipality.
In its judgement of 27 April 2009, the Court declared the invalidity of the operation, ordering the Bank to reimburse, with interest, the partial repayments of the loan made by the Municipality of Taranto. The latter was ordered to reimburse, with interest, the loan granted. The Court also ordered compensation for damages in favour of the Municipality, to be calculated by separate proceedings. The Municipality and the Bank jointly agreed not to enforce the judgement.
On 20 April 2012 the Court of Appeal, without prejudice to the findings of the separate proceedings regarding the alleged damages, partially reformulated the first instance ruling by ordering that:
– BIIS reimburse the sums paid by the Municipality of Taranto, plus legal interest;
– the Municipality of Taranto reimburse BIIS for the sums disbursed in execution of the bond loan, less amounts already paid, plus legal interest and currency appreciation;
– BIIS reimburse the Municipality for first instance legal costs, compensated against those for the appeal.
Intesa Sanpaolo, which succeeded BIIS in the proceedings following the well-known corporate operations, filed an appeal against this judgement before the Court of Cassation. The date of the hearing has not been set.
In the meantime, the insolvency procedure entity for the Municipality of Taranto informed BIIS that the Municipality's debt to the Bank for the repayment of the 250 million euro bond had been added to "the insolvency procedures' list of debts". The Bank nonetheless appealed the judgment before the Regional Administrative Court of Puglia, which found the appeal inadmissible, ruling that the dispute fell within the jurisdiction of the civil courts and – albeit on an incidental basis – the appealed judgment was devoid of dispositional content and was thus incapable of undermining the Banks' credit claims.
The Bank and the Municipality have met repeatedly to assess the possibility of an amicable settlement to the pending litigation, however, such settlement could not be reached due to the intervention of the insolvency procedure entity, which claimed its own jurisdiction over managing the debt in question. In order to ascertain the illegitimacy of including the Bank's receivable in the insolvency procedures' list of debts and the lack of jurisdiction of the Extraordinary Liquidator, BIIS thus filed an extraordinary appeal to the President of the Republic, which is still pending.
The Bank has also initiated additional civil proceedings before the Court of Rome, for a ruling on its lack of liability for damages to the Municipality of Taranto.
By way of non-final ruling, the Court of Rome rejected the claims of lack of interest to sue, demurrer and estoppel, and ordered the continuation of the proceedings for the purpose of drawing up a court-appointed expert's report, not only on amount but also on the cause of the alleged damages. Moreover, the court-appointed expert's report must be limited to the documents already filed in the records, as all the preclusions pertaining to the preliminary investigation have been applied, and should be confirmed by the Bank's stance that the Municipality of Taranto suffered no damages as a result of the loan from BIIS.
These events are also connected to criminal proceedings before the Court of Taranto, against several executives of Banca OPI and Sanpaolo IMI, among others, in which the preliminary hearing judge has ruled that the Municipality of Taranto may file an appearance as civil claimant in the criminal proceedings. The defendants are charged with indirect abuse of office, a crime which is not significant for the purposes of Legislative Decree 231/2001. In these proceedings, which are currently in the main hearings phase, BIIS (now Intesa Sanpaolo) has been charged with civil liability for an amount of no less than 1 billion euro. In the opinion of our legal counsel, in the unlikely case that the Bank is sentenced to pay some type of compensation, the amount should be extremely low, given that the Municipality did not suffer any damages.

Intesa Sanpaolo (formerly Banca OPI, then Banca Infrastrutture Innovazione e Sviluppo) and Piemonte Regional Government litigation – In 2006 the Piemonte Regional Government issued two bond loans for a total of 1,856 million euro, of which 430 million euro subscribed by other financial institutions, as well as the former Banca OPI. Under the terms of these issues, the Regional Government finalised two derivative financial instrument transactions, also subscribed by the former Banca OPI for a total notional amount of 628 million euro.
Following discussion with the Banks to assess the financial and legal profiles of the swap transactions, in January 2012 the Regional Government launched self-protection proceedings for the revocation of the administrative deeds relating to the derivative contracts.
In this regard, with judgment of 21 December 2012, the Piemonte Regional Administrative Court announced to the Banks that it did not have jurisdiction to decide on the matter, recognising the jurisdiction, provided by the contract, of the UK civil courts. The Regional Government appealed this judgment before the Council of State.
In August 2011 the Banks also petitioned the High Court of Justice of England and Wales to ascertain the validity and correctness of the contracts entered into with the Regional Government, obtaining a favourable ruling in July 2012, which was then appealed by the Regional Government.
Subsequently, the Banks petitioned the High Court of Justice of England and Wales to order the Piemonte Regional Government to settle the netting payments of the swap contracts maturing from May 2012, obtaining a favourable ruling in July 2013, which was also appealed by the Regional Government.
In December 2013 our Bank and the Piemonte Regional Government reached a settlement agreement for all pending litigation, with each party bearing their respective legal costs. Also taking account of opportunities in terms of mutual relations, this agreement envisaged the full payment of said past due netting by the Regional Government as well as the partial payment by the Regional Government of overdue interest accrued and the application by the Bank of returns on deposits favourable to the Regional Government from hereon.

Altroconsumo class action - In 2010, the association Altroconsumo, acting on behalf of three account holders, served Intesa Sanpaolo with writ of summons for a class-action suit pursuant to art. 140-*bis* of Legislative Decree 206/2005 (Consumer Code).
The suit originally sought a finding that application of overdraft charges and the new fee for overdrawing accounts without credit facilities in place is unlawful. It also sought an inquiry into whether the "threshold rate" set out in Law 108/96 (usury) has been exceeded and a sentence enjoining the restitution of any amounts collected by the Bank in excess of that threshold. The claim had been quantified at a total of 456 euro in connection with the three accounts cited in the suit.
By order of 28 April 2010, the Court of Turin declared the suit inadmissible.
Following the complaint filed by the plaintiffs, the Turin Court of Appeal, by order of 16 September 2011, overturned the previous order, declaring the suit admissible as limited solely to account overdraft charges applied effective 16 August 2009. The Bank appealed against this ruling before the Court of Cassation, which is expected to pronounce upon the underlying reasons for the appeal.
In parallel, the class action was re-opened before the Court which by order filed on 15 June 2012 established the advertising terms and methods for the joinder of class action participants, setting the date of the hearing for continuation of the proceedings as 14 March 2013.
As at 28 January 2013, the deadline for submission of applications for joinder, there were only 104 participants. Given the insignificant number of participants, the potential risk linked to the class action may be deemed substantially eliminated.
With respect to the merits of the dispute the Bank has developed valid arguments in support of the legitimacy of the account overdraft charge, which result in the reasonable belief in a positive outcome of the dispute, for which a ruling is expected in 2014.

Angelo Rizzoli lawsuit - In September 2009, Angelo Rizzoli filed suit against Intesa Sanpaolo (as the successor of the former Banco Ambrosiano) and four other parties seeking a finding of nullity for the transactions undertaken between 1977 and 1984 alleged to have resulted in a detrimental loss of the control that he would have exercised over Rizzoli Editore S.p.A. and claiming compensation in an amount ranging from 650 to 724 million euro according to entirely subjective damage quantification criteria.
Rizzoli's claims, in addition to being without foundation on the merits due to the lack of a breach of the provision that prohibits preferential collateral rights argued to have occurred in the transactions whereby Rizzoli Editore S.p.A. was transferred, are also inadmissible at a preliminary procedural level, as held by the Bank in its motion of appearance, on the grounds that the Milan Court of Appeal had already decided the matter in its judgment of 1996, which has become res judicata, as well as that Rizzoli lacked an interest to sue due to prescription of claims for compensation or restitution and usucaption by third parties.
In a judgment filed on 11 January 2012, the Court of Milan granted the preliminary objections of prescription and change into res judicata of the subject of the dispute and rejected the claims brought by Angelo Rizzoli, sentencing him to compensate Intesa Sanpaolo for expenses and frivolous litigation.
In February 2012 the plaintiff filed an appeal and, in relation to his request for suspension of the enforceability of the first instance ruling, the Court of Appeal granted the suspension of solely the frivolous litigation conviction. The lawsuit has been postponed to 21 October 2014 for an evidentiary hearing.

Allegra Finanz AG litigation – On 31 January 2011, Allegra Finanz AG and other international institutional investors sued Intesa Sanpaolo and Eurizon Capital SGR, along with six other major international financial institutions, before the Court of Milan. The claimants are seeking compensation of approximately 129 million euro due to the losses they sustained as a result of various investments in bonds and shares issued by Parmalat Group companies.
According to the claimants, those investments were allegedly undertaken under the assumption that the issuers were solvent, an assumption deliberately fabricated by the banks named as defendants in the suit, which are alleged to have acted in various capacities and ways to permit the Parmalat Group to survive, despite an awareness of its state of insolvency.
Intesa Sanpaolo's involvement is claimed to derive from a private placement of 300 million euro by Parmalat Finance Corporation BV, fully underwritten by Morgan Stanley and placed with Nextra in June 2003, a transaction that subsequently gave rise to disputes with the Administration procedure to which the Parmalat Group companies were subject and a settlement between the Administration procedure and Intesa Sanpaolo (which succeeded Nextra due to the subsequent corporate events affecting the latter).
Intesa Sanpaolo raised a number of objections at a preliminary level and on the merits (including the lack of a causal relationship between the actions attributed to Nextra and the loss claimed by the claimants, considering their capacity as professional operators and the speculative nature of the investments undertaken).
After ruling on the various preliminary issues raised by the defendants (also declaring the proceedings against Eurizon Capital SGR to be dismissed), the judge initiated the preliminary investigation phase.
The claimants' claims are believed to be without foundation.
With order of 30 January 2013, the judge rejected all the claimants' preliminary motions and postponed the proceedings to 16 September 2014 for an evidentiary hearing.

Relations with the Giacomini Group – Starting from May 2012, certain media outlets published news of criminal investigations of members of the Giacomini family (which controls the industrial group of the same name) and other individuals in connection with possible illegal exportation of capital and other related offences.
In further detail, it was brought to light that the Public Prosecutor's Offices of Verbania and Novara have initiated investigations of possible tax offences committed by the Giacomini family and their advisors, and the Public Prosecutor's Office of Milan is investigating possible complicity in money-laundering by certain of the Giacominis' financial advisors and the CEO of the Luxembourg subsidiary, Société Européenne de Banque (SEB), as well as the latter company itself pursuant to Legislative Decree no. 231/2001.
In regard to this matter, the Bank has conducted internal inspection reviews to reconstruct the facts, including in reference to a loan disbursed by SEB in December 2008 in the amount of 129 million euro to Alberto Giacomini's family in the context of a family buy-out transaction. No significant irregularities have emerged so far in relation to this.
To date, the records of the investigating authorities of which Group companies have been made aware do not permit an evaluation of the existence of liability, and thus of risks and charges.

Dispute relating to the acquisition of Bank of Alexandria - In 2006 Sanpaolo IMI acquired from the Egyptian government an 80% investment in Bank of Alexandria, as part of the government privatisation programme launched in the 1990's. In 2011, two proceedings were initiated before the Administrative Court of Cairo, by two private entities against several members of the previous government, aimed at the cancellation of the administrative measure for privatisation and the resulting deed of purchase and sale, based on alleged irregularities in the administrative process and the alleged unfairness of the share transfer price.
Bank of Alexandria has intervened in both proceedings to fight the lawsuits, claiming the lack of jurisdiction of the administrative judge in the pre-trial proceedings and the groundlessness of the opponents' claims on the merits. Concerning the latter aspect, it has been inferred, with the support of suitable documentation, that the privatisation procedure was conducted correctly and - contrary to the opponents' allegations - in the form of public auction, with the participation of numerous international banks, as a result of which Intesa Sanpaolo was judged as the best bidder. The two proceedings, which are going forward at the same time and have been subject to numerous postponements and slowdowns, are currently in the preliminary investigation phase.
As things stand, and in consideration of the current phase of the proceedings, there are no critical issues in view with regard to the problems which are the focus of the disputes.
The lawsuits are constantly monitored by the Parent Company, also in terms of possible developments of the reference scenario.

Judicial and administrative proceedings involving the New York branch - During 2012 the criminal investigation instigated by the New York District Attorney's Office and the Department of Justice aimed at verifying the methods used for clearing through the United States of payments in dollars to/from countries embargoed by the US government in the years from 2001 to 2008, an update on which has been provided each year, was concluded in the Bank's favour in 2012.
As regards the transactions (the handling of bank transfers in dollars through the SWIFT interbank payments service, cleared through US banks), the Bank was also subject to assessments by the OFAC (Office of Foreign Assets Control), the authority of the United States Department of the Treasury responsible for foreign exchange control. As a result of these assessments, the Bank agreed to pay a fine of 2.9 million euro due to the acknowledgement of the commission of a small number of administrative errors during the period 2004-2007.
The transactions in question remain subject to the scrutiny of the FED and the New York State Department for Financial Services. The related proceedings are still pending and, at present, it is not possible to forecast its outcome or assess the risk of penalties.

Alberto Tambelli Lawsuit - In January 2013 – before the Milan Court of Appeal – Alberto Tambelli summarised a judgment of the Court of Cassation, claiming compensation for damages in terms of lost earnings for a total of approximately 110 million euro. The proceedings originate from futures transactions performed in 1994 with the Milan branch of the former Banca Popolare dell'Adriatico (now Banca dell'Adriatico) resulting in a capital loss for Mr. Tambelli. On termination of both levels of proceedings brought against the Bank, Mr. Tambelli obtained reimbursement of the damages suffered but both the Ordinary Court and the Milan Court of Appeal denied compensation for other damages associated with loss of earnings which, in Mr. Tambelli's opinion, could have been achieved in the period in which he was deprived of availability of the sums lost in the aforementioned financial transactions. The Court of Appeal judgment was challenged by both parties before the Court of Cassation, which by decision dated 1 October 2012 rejected the Bank's appeal, thereby finalising the order to compensate damages resulting from the loss of capital invested (which had in any event already been paid to Mr. Tambelli in 2004) and, vice versa, accepted Mr. Tambelli's claim, considering that – unlike the decision of the Milan Court of Appeal – the further claims for compensation for loss of earnings were not time-barred and their merits could therefore be assessed in new proceedings before a different bench by the Milan court.
As a result of the corporate affairs affecting Banca Popolare dell'Adriatico, the new proceedings were brought against Intesa Sanpaolo, as universal successor to Banca dell'Adriatico, and also against the latter as specific successor of the former bank.
At the hearing of 23 April 2013, the judge, without considering Mr. Tambelli's preliminary claims, ordered the case to be decided by the Bench and set the date for the evidentiary hearing as 9 February 2016.
As the lawsuit is deemed lacking in grounds no provisions have been made.

Interporto Sud Europa (ISE) lawsuit against Banco di Napoli - With write of summons served on 28 December 2013, Interporto Sud Europa (ISE) summoned Banco di Napoli and another bank before the Court of Santa Maria Capua Vetere, calling for them to be jointly ordered to compensate for damages – quantified at 186 million euro - which the plaintiff company allegedly suffered due to the failure to disburse the second tranche of a mortgage loan granted by the two banks to Comes S.r.l. on a 50-50 basis (total of 70 million euro) for the purchase of a shopping centre being built by ISE.
Said company specifically claims that it decided to assume the debt arising from the disbursement of the first tranche (amounting to 35 million euro) of said loan on the condition that the two Banks would regularly disburse the second tranche of the same amount. However, this did not occur, and a subsequent loan of 35 million euro directly applied for by ISE S.p.A. (in exchange for reduction of the original loan from 70 million euro to 35 million euro) was also denied.
This situation allegedly resulted in a serious lack of liquidity for ISE, which, among other effects, allegedly prevented it from selling said shopping centre to third parties at a price of 254 million euro.
Internal assessments are currently underway concerning the implications in terms of risk.

POTROŠAČ litigation against PBZ relating to loans denominated in CHF. In the context of historically low interest rates on assets denominated in Swiss francs (CHF), starting from 2004, numerous Croatian banks have disbursed retail loans in Swiss francs. This practice was immediately appreciated by customers. Therefore, in order to avoid erosion of market share, PBZ also began to offer similar products in February 2005.
Though it was following market trends, PBZ implemented procedures significantly different than those of other banks. In particular, in informing its customers of exchange rate risk, PBZ included specific clauses in its loan contracts which notified customers of the possibility that the amount of their instalments could change due to the volatility of exchange rates.
In February 2008 PBZ was the first bank to cease offering this product. Furthermore, given that the majority of the loans disbursed were long-term residential mortgages (average original maturity between 20 and 25 years), a significant portion of that portfolio is still included in PBZ's financial statements.
In addition to foreign currency, a fundamental characteristic of this loan portfolio is the presence of so-called "administered interest rate", which means that interest rates could be changed at the discretion of the Bank, without a clearly identified underlying index. This type of interest rate was the most common type in the Croation banking sector along with fixed interest

rates. Only with the introduction of the new law on consumer credit administered interest rates were banned for all new loans starting from January 2013. PLZ correctly complied with these law provisions by introducing index-linked interest rates.
As at 31 December 2013, PBZ's retail loans amounted to 24,478 million Kuna (around 3,210 million euro), of which 15%, equal to 3,567 million Kuna (around 468 million euro) is denominated in CHF. The majority of the total exposure in CHF is comprised of home mortgage loans.
Despite the fact that our bank has taken a pro-active approach with its customers, repeatedly offering the option of renegotiating loans in Swiss francs and transforming them into Euro or Kuna (obtaining little response from customers), with write of summons served on 23 April 2012 PBZ was sued by a consumers association (Potrošač), along with other 7 leading Croatian banks (subsidiaries of non-Croatian groups). Extremely in brief, the association called for the banks to be sentenced for:
- not having appropriately informed customers of the risks of an exposure in a foreign currency such as the Swiss franc;
- not having clearly set out in the contracts the rules for determining the interest rate, which the bank could unilaterally change.

On 4 July 2013, in the first instance, the Commercial Court of Zagreb substantially accepted the requests of the consumers association, ordering the banks to transform their receivables into Kuna at the exchange rate at the disbursement date and to a fixed interest rate equal to the interest rate applicable to loan contracts on the date of their subscription.
On 11 July 2013 PBZ submitted an appeal to the High Commercial Court of the Republic of Croatia. The Court may change or confirm the first instance ruling, or send it back to the first instance court for re-examination.
The execution of the first instance ruling is suspended pending the judgement on the appeal.
With the assistance of a leading Croation legal firm, and in line with the other banks involved, PBZ affirmed its conviction that the lawsuit initiatied against the banks is unfounded, and declared that it was optimistic about the approach to defence taken.

Labour litigation
There were no significant cases of labour litigation from either a qualitative or quantitative standpoint as at 31 December 2013. In general, all labour litigation is covered by specific provisions adequate to meet any outlays.

TAX LITIGATION

Overall tax litigation risks of the Group are covered by adequate provisions to allowances for risks and charges.
The Parent Company is a party to 217 litigation proceedings, in which a total of 879 million euro are at issue, including disputes in both administrative and judicial venues at various instances. The actual risks associated with these proceedings were quantified at 68 million euro at 31 December 2013.
The Group's other Italian companies within the scope of consolidation are parties to tax litigation proceedings in which a total of 629 million euro is at stake at that date, reflected by specific allowances of 32 million euro.
Pending international charges, totalling 5 million euro, are not material in amount when compared to the size of the company involved and the Group. Specific provisions of adequate amount have been recognised to account for the risks associated with such charges.

In general, the checks conducted by the financial authorities in 2013 related to issues raised against other Italian banks as well, i.e. to types of charges which have now become ordinary in certain operating segments and, lastly, to the continuation of investigations launched in previous years concerning other tax years.

With regard to Intesa Sanpaolo, it is important to note the extension to the years 2008 to 2011 of the charges, already arose in 2012 with regard to 2007, concerning a series of transactions implemented for the purpose of capital strengthening by issuing preference shares through international subsidiaries (in the form of LLCs) resident in Delaware (USA). The allegation is that the subordinated deposits in place between the international subsidiaries and the Parent Company can be reclassified as loans, subject to 12.50% final withholding tax pursuant to the last paragraph of art. 26 of Italian Presidential Decree no. 600/1973. The claim related to this case, whose premise should be deemed unfounded, amounts to a total of 82 million euro in unpaid withholding taxes, in addition to 124 million euro in penalties and 13 million euro in interest.

With regard to other Group companies, it is worth noting the charges against Setefi raised by Agenzia delle Entrate (Italian Revenue Agency), following the audit of the accounting and tax treatment of dividends received by the company from VISA Europe Ltd. in the tax period 2008, which considered the reorganisation of the VISA Group in July 2004, alleging that said reorganisation can be treated as a contribution of intangible assets, realising capital gains that were allegedly undeclared and not taxed. This was followed by the notification of two assessment notices, for IRES and IRAP, respectively, for a total of 14 million euro, which, however, are deemed fully illegitimate and unfounded.

In terms of the main outcomes of proceedings during the reporting period, the following is worth mentioning:
- for the Parent Company, a new positive first judgement in relation to the reclassifications by Agenzia delle Entrate of contributions of branches and business lines and the subsequent sale of shares deriving from contributions as a step transaction, equivalent to the transfer of a business line;
- for Leasint, the 100% favourable outcome of the first instance proceedings challenging the unlawful nature of VAT findings for 2005 and 2006 on the issue of the tax rate in nautical lease contracts.
  Equivalent to the judgment against the Parent Company indicated above, this specific outcome is also worth mentioning, even though in both cases this litigation relates to the marginally insignificant amount of 7 million euro, but are related to charges which are highly significant as a whole, given their serial nature;
- for Centro Leasing S.p.A., two negative rulings, issued respectively by the Provincial Tax Committee in relation to 2006 and the Firenze Regional Tax Committee, which overturned the positive result of the first instance proceedings for 2004 and 2005, regarding the question of real estate leaseback transactions performed by the company, which, in the tax audit of the years 2003 to 2007 were claimed to be a misuse of a right. These rulings concluded with the forecast of a total claim of 56 million euro for additional IRES, IRAP and VAT, in addition to penalties and interest. The assessments said decisions refer to amount of 11 million euro and 16 million euro, respectively.

Using dispute settlement mechanisms, at the end of December 2013 Banca IMI settled the dispute concerning "misuse of a right" involving the sales of futures on listed Italian shares carried out as part of market maker operations in 2008, which the financial authorities reclassified as repurchase agreements based on their affirmed circular nature. Also in relation to this position, the decision to settle that litigation was taken, though fully convinced of the groundlessness of the claim, in consideration of the inappropriateness of nurturing litigations that are time-consuming and costly, with a sharp degree of randomness in the specific matter. In the case in point, the tax claim, amounting to 35 million euro (for taxes, withholding taxes and penalties) was settled with a payment of 3 million euro.

* * *

Out of the total cases of tax litigation pending as at 31 December 2013, at Group level 196 million euro is posted to the balance sheet among assets, 159 million euro of which refers to the Parent Company, representing the total amount paid by way of provisional tax collection.

For said cases of litigation, provisions for risks and charges amount to 44 million euro at Group level, of which 29 million euro for the Parent Company.

In this regard, it is important to note that the provisional payments were made in compliance with specific legal provisions, which mandate such payments based on an automatic mechanism completely unrelated to whether the related tax claims are actually founded and, thus, irrespective of the higher or lower level of risk of a negative outcome in the related proceedings. Thus, these payments were made solely based on the administrative deeds that set forth the related tax claim, which does not lose its effectiveness even when appealed, has no suspensive effect and does not add to the assessments of the actual risk of a negative outcome, which must be measured using the criteria set forth in IAS 37 for liabilities.

Potential assets
As far as potential assets are concerned, it is noted that judgment of the Court of Appeal of Rome on 7 March 2013, which has become final, ordered the revocation, due to judicial misconduct, of the judgment issued by said Court of Appeal of Rome on 26 November 1990, which had ordered IMI to pay the heir of entrepreneur Nino Rovelli (who passed away in the meantime) the amount of around 980 billion lira (amount paid to the heir on 13 January 1994: 678 billion lira, net of inheritance taxes and withholding on default interest settled at the time of the judgment).
As a result of the revocation of the judgment, it is now possible for Intesa Sanpaolo - assignee of the rights of Mr. Rovelli's heir - to obtain the refund from the financial authorities of the taxes paid at the time for various reasons following the first judgment, which has now been revoked. Based on the accounting standards, these assets may only be recorded when there is a reasonable certainty that they may be realised.
The recovery of the registration tax applied on the revoked judgment, of the withholding tax applied to the interest on late payment of the amount due to the heir and of the inheritance tax paid by the sole heir is considered reasonably certain. The total amount comes to 128.1 million euro and includes the time presumably necessary for tax recovery.

SECTION 2 – RISKS OF INSURANCE COMPANIES

2.1 INSURANCE RISKS

QUALITATIVE AND QUANTITATIVE INFORMATION

Life business

The typical risks of the life insurance portfolio (managed by Intesa Sanpaolo Vita, Intesa Sanpaolo Life and Fideuram Vita) may be divided into three main categories: premium risks, actuarial and demographic risks and reserve risks.

Premium risks are managed initially during definition of the technical features and product pricing, and over the life of the instrument by means of periodic checks on sustainability and profitability (both at product level and at portfolio level, including liabilities). During the definition of a product, profit testing is used, aimed at measuring profitability and identifying any weaknesses beforehand, by means of specific sensitivity analyses. The issue process for a product involves its prior presentation to the Product Committee in order to take account of and validate its structure and features.

Actuarial and demographic risks arise when an unfavourable trend is recorded in the actual loss ratio compared with the trend estimated when the rate was calculated, and these risks are reflected in the level of "reserves". The loss ratio refers not only to actuarial loss, but also to financial loss (guaranteed interest rate risk). The Company guards against these risks by means of systematic statistical analysis of the evolution of liabilities in its own contract portfolio, divided by risk type, and through simulations of expected profitability of the assets hedging technical reserves.

Reserve risk is guarded against through the exact calculation of mathematical reserves, with a series of detailed checks (for example, checking that all the variables required for the calculation such as yields, quotations, technical foundations, parameters for the supplementary reserves, and recalculation of the value of single contracts are correctly saved in the system) as well as overall verifications, by comparing results with the estimates produced on a monthly basis. Specific attention is paid to checking the correct assumption of contracts, by checking the relative portfolio against the reconstruction of movements during the period, divided by purpose, and checking the consistency of the amounts settled compared with the movements of reserves.

In the tables below show the structure of the mathematical reserves by expiry date, excluding reserves for amounts to be paid and before intercompany netting, and the structure of the guaranteed minimum yield as at 31 December 2013.

(millions of euro)

Breakdown of mathematical reserves of life branch: maturity	Mathematical reserve	%
up to 1 year	2,477	4.10
1 to 5 years	3,784	6.26
6 to 10 years	3,755	6.22
11 to 20 years	1,401	2.32
over 20 years	48,995	81.10
TOTAL	**60,412**	**100.00**

(millions of euro)

Breakdown of risk concentration by type of guarantee	Total Reserves	%
Insurance and investment products with guaranteed annual yield		
0% - 1%	12,996	20.99
from 1% to 3%	37,551	60.64
from 3% to 5%	5,089	8.22
Insurance products	**4,776**	**7.71**
Shadow reserve	**1,509**	**2.44**
TOTAL	**61,921**	**100.00**

The mathematical reserves are calculated on almost the entire portfolio, on a contract-by-contract basis, and the methodology used to determine the reserves takes account of all the future commitments of the company.

The table shows a breakdown by maturity of financial liabilities, before intercompany netting, represented by assets covering commitments arising under unit- and index-linked policies and subordinated liabilities.

(millions of euro)

Breakdown of financial liabilities by maturity	Within 12 months	Over 12 months	Total as at 31.12.2013	Total as at 31.12.2012
Unit linked	580	29,168	29,748	25,522
Index linked	619	480	1,099	1,700
Subordinated liabilities	1	702	703	288
Total	**1,200**	**30,350**	**31,550**	**27,510**

Non-life business

The typical risks of the non-life insurance portfolio (managed through Intesa Sanpaolo Assicura and Intesa Sanpaolo Vita) mainly relate to premium and reserve risks.
Premium risks are managed initially during definition of the technical features and product pricing, and over the life of the instrument by means of periodic checks on sustainability and profitability (both at product level and at portfolio level, including liabilities).
Reserve risk is guarded against through the exact calculation of technical reserves. More specifically, for companies with non-life businesses the technical reserves may be broken down into: premium reserves, claims reserves, profit sharing and reversal reserves, other technical reserves and the equalisation reserve.
With regard to risk assumption, policies are checked when acquired through an automatic system aimed at detecting the underwriting parameters associated with the applicable tariff. The check is thus not only formal, but also substantive, and in particular allows the identification of exposures in terms of capital and limits of liability, in order to verify that the portfolio matches the technical and tariff scheme agreed upon with the sales network.
Subsequently, statistical checks are carried out to verify potentially anomalous situations (such as concentration by area or by type of risk) and to keep under control accumulation at the level of individual persons (with particular reference to policies that provide cover in the accident and health branches). This is also carried out in order to provide the Reinsurance department with suitable indications of the portfolio characteristics in order to prepare the annual reinsurance plan.

The table presents the development of claims by year of generation, broken down into the major business lines of operation, as at 31 December 2013.

(millions of euro)

Development of Claims Reserves	Year of generation/event					
	2009	2010	2011	2012	2013	TOTAL
Reserve amount:						
as at 31/12 generation year N	60	66	69	92	116	
as at 31/12 year N+1	61	60	78	92		
as at 31/12 year N+2	53	54	74			
as at 31/12 year N+3	47	52				
as at 31/12 year N+4	45					
Total claims paid	**43**	**46**	**53**	**52**	**32**	**226**
Claims reserve booked as at 31.12.2013	**2**	**6**	**21**	**40**	**84**	**153**
Final claims reserve for previous years						**9**
Total claims reserve booked as at 31.12.2013						**162**

2.2 FINANCIAL RISKS

ALM and financial risks

In line with the growing focus in the insurance sector on the issues of value, risk and capital in recent years, a series of initiatives has been launched with the objective of both strengthening risk governance and managing and controlling risk-based capital.
With reference to investment portfolios, set up both as coverage of obligations with the insured and in relation to free capital, the Investment framework resolution is the control and monitoring instrument for market and credit risks. The Resolution defines the goals and the operating limits that are needed to distinguish the investments in terms of eligible assets and asset allocation, breakdown by rating classes and credit risk, concentration risk by issuer and sector, market risks (in turn measured in terms of sensitivity to variations in risk factors and Value at Risk).
Investment decisions, portfolio evolution and compliance with operating limits, articulated in diverse types, are discussed, normally on a monthly basis, by specific Investment committees. Setting the risk profile for the insurance company and the associated levels of economic capital, monitoring the risk profile on the basis of reporting by the responsible services, as well as identifying any corrective strategies are discussed during Risk Committee meetings, usually on a quarterly basis.
In order to measure and manage all the underwriting and financial risks together, a simulation tool is used with the objective of measuring the intrinsic value, the fair value of the liabilities and the economic capital. The system is based on a dynamic Asset Liability Management (ALM) model that forecasts stochastically-generated economic scenarios, simulating the evolution of the value of assets and liabilities based on the technical features of the products, the trend in significant financial variables and a management rule which guides investments and disinvestments. This model measures the capital required to cover actuarial and financial risk factors. Among the former, the FAP models risks deriving from the dynamics of an extreme surrendering of policies, from sharp changes in mortality and longevity, and from pressure on costs; among the latter, the FAP takes into consideration stress scenarios over year-long time spans on interest rates, on credit spread and on stock market trends. By means of the ALM system, the process makes it possible to calculate the sensitivity of liabilities with respect to the movements of market risk factors in order to effectively manage the financial assets covering technical provisions.
Any gaps between projected outflows and cash at hand are evaluated on a monthly basis in order to monitor liquidity risk arising from the difficulty of meeting outlay requirements not sufficiently covered by the redemption of investments. The asset and liability maturity profile is evaluated on a monthly basis, seeking to keep the indicators of the average financial duration of these two components in a fixed range of compatibility, so as to ensure that assets are managed consistently with the maturity profile of the corresponding liabilities while also reflecting tactical views and market expectations.

Investment portfolios

As at 31 December 2013, the investment portfolios of Group companies, recorded at book value, amounted to 97,638 million euro. Of these, the part regarding traditional revaluable life policies, the financial risk of which is shared with the policyholders by virtue of the mechanism whereby the returns on assets subject to segregated management are determined, non-life policies and free capital amounted to 59,756 million euro. The other component, whose risk is borne solely by the policyholders, mainly consists of investments related to Index-Linked policies, Unit-Linked policies and pension funds and amounted to 37,881 million euro.
Considering the various types of risks, the analysis of investment portfolios, described below, concentrates on the financial assets used to cover traditional revaluable life policies, non-life policies and free capital.

Financial assets under segregated funds and free capital

In terms of breakdown by asset class, net of loans on policies and positions in derivative financial instruments (-325 million euro at book value) detailed below, approximately 94% of the assets (56,203 million euro) consisted of bonds, whereas assets subject to equity price risk represented approximately 1% of the total and amounted to 875 million euro. The remaining 3,005 million euro (approximately 5%) consisted of investments relating to UCI, private equity and hedge funds.
Investments relating to the free capital of Intesa Sanpaolo Vita and Fideuram Vita amounted to 2,326 million euro (market values, net of current account balances) and had a risk level in terms of Value at Risk (99% confidence level, 10-day holding period) of approximately 90 million euro.

Interest rate risk exposure

The breakdown by maturity of bonds showed 5% short-term (under 1 year), 31% medium-term and 58% long-term (over five years).

(millions of euro)

Financial assets	Book value	%	Duration
Fixed-rate bonds	**50,963**	**84.82**	**5.67**
up to 1 year	2,588	4.31	
1 to 5 years	15,586	25.94	
over 5 years	32,789	54.57	
Floating rate/indexed bonds	**5,240**	**8.72**	**2.16**
up to 1 year	410	0.68	
1 to 5 years	3,014	5.02	
over 5 years	1,816	3.02	
TOTAL	**56,203**	**93.54**	**-**
Equities or similar capital securities	**875**	**1.46**	
UCI, Private Equity, Hedge Fund	**3,005**	**5.00**	
TOTAL AS AT 31.12.2013	**60,083**	**100.00**	

The modified duration of the bond portfolio, or the synthetic financial term of assets, is 5.3 years. The reserves relating to the life policies with profit participation under segregated funds have an average modified duration of 5.7 years. The related portfolios of assets have a modified duration of around 4.8 years.
The sensitivity of the fair value of the portfolio of financial assets to interest rate movements is summarised in the table below which highlights both exposure of the securities portfolio and the effect of positions represented by hedging derivatives which reduce its sensitivity.

(millions of euro)

	Book value	%	Fair value changes due to interest rate fluctuations	
			+100 bps	**-100 bps**
Fixed-rate bonds	50,963	90.69	-2,668	2,783
Floating rate/indexed bonds	5,239	9.32	-103	100
Interest rate risk hedging effect	-6	-0.01	3	-3
TOTAL	**56,196**	**100.00**	**-2,768**	**2,880**

On 19 December 2013, the Board of Directors of Intesa Sanpaolo Vita authorised the termination of the hedging accounting relationship implemented through IRS Morgan Stanley 4.921% 13/06/2037 for a total notional amount of 539 million euro.

Credit risk exposure

The table below sets forth the distribution of the bond portfolio by rating class: AAA/AA bonds represented approximately 6% of total investments and A bonds approximately 4%. Low investment grade securities (BBB) were approximately 82% of the total, while the portion of speculative grade or unrated was minimal (2 %).
With regard to exposure to BBB rated securities, 41,848 million euro was related to bonds issued by the Republic of Italy.

(millions of euro)

Breakdown of financial assets by issuer rating	Book value	%
Bonds	**56,203**	**93.54**
AAA	2,333	3.88
AA	1,057	1.76
A	2,317	3.85
BBB	49,153	81.81
Speculative grade	1,121	1.87
Unrated	222	0.37
Equities or similar capital securities	**875**	**1.46**
UCI, Private Equity, Hedge Fund	**3,005**	**5.00**
TOTAL	**60,083**	**100.00**

The analysis of the exposure in terms of the issuers/counterparties produced the following results: securities issued by governments, central banks and other public entities made up approximately 75% of the total investments, whereas the securities of corporate issuers contributed around 19%.

The sensitivity values of the fair value of the bonds with respect to a variation in the creditworthiness of the issuers, namely a market credit spread shock of ±100 basis points, as at end of 2013, are shown in the table below.

(millions of euro)

	Book value	%	Fair value changes due to credit spread fluctuations	
			+100 bps	-100 bps
Government bonds	45,076	80.20	-2,462	2,582
Corporate bonds	11,126	19.80	-420	398
TOTAL	**56,202**	**100.00**	**-2,882**	**2,980**

Equity risk exposure

The sensitivity of the equity portfolio to a hypothetical deterioration in equity prices of 10% amounts to approximately 87 million euro, as shown in the table below.

(millions of euro)

	Book value	%	Fair value changes due to stock price fluctuations
			-10%
Equities - Financial institutions	242	27.66	-24
Equities - Non-financial companies and other counterparties	633	72.34	-63
TOTAL	**875**	**100.00**	**-87**

Exchange risk exposure

The investment portfolio is not appreciably exposed to foreign exchange risk: approximately 98% of investments are made up of assets denominated in euro. The remaining part hedges the reserves of the insurance policies which lead to payments in foreign currency.

Financial derivative instruments

Financial derivative instruments are used to hedge the financial risks of the investment portfolio or for effective management.
Liquidity risk associated with positions in financial derivative instruments is primarily attributable to plain-vanilla derivatives (chiefly interest rate swaps, constant-maturity swaps and credit default swaps) traded on OTC markets with significant liquidity characteristics and sizes. These instruments are thus also liquid and easily liquidated both with the counterparty with which they were traded and with other market operators.
The table below shows the book values of the financial derivative instruments as at 31 December 2013.

(millions of euro)

Type of underlying	Interest rates		Equities, equity indices, commodities, exchange rates		TOTAL	
	Quoted	Unquoted	Quoted	Unquoted	Quoted	Unquoted
Hedging derivatives	-	-6	-	-	-	-6
Effective management derivatives	-	-280	-	-41	-	-321
TOTAL	**-**	**-286**	**-**	**-41**	**-**	**-327**

The capital losses shown for the hedging derivatives are offset, due to the nature of the instruments, by the capital gains on the positions hedged.

SECTION 3 – RISKS OF OTHER COMPANIES

QUALITATIVE INFORMATION

The risks of other companies are essentially concentrated in the companies Romulus Funding Corporation and Duomo Funding Plc., which are asset-backed commercial paper conduits, originally established to support Intesa Sanpaolo's strategy of offering customers an alternative financing channel via access to the international commercial paper market. The assets originated by customers are concentrated in Duomo, leaving Romulus activity of fund-raising on the U.S. market. Nonetheless, due to an unsuitable rating, the vehicle had difficulties in obtaining funding on the US market through commercial papers. As at 31 December 2013, 2.1 billion euro of the around 2.6 billion euro in securities issued by Romulus had been subscribed by the Parent Company Intesa Sanpaolo.

The risks associated with these entities, and more specifically, the potential interest rate and exchange rate risks arising from the operations of the two companies, must be covered in accordance with the Intesa Sanpaolo Group policy for the management of these risks.

As already indicated for Banking Group risks, risk management performs dynamic hedging on the OTC derivatives market to manage both volatility and interest rate risk, as well as listed derivatives to optimise interest rate strategies.

Companies are not generally permitted to take foreign-exchange positions.

QUANTITATIVE INFORMATION

As at 31 December 2013, the investment portfolio of vehicle Romulus included 2,650 million euro in loans to the vehicle Duomo.

Against those assets, the vehicle issued asset-backed commercial paper (ABCP) with a nominal value of 2.6 billion euro, which, as mentioned above, were almost fully subscribed by the Parent Company Intesa Sanpaolo.

With regard to the portfolio of the vehicle Duomo, at the end of 2013 – in addition to receivables from Group banks for 1,154 million euro – this portfolio includes loans to customers for 1,467 million euro. Of these, 1,237 million euro consisted of structured credit products subscribed in the context of normal customer lending activity, the collateral for which had not shown any sign of impairment as at 31 December 2013. In portfolio, the vehicle also holds quotas of a mutual fund originated by an Intesa Sanpaolo Group company with a value of 44 million euro as at 31 December 2013.

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 (definct) (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.

Part G – Business combinations

SECTION 1 – TRANSACTIONS CARRIED OUT IN THE YEAR

1.1 Business combinations

During the year, no business combinations were undertaken, pursuant to IFRS 3, involving the acquisition of control over businesses or legal entities.

Several extraordinary intragroup transactions were carried out, which are not included in the scope of application of IFRS 3 and had no effects on the Consolidated financial statements. They consisted in transfers of business lines or legal entities between Intesa Sanpaolo Group companies or business combinations (under common control). Since the transfers were recorded in the individual statements of the companies involved, using the continuing valules method, without recognition of any economic effect.

The main intragroup transactions completed during the year concerned:

- the transfer of CIB Investment Fund Management by CIB Bank to Eurizon Capital SA;
- the contribution of PBZ Invest by PBZ to VUB Asset Management;
- the contribution of CIB Investment Fund Management by Eurizon Capital SA to VUB Asset Management;
- the transfer of an interest in VUB Asset Management by PBZ to Eurizon Capital SA;
- the transfer of an interest in Centro Factoring by CR Pistoia e della Lucchesia to Intesa Sanpaolo;
- the partial demerger of Neos Finance to ISP Personal Finance (formerly Moneta);
- the merger by incorporation of Banca dell'Adriatico into CR di Ascoli Piceno (renamed Banca dell'Adriatico);
- the merger by incorporation of Immobiliare Nuova Sede into CR Firenze;
- the merger by incorporation of Zaccherini Alvisi into Immit;
- the contribution of 1 branch from CR Pistoia e Lucchesia to ISP Private Banking and the subsequent purchase of the resulting shares by Intesa Sanpaolo;
- the contribution of 1 branch from CR Umbria to ISP Private Banking and the subsequent purchase of the resulting shares by Intesa Sanpaolo;
- the merger by incorporation of Sudameris into Intesa Sanpaolo;
- the merger by incorporation of Bentos Assicurazioni into ISP Assicura;
- the merger by incorporation of Centrofactoring into Mediofactoring;
- the transfer of a minority interest in ISP Previdenza by CR Firenze to Intesa Sanpaolo;
- the transfer of an interest held in Centro Leasing by Leasint to Intesa Sanpaolo;
- the merger by incorporation of Intesa Sec. 2 into Intesa Sanpaolo;
- the merger by incorporation of Adriano Finance into Intesa Sanpaolo.

Annual changes in goodwill

(millions of euro)

	31.12.2013
Initial goodwill	**8,681**
Increases	**8**
- Goodwill recorded in the year	-
- Positive foreign exchange differences and other changes	8
Decreases	**-4,790**
- Impairment recorded in the year	-4,676
- Disinvestments	-
- Negative foreign exchange differences and other changes	-114
Final Goodwill	**3,899**

For information on the impairment of goodwill, see the contents of Part B of the Notes to the consolidated financial statements.

Goodwill

(millions of euro)

CGUs/Goodwill	31.12.2013	31.12.2012
Banca dei Territori	1,859	5,043
Corporate and Investment Banking	-	867
Eurizon Capital	1,038	1,038
Banca Fideuram	1,002	1,002
International Subsidiary Banks	-	731
Bank of Alexandria (Egypt)	-	-
Pravex Bank (Ukraine)	-	-
Total	**3,899**	**8,681**

SECTION 2 – TRANSACTIONS CARRIED OUT AFTER THE CLOSE OF THE YEAR

2.1 Business combinations

No business combinations have been undertaken since the end of 2013.

Part H – Information on compensation and transactions with related parties

INFORMATION ON COMPENSATION AND TRANSACTIONS WITH RELATED PARTIES

Procedural features

As of 31 December 2012, the Group has applied the "Regulations on the management of transactions with Related Parties of Intesa Sanpaolo S.p.A. and Associated Entities of the Group", approved in June 2012 by the Management Board and Supervisory Board, upon favourable opinion by the Control Committee.
These Regulations take into account both the rules issued by Consob, pursuant to Article 2391-bis of the Italian Civil Code, as well as the supervisory provisions introduced by the Bank of Italy on 12 December 2011 in terms of risk and conflicts of interest by banks and banking groups with respect to "Associated Entities", issued in accordance with Article 53, paragraphs 4 et seq. of the Consolidated Law on Banking and CICR (Interdepartmental Committee for Credit and Savings) Resolution 277 of 29 July 2008.

The Regulations apply to the entire Intesa Sanpaolo Group and govern the dealings with Related Parties of Intesa Sanpaolo and Associated Entities of the Intesa Sanpaolo Group with respect to the following aspects:
- the criteria for identifying Related Parties and Associated Entities;
- the process of analysis, decision-making and information for corporate bodies in connection with transactions with Related Parties and Associated Entities;
- market disclosure for transactions with related parties;
- the prudential limits and obligations for periodic reporting to the Bank of Italy for activities at risk in relation to Associated Entities;
- the rules governing organisational controls and safeguards;
- the general rules for disclosure and abstention for the management of the personal interests of officers, employees and company staff, including other than Associated Entities.

Pursuant to the mentioned Regulations, the following are considered related parties of Intesa Sanpaolo: parties that exercise significant control or influence, subsidiaries and associates, joint ventures, pension funds of the Group, officers and key managers of Intesa Sanpaolo and their close family members and significant shareholdings.

The set of Associated Entities of the Group consists of the Associated Entities of each bank of the Group (including the Parent company) and each significant intermediary monitored with regulatory capital greater than 2% of the consolidated shareholders' equity. The following are considered to be Associated Entities for each significant bank or intermediary monitored by the Group: i) shareholders that exercise control, significant influence or that are required to request authorisation pursuant to Article 19 of the Consolidated Law on Banking or that may appoint a member of the management or strategic supervisory body and the relative corporate groups; ii) subsidiaries, associated companies under joint control and associated companies, as well as the companies controlled by the latter, also jointly with others; iii) corporate officers and their relative close family members up to the second degree and significant shareholdings.
As a form of self-regulation, the Bank has extended the regulations in terms of transactions with related parties, as well as those on activities involving risk and conflicts of interest with respect to Associated Entities, to shareholders of Intesa Sanpaolo and to the relative corporate groups with an equity investment in the Bank's voting capital of over 2%, calculated only based on shares owned or under management. This approach allows closer monitoring of transactions with the main shareholders - by subjecting them to the same requirements for assessment, approval and subsequent disclosure to the Corporate bodies and the market as for transactions with related parties and Associated Entities - and by keeping the risk activities carried out by the Group with said parties within the prudential limits set by the Bank of Italy.

The Regulations set forth the assessment procedures that must be followed by the Parent Company and subsidiary companies when carrying out transactions with Related Parties of Intesa Sanpaolo and Associated Entities of the Group, to ensure appropriateness of the transactions. The Regulations also require detailed examination of the reasons and interests behind the transactions and their effects on the Bank's financials.

In line with the regulations implemented by Consob and by the Bank of Italy, a regime of full and partial exemptions from the application of the regulations is also envisaged.
With regard to decision-making, the procedure distinguishes between:
- transactions involving smaller amounts: with a value of less than or equal to 250,000 euro for individuals and 1 million euro for entities (excluded from application of the regulations);
- less significant transactions: with a value higher than the small-amount thresholds (250,000 euro for individuals and 1 million euro for entities) but lower or equal to the most significant thresholds indicated below;
- more significant transactions: with a value higher than the threshold of 5% of the indicators defined by Consob and by the Bank of Italy (approximately 2 billion euro for Intesa Sanpaolo);
- strategic transactions pursuant to the Articles of Association;
- transactions attributed to the shareholders' meeting, in accordance with the law or with the Articles of Association.

In the process of approval of transactions with Related Parties of Intesa Sanpaolo and Associated Entities of the Group, an important role is reserved for the Related Party Transactions Committee, which has been established within the Supervisory Board and is composed of 3 effective members and one alternate, who meet the independence requirements laid down in the Corporate Governance Code of Listed Companies. The Related Party Transactions Committee can make use of independent experts, where considered appropriate, according to the degree of importance of the transaction, its specific economic or structural characteristics and the nature of the related party or associated entity.
For more significant or strategic transactions, the Committee must be promptly involved in the analysis and negotiation phases, receiving a complete and timely flow of information, with the right of the Committee to request additional information and make observations.
All transactions – that are not exempt based on the Regulations – undertaken by the Parent Company with one of its Related Parties or Associated Entities are subject to approval by the Management Board upon recommendation by the Related Party Transactions Committee, and, for strategic transactions, authorisation of the Supervisory Board is also required.
The Regulations envisage specific controls in cases where the Management Board approves a more or less significant transaction and the Supervisory Board authorises a strategic transaction, despite the negative opinion of the independent Committee.

Transactions undertaken by subsidiaries with Related Parties of Intesa Sanpaolo and Associated Entities of the Group must be approved by the Board of Directors of the subsidiaries concerned, subject to prior authorisation from the Parent Company released in accordance with the procedure described above.

The Regulations also define the general criteria for the information to be provided, at least quarterly – also pursuant to Article 150 of the Consolidated Law on Finance – to the Management Board and by the latter to the Supervisory Board regarding transactions with Related Parties and Associated Entities completed in the reference period by the Parent Company or by its subsidiaries. All of the above is aimed at providing a complete overview of the transactions of greater importance, as well as the volumes and the main features of all those delegated. Reports must include all transactions, even if exempt from the decision-making procedure, for amounts greater than the small-amount thresholds. Bank funding transactions carried out at market or standard conditions and intragroup loans and bank funding are excluded from this requirement (provided they do not regard a subsidiary with significant interests of another Related Party or Associated Entity and do not present market or standard conditions). For ordinary intragroup transactions at market conditions, reporting is on an aggregate annual basis.

Lastly, each Italian subsidiary bank, as direct recipient of the Bank of Italy's supervisory regulations, in addition to having adopted the "Group regulations on the management of transactions with Related Parties of Intesa Sanpaolo S.p.A. and Associated Entities of the Group", has adopted an additional set of specific rules and procedures.
Transactions undertaken by Italian subsidiary banks with Associated Entities of the Group that have not been considered exempt must, subject to authorisation by the Parent Company, be approved by the relative Board of Directors, upon obtaining the opinion of a Committee of independent directors set up within the Board of Directors of the bank itself. Furthermore, specific reporting rules apply to transactions by the Bank's Bodies.

For the sake of completeness, note that the Italian banks of the Intesa Sanpaolo Group are required to apply Article 136 of the Consolidated Law on Banking, that requires the adoption of a more thorough decision-making procedure (unanimous decision by the management body and favourable vote of members of the control body) in order to allow the bank officers to contract obligations, directly or indirectly, with the bank of which they act as officers.
In Intesa Sanpaolo, the special decision-making procedure set forth in Article 136 of the aforementioned law – even regarding Related Parties or Associated Entities – requires a prior resolution adopted unanimously by the Management Board, with the unanimous approval of the members of the Supervisory Board. Without the approval of all the members of the control body, it is strictly prohibited for the transaction in question to go ahead.

Furthermore, the requirements envisaged by the Italian Civil Code regarding the personal interests of Directors are confirmed, insofar as Article 2391 requires each Board Member to report every instance of interest possessed, on his/her own name or through third parties, that may be significant in carrying out his/her function, with reference to a specific transaction. In accordance with the abovementioned provision, the Management Board has jurisdiction over decisions regarding transactions – including those with Related Parties – in which the Managing Director possesses an interest on his/her own account or through a third party and must therefore abstain from the decision, entrusting the board as per Article 2391 of the Italian Civil Code.

1. Information regarding compensation of Supervisory and Management Board Members and Managers with strategic responsibilities

The following table shows the amounts of the compensation paid in 2013 to Supervisory and Management Board Members and the General Managers of the Parent Company and of fully consolidated companies, as well as the compensation paid to other Key Managers of the Parent Company who fall within the notion of "related party". This also includes the maximum amounts of the variable portion of remuneration which shall be paid in cash and/or shares of the Parent Company, based on the Group's remuneration and incentive policy, subject to the verification of achievement of the assigned targets and the decisions of the competent bodies of the Parent Company.

(millions of euro)

	Supervisory Board/ Statutory Auditors (1)		Management Board/ (2)		Other managers (3)		TOTAL as at 31.12.2013	
	Compensation to be paid	Compensation paid	Compensation to be paid	Compensation paid	Compensation to be paid	Compensation paid	Compensation to be paid	Compensation paid
Short-term benefits (4)	13	10	19	17	33	33	65	60
Post-employement benefits (5)	-	-	-	-	2	2	2	2
Other long-term benefits (6)	-	-	-	-	-	-	-	-
Termination benefits (7)	-	-	-	-	7	3	7	3
Share-based payments (8)	-	-	-	-	-	-	-	-
Total	**13**	**10**	**19**	**17**	**42**	**38**	**74**	**65**

(1) Figures referring to 230 positions

(2) Figures referring to 375 positions. The table does not include approximately 2 million euro relating to 103 positions on the Boards of Directors (or similar bodies), as this was fully transferred to other Group Companies

(3) Figures referring to 81 positions. The table does not include approximately 6 million euro relating to 20 General Manager positions (or similar positions), as this was fully transferred to other Group Companies

(4) Includes fixed and variable remuneration of Directors that may be treated as equivalent to labour cost and social security charges paid by the company for its employees

(5) Includes company contribution to pension funds and provisions for employee termination indemnities pursuant to law and company regulations

(6) Includes an estimate of provisions for employee seniority bonuses

(7) Includes benefits due under the employment contract for termination of employment

(8) The cost refers to the variable portion of remuneration to be paid in Intesa Sanpaolo shares

For detailed information on remuneration policies, pursuant Art. 123 ter of the Consolidated Law on Finance, refer to the separate document "Report on Corporate Governance and Ownership Structures – Report on Remuneration", approved and published together with these financial statements, which sets forth data previously reported in the financial statements, specifically:

– a detailed indication of the compensation paid to Supervisory and Management Board Members and General Managers and, in aggregate, Key Managers, as well as the stock option plans reserved for Management Board Members, General Managers and Key Managers;
– the details and the evolution of the stock option plans relative to Key Managers;
– Parent Company's and subsidiary companies' shares held by Supervisory and Management Board Members, General Managers, Key Managers and other associated entities.

2. Information on transactions with related parties

More significant transactions

During the year the Parent Company did not carry out any transactions that qualified as non-ordinary "more significant transactions" at non-market or non-standard conditions that would have resulted – in accordance with the Intesa Sanpaolo Group Regulations on the management of transactions with related parties – in an obligation to publish a market disclosure document.

More significant intragroup transactions

With regard to more significant intragroup transactions – exempt, pursuant to the aforementioned internal Regulations, from the special decision-making procedure and from the obligation to publish a market disclosure document, unless other related parties hold significant interests in the subsidiary – several securitisation transactions took place during the year, as well as transactions aimed at the issue of Covered Bonds. These transactions are described in the Notes to the consolidated financial statements – Part E – Information on risks and relative hedging policies, to which reference is made. Note that more significant transactions are those that exceed the threshold of 5% of consolidated regulatory capital (approximately 2 billion euro for the year for Intesa Sanpaolo) or of the other indicators defined by the Consob regulation.

Transactions of ordinary or recurrent nature

Ordinary or recurring transactions entered into with related parties fall within the scope of the Group's ordinary activities and are usually entered into at market conditions, based on valuations of mutual economic convenience, in line with the internal procedures mentioned above.
Receivable and payable balances with related parties as at 31 December 2013 within the consolidated accounts – other than those intragroup – amount to a total that is insignificant compared to the size of the Bank's capital base. Likewise, the weight of income and charges with related parties on consolidated operating margin is insignificant.
The scope of the "related parties" considered for the purposes of the tables in this section has been extended, effective 1 January 2011, in accordance with IAS 24.

	31.12.2013 Amount (millions of euro)	31.12.2013 Impact (%)
Total financial assets	4,838	0.8
Total other assets	110	0.7
Total financial liabilities	1,191	0.3
Total other liabilities	241	0.1

	31.12.2013 Amount (millions of euro)	31.12.2013 Impact (%)
Total interest income	176	1.0
Total interest expense	-8	0.1
Total fee and commission income	108	1.5
Total fee and commission expense	-35	2.2
Total operating costs	-211	2.5

During the year, there were no provisions for non-performing loans related to balances with related parties and no losses were registered in the period in connection with uncollectible or non-performing loans or debt instruments due from related parties, with the exception of 71 million euro related to associates and companies subject to joint control.
In the consolidated financial statements 2013, adjustments/impairment losses were recorded on the subsidiaries: Telco S.p.A. for 92 million euro, Alitalia-Compagnia Aerea Italiana S.p.A. for 61 million euro, Nuovo Trasporto Viaggiatori S.p.A. for 13 million euro, Euromilano S.p.A. for 7 million euro, Immobiliare Novoli for 6 million euro, Autostrada Pedemontana Lombarda for 6 million euro, Aeroporti Holding Srl for 3 million euro, Noverca Italia Srl for 3 million euro and other lesser impairment losses on other investments in associates. Please refer to Part C – Income Statement – Section 16 of the Consolidated Financial Statements for more information on the income (loss) of associates.

For Pension Funds in which Group Companies are co-obliged by virtue of guarantees given, during the year provisions were made for the settlement of the technical imbalance of said Funds, as indicated in the Notes to the consolidated financial statements – Part B – Information on the consolidated balance sheet – Liabilities, Point 12.3 Post employment defined benefit plans, to which reference is made. Allowances for risks and charges include the provisions made against any outstanding or probable disputes.

The table below sets out the main terms of reference of transactions with each category of related party, as classified by IAS 24, net of intragroup operations. Please see the previous paragraph for information on compensation to Supervisory and Management Board Members, General Managers and Key Managers, as well as information on Shareholders and their corporate groups (subsidiaries, parent companies and companies subject to joint control) with an equity investment with voting rights in the Bank of over 2% (calculated considering only shares owned), included as a form of self-regulation. With regard to Equity investments, please see the tables in the Notes to the Parent Company's financial statements – Part B – Information on the Parent Company's balance sheet – Assets – Section 10.
The table does not, however, show the impact of related party transactions on the Group's cash flows, as this was not significant.

(millions of euro)

	Financial assets held for trading	Financial assets designated at fair value through profit and loss	Financial assets available for sale	Investments held to maturity	Due from banks	Loans to customers	Other financial assets	Due to banks	Due to customers	Financial liabilities held for trading	Other financial liabilities	Guarantees given/ received and commitments
Subsidiaries not consolidated on a line-by-line basis	1	-	-	-	-	9	3	-	139	1	3	1
Companies subject to joint control and their subsidiaries	10	-	4	-	-	130	-	2	64	-	1	388
Associates and their subsidiaries	327	44	381	-	-	3,417	88	9	303	241	47	3,497
Managers, Key Managers and their related parties	-	-	-	-	-	11	-	-	15	-	-	18
Pension funds	-	-	-	-	-	1	2	-	150	-	187	-
Total	**338**	**44**	**385**	**-**	**-**	**3,568**	**93**	**11**	**671**	**242**	**238**	**3,904**
Shareholders (*)	166	8	100	-	103	126	17	13	253	1	3	254

(*) Shareholders and their groups that hold a stake in the Bank's voting share capital exceeding 2% (calculated considering only shares owned).

Relations between the Intesa Sanpaolo Group and Bank Managers refer to the Group's normal business activities and are defined applying, where conditions recur, the terms reserved to all employees, in full respect and transparency of terms applied, or, in relation to independent professionals with which a term contract exists, applying the terms reserved to professionals of similar standing, in full compliance with relevant regulations. Concerning transactions with subsidiaries not consolidated on a line-by-line basis and transactions with associates, please note that these are normal internal business activities of a multifunctional banking group.
The group's most significant associates and the companies controlled by them, as envisaged by the version of IAS 24 in force from 1 January 2011, are A4 Holding S.p.A., Bank of Qingdao Co Ltd, Autostrade Lombarde S.p.A., NH Italia S.p.A., Lauro Sessantuno S.p.A., Penghua Fund Management Co Ltd, NH Hoteles S.a., Cassa di Risparmio di Fermo S.p.A., Autostrada Pedemontana

Lombarda S.p.A., LKS S.a., Pirelli & C S.p.A., GCL Holdings LP S.a.r.l., A.I.2 S.r.l., IREN S.p.A., Termomeccanica S.p.A. The main companies subject to joint control (joint ventures) include Allfunds Bank SA. Discontinued investments include SIA S.p.A..
A detailed list of unconsolidated subsidiaries and companies subject to significant influence as at 31 December 2013 is provided in the Notes to the consolidated financial statements (Part B – Assets – Section 10).
For further information on the transactions entered into by the Parent Company, see the corresponding paragraph in the Notes to the Parent Company's financial statements.

Less significant transactions

Some less significant transactions concluded during 2013 by the Parent Company or subsidiaries with related parties are reported below.
Transactions during the year undertaken with bank managers, their close family members and entities controlled by them, were attributable to the Intesa Sanpaolo Group's normal operations and were fully compliant with applicable legislation.
In the year, the Group granted credit facilities to the Group's Shareholders and Pension Funds, at market conditions, in order to support ordinary operations.

Specific transactions

As for the Group's most significant dealings with associates and companies controlled by them during the period, loans were granted to the Euromilano Group, the Termomeccanica Group, the Iren Group, the Autostrade Lombarde Group and the subsidiary Società di Progetto Autostrada Diretta Brescia Milano, Autostrada Pedemontana Lombarda S.p.A., the Telco Group, the RCN Finanziaria Group, the Sirti Group, the Prelios Group, the Tronchetti Provera Group (and the subsidiary Lauro Sessantuno S.p.A.), Manucor S.p.A., Alitalia Compagnia Aerea Italiana S.p.A., Immobiliare Novoli S.p.A., Tangenziale Esterna S.p.A., Limacorporate S.p.A. and other minor companies. All transactions were carried out at market interest rates.
With reference to Alitalia, the following points are worthy of note:
- the Intesa Sanpaolo Group subscribed a Convertible Bond for 16 million euro;
- a capital increase was subscribed for 26 million euro;
- the participation in the underwriting syndicate which, in addition to the commitment to underwrite any unsubscribed shares up to 50 million euro, provides for the commitment for the guarantors to advance (in relation to Alitalia's amounts immediately required), through a payment for a future Alitalia capital increase, the amounts subscribed and paid by shareholders from time to time. In its capacity as guarantor, the commitment for Intesa Sanpaolo was equal to a maximum amount of 50 million euro. Alitalia capital increase ended with the parent company subscribing 50 million euro of the guaranteed unopted shares.
- extension to 30 June 2015 of the credit line issued by Banca Imi for substitution risks equal to 105 million euro for transactions in derivatives, commodities, rates and foreign exchange.

Following the capital increase fully conducted on 23 December 2013 (deposit date 27 December) and the conversion of the Convertible Bond ended on 10 January 2014, Intesa Sanpaolo holds a 19.21% direct interest plus the indirect interest through Ottobre 2008 S.r.l. equal to 1.38%.

As part of the transactions for the underwriting of equity investments and other capital measures, capital increase or future capital increase subscriptions are reported towards: Lauro Sessantuno S.p.A., Autostrade Lombarde S.p.A., A4 Holding S.p.A., Mir Capital Sca Sicar, Nuovo Trasporto Viaggiatori S.p.A., Fenice S.r.l., Tangenziali Esterne di Milano S.p.A., Tangenziale Esterna S.p.A., Euromilano S.p.A., Be Think Solve Execute S.p.A., Intesa Sanpaolo Brasil Consultoria, Ottobre 2008 S.r.l., and other minor associates (in addition to Alitalia, as already mentioned).
In relation to the subsidiary Euromilano, in particular, the recapitalisation transaction is reported for a total of 25 million euro, with the pro-rata amount for the Parent Company equalling 9.5 million euro, subdivided into several tranches and according to methods to be defined. The first tranche of this recapitalisation (totalling 13 million euro and occurred during 2013) entailed total payments for the Parent Company that are equal to its pro-rata amount of 4.6 million euro. Within the framework of the transaction to increase the capital of Prelios S.p.A and the establishment of Newco Fenice S.r.l., set up with the objective of the reserved subscription of the new class B shares issued by Prelios S.p.A, two payments are reported:
- the first payment of 2.3 million euro, in order to capitalise the newco Fenice S.r.l. to allow the disbursement of a bridge loan totalling 20 million euro to Prelios S.p.A. This loan was subsequently redeemed by class B shares issued following the subscription of the capital increase;
- the second payment of 5.8 million euro for the Newco Fenice to be able to subscribe the reserved capital increase of Prelios S.p.A.

With respect to Autostrade Lombarde S.p.A., the Parent Company undertook obligations towards the subsidiary for an amount of 45 million euro in relation to its requirements.
On 25 November, after signing the shareholders' agreements relating to Tangenziali Esterne di Milano S.p.A. (TEM), Tangenziale Esterna S.p.A. (TE) and Autostrade Lombarde S.p.A., the joint control of the Parent Company over TEM and TE emerged. On 3 December, following the subscription of TEM's capital increase for about 11 million euro, the stake held rose to 17.5%. On 20 December Intesa Sanpaolo undertook commitments towards Tangenziale Esterna S.p.A. totalling 23 million euro, broken down as follows:
- 15 million euro in the form of a subordinated loan to be paid to TE during 2014-2015,
- 6 million euro relating to a capitalisation commitment in the form of equity or subordinated loan requested by the lending banks of TE to guarantee the positive performance of the project and 2 million euro requested as guarantee should extra costs arise.

As part of the transaction to rationalise the ownership structures of Camfin S.p.A., already described in the Consolidated Half-yearly Report as at 30 June 2013, with reference to the takeover bid promoted by the vehicle company Lauro Sessantuno S.p.A. on the issuing company Camfin, worth mentioning is the release of a Cash Confirmation Letter for a total amount of up to 254 million euro, 50% of which is on Intesa Sanpaolo's account.

During 2013 the Parent Company paid 74 million euro for the subscription of the capital increases promoted by Lauro Sessantuno and collected 9 million euro from the sale of the entire package of Camfin shares held as part of the participation in the takeover bid. Camfin's shares were delisted on 30 October.
At the end of these transactions, the share held by Intesa Sanpaolo S.p.A. in Lauro Sessantuno equalled 18.85%.
Furthermore, Banca Imi received a remuneration of 7.5 million euro for consultancy services rendered in the process to acquire Camfin.

Concerning the subsidiaries and with reference to the Emisys initiative (formerly Mezzanove Capital II), on 16 September 2013 the Sponsor Vehicle Themys Investimenti S.p.A. was established, 50% of which is held by Imi Investimenti. Subsequently to the entry of the company Themys in the company register, a divisible capital increase was resolved for a total amount of 40 million euro (of which 1 million euro as capital and 39 million euro as share premium), which will be subscribed from time to time and paid pro quota by the shareholders based on the requests of the Emisys Fund. As a consequence, IMI Investimenti is called upon to subscribe a capital increase totalling 20 million euro, partly already paid during 2013.
Imi Investimenti also granted the Sponsor Vehicle (Themys Investimenti S.p.A.) a loan totalling a maximum of 30 million euro backed by a pledge on the shares of the Sponsor Vehicle held by Fineurop Partecipazioni and the quotas of the Emisys Fund.

In addition, the Shareholders' agreement relating to Prelios S.p.A. and subscribed by Intesa Sanpaolo together with Camfin and Massimo Moratti was dissolved on 31 October 2013. This dissolution means the loss of Intesa Sanpaolo S.p.A.'s significant influence over Prelios, which leaves the scope of the related parties as a consequence.
The same result derives from the dissolution of the Voting Syndicate (dissolved in advance on 30 October 2013, when it no longer produced effects) with RCS Mediagroup S.p.A.

With a view to simplifying the international equity investment portfolio, effective from 31 December 2013, the reverse merger by incorporation of Intesa Sanpaolo Serviços and Empréendimentos Ltda. into Intesa Brasil Empréendimentos S.A. was carried out, in addition to the transformation of the company deriving from this transaction into a limited liability company (Ltda), with the full adoption of the current Articles of Association of the above mentioned Intesa Sanpaolo Serviços Empréendimentos. The name of the new company is Intesa Sanpaolo Serviços Empréendimentos Ltda.

On 30 June an agreement was signed between Intesa Sanpaolo Group Services S.c.p.A. and BE Solutions Solve Realize & Control S.p.A. relating to the acquisition of services and the creation of IT projects, managerial and strategic consultancy, back-office services for the three-year period from 1 July 2013 to 30 June 2016 with an overall expense estimated at 30 million euro.

With respect to transactions with Shareholders with stakes exceeding 2% of the Bank's voting capital (to which the provisions governing transactions with related parties were extended as a form of self-regulation, subjecting them to the same assessment and approval procedure as applied to transactions with related parties), there are no transactions to report, in addition to ordinary lending transactions.
For information purposes, the sales on the market of the entire share package held by Intesa Sanpaolo S.p.A in Assicurazioni Generali S.p.A is worth noting. These sales, generating a profit of 84 million euro, were preceded by the impairment of the stake for a total of 58 million euro.
Additional information on the Intesa Sanpaolo Group's reorganisation operations is provided in Part G of the Notes to the consolidated financial statements and of the Notes to the Parent Company's financial statements.

Part I – Share-based payments

A. QUALITATIVE INFORMATION

1. Description of share-based payments

1.1. Incentive Plan based on financial instruments

The Provisions regarding remuneration and incentive policies and practices in banks and in banking groups issued on 30 March 2011 required, inter alia, that a portion of incentives paid (50%) to "Risk Takers" be granted through the assignment of financial instruments, over a multi-year time horizon.
As a result:

– with regard to the results for 2011, and in implementation of the Shareholders' Meeting resolution of 28 May 2012, on 26 June 2012 the Intesa Sanpaolo Group totally purchased - through Banca IMI, in charge of the programme execution - 12,894,692 Intesa Sanpaolo ordinary shares (representing approximately 0.08% of the ordinary share capital) at an average purchase price of 0.97969 euro per share, for a total value of 12,632,743 euro.
– with regard to the results for 2012, and in implementation of the Shareholders' Meeting resolution of 22 April 2013, on 8 October 2013 the Intesa Sanpaolo Group totally purchased - through Banca IMI, in charge of the programme execution - 8,920,413 Intesa Sanpaolo ordinary shares (representing approximately 0.06% of the ordinary share capital) at an average purchase price of 1.72775 euro per share, for a total value of 15,412,287 euro.

The above Shareholders' Meetings also authorised the sale on the regulated market of any shares exceeding requirements, or their retention for any future incentive plans.
The above shares shall be assigned to the beneficiaries in compliance with the implementing regulations set forth in the above incentive system. Generally, according to these regulations, the beneficiaries must remain in service up to the time the shares are actually delivered to them, and the deferred portion (either in cash or in financial instruments) of the incentive is subject to an ex-post correction mechanism – the "malus condition" – according to which the relative amount paid and the number of shares assigned, if any, may be reduced by the level of achievement, in the year to which the deferred portion refers, of specific income statement-balance sheet targets which measure the sustainability of the results achieved over time.

B. QUANTITATIVE INFORMATION

Incentive plans based on financial instruments in 2013

	Number of shares	Average strike price (euro)	Residual life
Financial instruments outstanding as at 31 December 2012	12,404,089	-	March 2014 / June 2016
Financial instruments granted during the year	10,515,938	-	March 2015 / June 2017
Financial instruments no longer assignable [(a)]	1,470,677	-	March 2014 / June 2017
Financial instruments vested during the year and assigned	-	-	-
Financial instruments outstanding as at 31 December 2013	21,449,350	-	March 2014 / June 2017
of which: vested and assigned as at 31 December 2013	-	-	-

[(a)] Shares no longer deliverable to beneficiaries due to severance.

Breakdown by residual life

Residual life	Number of shares
March-June 2014	4,715,389
March-June 2015	10,439,037
March-June 2016	4,712,093
March-June 2017	1,582,831

Part L – Segment reporting

Breakdown by business area: income statement 2013 [a]

(millions of euro)

	Banca dei Territori	Corporate and Investment Banking	International Subsidiary Banks	Eurizon Capital	Banca Fideuram	Corporate Centre (b)	Total
Net interest income	6,221	1,863	1,555	1	147	-1,655	8,132
Dividends and profits (losses) on investments carried at equity	13	6	32	14	-	-114	-49
Net fee and commission income	4,094	815	550	370	662	-342	6,149
Profits (Losses) on trading	65	675	110	3	17	291	1,161
Income from insurance business	707	-	-	-	78	11	796
Other operating income (expenses)	34	1	-82	1	-9	161	106
Operating income	**11,134**	**3,360**	**2,165**	**389**	**895**	**-1,648**	**16,295**
Personnel expenses	-2,982	-294	-584	-51	-126	-790	-4,827
Other administrative expenses	-2,291	-510	-452	-59	-181	665	-2,828
Adjustments to property, equipment and intangible assets	-9	-3	-120	-1	-15	-549	-697
Operating costs	**-5,282**	**-807**	**-1,156**	**-111**	**-322**	**-674**	**-8,352**
Operating margin	**5,852**	**2,553**	**1,009**	**278**	**573**	**-2,322**	**7,943**
Net provisions for risks and charges	-47	-10	-48	14	-74	-149	-314
Net adjustments to loans	-5,560	-718	-796	-	-6	-51	-7,131
Net impairment losses on other assets	-1	-92	-135	-	-4	-185	-417
Profits (Losses) on investments held to maturity and on other investments	-	-15	-11	-	-2	2,436	2,408
Income (Loss) before tax from continuing operations	**244**	**1,718**	**19**	**292**	**487**	**-271**	**2,489**
Taxes on income from continuing operations	-52	-649	-177	-87	-150	240	-875
Charges (net of tax) for integration and exit incentives	-67	-4	-	-	-1	-8	-80
Effect of purchase price allocation (net of tax)	-167	-	-	-38	-89	-	-294
Impairment (net of tax) of goodwill and other intangible assets	-3,912	-1,134	-722	-	-29	-	-5,797
Income (Loss) after tax from discontinued operations	-	-	-	-	-	-	-
Minority interests	-	-	-	-7	-	14	7
Net income (loss)	**-3,954**	**-69**	**-880**	**160**	**218**	**-25**	**-4,550**

Breakdown by business area: balance sheet as at 31 December 2013[a]

(millions of euro)

	Banca dei Territori	Corporate and Investment Banking	International Subsidiary Banks	Eurizon Capital	Banca Fideuram	Corporate Centre (b)	Total
Loans to customers	209,626	90,907	27,249	281	4,730	11,198	343,991
Direct deposits from banking business	194,316	113,956	30,462	7	7,256	26,036	372,033

[a] Figures from the reclassified forms as described in the Report on operations, to which reference should be made for comparison with the previous year.

[b] Netting between segments is reported by the Corporate Centre.

Distribution by geographical area: income statement 2013 [(a)]

(millions of euro)

	Italy	Europe	Rest of the world	Total
Net interest income	6,141	1,628	363	8,132
Dividends and profits (losses) on investments carried at equity	-92	-	43	-49
Net fee and commission income	5,034	1,033	82	6,149
Profits (Losses) on trading	1,020	105	36	1,161
Income from insurance business	731	65	-	796
Other operating income (expenses)	131	-26	1	106
Operating income	**12,965**	**2,805**	**525**	**16,295**
Personnel expenses	-4,132	-562	-133	-4,827
Other administrative expenses	-2,252	-521	-55	-2,828
Adjustments to property, equipment and intangible assets	-568	-121	-8	-697
Operating costs	**-6,952**	**-1,204**	**-196**	**-8,352**
Operating margin	**6,013**	**1,601**	**329**	**7,943**
Net provisions for risks and charges	-328	15	-1	-314
Net adjustments to loans	-6,311	-784	-36	-7,131
Net impairment losses on other assets	-252	-165	-	-417
Profits (Losses) on investments held to maturity and on other investments	2,414	-6	-	2,408
Income (Loss) before tax from continuing operations	**1,536**	**661**	**292**	**2,489**
Taxes on income from continuing operations	-491	-344	-40	-875
Charges (net of tax) for integration and exit incentives	-80	-	-	-80
Effect of purchase price allocation (net of tax)	-273	-21	-	-294
Impairment (net of tax) of goodwill and other intangible assets	-5,053	-744	-	-5,797
Income (Loss) after tax from discontinued operations	-	-	-	-
Minority interests	53	-46	-	7
Net income (loss)	**-4,308**	**-494**	**252**	**-4,550**

Distribution by geographical area: balance sheet as at 31 December 2013[(a)]

(millions of euro)

	Italy	Europe	Rest of the world	Total
Loans to customers	300,990	36,096	6,905	343,991
Direct deposits from banking business	318,777	46,641	6,615	372,033

Breakdown by geographical area is carried out with reference to the country of residence of Group entities.

[(a)] Figures from the reclassified forms as described in the Report on operations, to which reference should be made for comparison with the previous year.

Certification of the consolidated financial statements pursuant to Art. 154 bis of Legislative Decree 58/1998

1. The undersigned Carlo Messina (as Managing Director and CEO) and Ernesto Riva (as Manager responsible for preparing the Company's financial reports) of Intesa Sanpaolo, taking into account the provisions of Article 154-bis, par. 3 and 4 of Legislative Decree 58 of 24 February 1998, do hereby certify to:
   - the adequacy in relation to the Company's features and
   - the actual application

   of the administrative and accounting procedures employed to draw up the consolidated financial statements during 2013.

2. Verification of the appropriateness and effective application of the administrative and accounting procedures employed to draw up the consolidated financial statements as at 31 December 2013 was based on methods defined by Intesa Sanpaolo consistently with the COSO and – as to the IT component – COBIT models, which are internationally accepted frameworks for internal control systems[7].

3. The undersigned also certify that:

   3.1 The Consolidated financial statements as at 31 December 2013:
   - have been prepared in compliance with applicable international accounting standards recognised by the European Community pursuant to European Parliament and Council Regulation 1606/2002 of 19 July 2002;
   - correspond to the results of the books and accounts;
   - give a true and fair presentation of the assets, liabilities, profit or loss and financial position of the issuer and of the companies included in the scope of consolidation.

   3.2 The report on operations includes a fair review of the development and operating margin, as well as of the position of the issuer and the companies included in the consolidation, together with a description of the main risks and uncertainties that they face.

27 March 2014

Carlo Messina
Managing Director and CEO

Ernesto Riva
Manager responsible for preparing
the Company's financial reports

[7] The COSO Framework was prepared by the Committee of Sponsoring Organizations of the Treadway Commission, the U.S. organisation dedicated to improving the quality of financial reporting through ethical standards and an effective system for corporate governance and organisation. The COBIT Framework - Control OBjectives for IT and related technology is a set of rules prepared by the IT Governance Institute, the U.S. organisation whose aim is to define and improve the standards of corporate IT.

Independent Auditors' Report on the Consolidated financial statements

KPMG S.p.A.
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(Translation from the Italian original which remains the definitive version)

Report of the auditors in accordance with articles 14 and 16 of Legislative decree no. 39 of 27 January 2010

To the shareholders of
Intesa Sanpaolo S.p.A.

1 We have audited the consolidated financial statements of the Intesa Sanpaolo Group as at and for the year ended 31 December 2013, comprising the statement of financial position, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes thereto. The parent's management board is responsible for the preparation of these financial statements in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05. Our responsibility is to express an opinion on these financial statements based on our audit.

2 We conducted our audit in accordance with the auditing standards recommended by Consob, the Italian Commission for Listed Companies and the Stock Exchange. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement and are, as a whole, reliable. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management board. We believe that our audit provides a reasonable basis for our opinion.

The consolidated financial statements present the prior year corresponding figures for comparative purposes. As disclosed in the notes, the parent's management board restated some of the corresponding figures included in the prior year consolidated financial statements. We audited such consolidated financial statements and issued our report thereon on 20 March 2013. We have examined the methods used to restate the prior year corresponding figures and related disclosures for the purposes of expressing an opinion on the consolidated financial statements at 31 December 2013.

3 In our opinion, the consolidated financial statements of the Intesa Sanpaolo Group as at and for the year ended 31 December 2013 comply with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05. Therefore, they are clearly stated and give a true and fair view of the financial position of the Intesa Sanpaolo Group as at 31 December 2013, the results of its operations and its cash flows for the year then ended.

4 The management board of Intesa Sanpaolo S.p.A. is responsible for the preparation of a directors' report on the financial statements and a report on the corporate governance and shareholding structure in accordance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the directors' report and the information required by article 123-bis.1.c/d/f/l/m and article 123-bis.2.b of Legislative decree no. 58/98 disclosed in the report on the corporate governance and shareholding structure with the financial statements to which they refer, as required by the law. For this purpose, we have performed the procedures required by the Italian Standard on Auditing 001 issued by the Italian Accounting Profession and recommended by Consob. In our opinion, the directors' report and the information required by article 123-bis.1.c/d/f/l/m and article 123-bis.2.b of Legislative decree no. 58/98 disclosed in the report on the corporate governance and shareholding structure are consistent with the consolidated financial statements of the Intesa Sanpaolo Group as at and for the year ended 31 December 2013.

Milan, 3 April 2014

KPMG S.p.A.

(signed on the original)

Domenico Fumagalli
Director

Attachments to the Consolidated Financial Statements

Consolidated reconciliation statements

Reconciliation between consolidated financial statements and adjusted consolidated financial statements

Reconciliation between published consolidated balance sheet as at 31 December 2012 and adjusted consolidated balance sheet as at 31 December 2012

Reconciliation between published consolidated income statement for 2012 and adjusted consolidated income statement for 2012

Reconciliation between adjusted consolidated financial statements and restated consolidated financial statements

Reconciliation between adjusted consolidated balance sheet as at 31 December 2012 and restated consolidated balance sheet as at 31 December 2012

Reconciliation between adjusted consolidated income statement for 2012 and restated consolidated income statement for 2012

Restated consolidated financial statements

Restated consolidated balance sheet

Restated consolidated income statement

Reconciliation between restated consolidated financial statements and reclassified consolidated financial statements

Reconciliation between restated consolidated balance sheet and reclassified consolidated balance sheet

Reconciliation between restated consolidated income statement and reclassified consolidated income statement

Other Attachments

List of the IAS/IFRS endorsed by the European Commission as at 31 December 2013

Reconciliation between published consolidated financial statements and adjusted consolidated financial statements

Reconciliation between published consolidated balance sheet as at 31 December 2012 and adjusted consolidated balance sheet as at 31 December 2012

(millions of euro)

Assets		31.12.2012 Published (*)	Effects of new IAS 19 (a)	Effects of IAS 2 application to property (b)	31.12.2012 Adjusted
10.	Cash and cash equivalents	5,301	-	-	5,301
20.	Financial assets held for trading	63,546	-	-	63,546
30.	Financial assets designated at fair value through profit and loss	36,887	-	-	36,887
40.	Financial assets available for sale	97,209	-	-	97,209
50.	Investments held to maturity	2,148	-	-	2,148
60.	Due from banks	36,533	-	-	36,533
70.	Loans to customers	376,625	-	-	376,625
80.	Hedging derivatives	11,651	-	-	11,651
90.	Fair value change of financial assets in hedged portfolios (+/-)	73	-	-	73
100.	Investments in associates and companies subject to joint control	2,706	-	-	2,706
110.	Technical insurance reserves reassured with third parties	13	-	-	13
120.	Property and equipment	5,530	-	-421	5,109
130.	Intangible assets	14,719	-	-	14,719
	of which				
	- goodwill	8,681	-	-	*8,681*
140.	Tax assets	12,563	110	-	12,673
	a) current	2,730	-	-	*2,730*
	b) deferred	9,833	110	-	*9,943*
	- of which convertible into tax credit (Law no. 214/2011)	5,984	-	-	*5,984*
150.	Non-current assets held for sale and discontinued operations	25	-	-	25
160.	Other assets	7,943	-	421	8,364
Total Assets		**673,472**	**110**	**-**	**673,582**

(*) Figures originally published in the Annual Report 2012.

(a) Balances amended on the basis of IAS 19 revised.

(b) Application of IAS 2 to assets originating from financial leases and loan recovery. The amount was posted to Other Assets pending instructions from the Bank of Italy.

(millions of euro)

Liabilities and Shareholders' Equity		31.12.2012 Published (*)	Effects of new IAS 19 (a)	31.12.2012 Adjusted
10.	Due to banks	73,352	-	73,352
20.	Due to customers	218,051	-	218,051
30.	Securities issued	159,307	-	159,307
40.	Financial liabilities held for trading	52,195	-	52,195
50.	Financial liabilities designated at fair value through profit and loss	27,047	-	27,047
60.	Hedging derivatives	10,776	-	10,776
70.	Fair value change of financial liabilities in hedged portfolios (+/-)	1,802	-	1,802
80.	Tax liabilities	3,494	-	3,494
	a) current	*1,617*	-	*1,617*
	b) deferred	*1,877*	-	*1,877*
90.	Liabilities associated with non-current assets held for sale and discontinued operations	-	-	-
100.	Other liabilities	18,039	-	18,039
110.	Employee termination indemnities	1,207	147	1,354
120.	Allowances for risks and charges	3,343	256	3,599
	a) post employment benefits	*416*	*244*	*660*
	b) other allowances	*2,927*	*12*	*2,939*
130.	Technical reserves	54,660	-	54,660
140.	Valuation reserves	-1,399	-293	-1,692
150.	Reimbursable shares	-	-	-
160.	Equity instruments	-	-	-
170.	Reserves	9,941	-	9,941
180.	Share premium reserve	30,934	-	30,934
190.	Share capital	8,546	-	8,546
200.	Treasury shares (-)	-14	-	-14
210.	Minority interests (+/-)	586	-	586
220.	Net income (loss)	1,605	-	1,605
Total Liabilities and Shareholders' Equity		**673,472**	**110**	**673,582**

(*) Figures originally published in the Annual Report 2012

(a) Balances amended on the basis of IAS 19 revised

Reconciliation between published consolidated income statement for 2012 and adjusted consolidated income statement for 2012

(millions of euro)

	2012 Published (*)	Effects of IAS 2 application to property (a)	2012 Adjusted
10. Interest and similar income	19,700	-	19,700
20. Interest and similar expense	-8,418	-	-8,418
30. Interest margin	**11,282**	**-**	**11,282**
40. Fee and commission income	6,641	-	6,641
50. Fee and commission expense	-1,511	-	-1,511
60. Net fee and commission income	**5,130**	**-**	**5,130**
70. Dividend and similar income	507	-	507
80. Profits (Losses) on trading	549	-	549
90. Fair value adjustments in hedge accounting	-8	-	-8
100. Profits (Losses) on disposal or repurchase of	1,348	-	1,348
a) loans	*-3*	-	*-3*
b) financial assets available for sale	*270*	-	*270*
c) investments held to maturity	*-14*	-	*-14*
d) financial liabilities	*1,095*	-	*1,095*
110. Profits (Losses) on financial assets and liabilities designated at fair value	1,294	-	1,294
120. Net interest and other banking income	**20,102**	**-**	**20,102**
130. Net losses / recoveries on impairment	-4,521	-	-4,521
a) loans	*-4,308*	-	*-4,308*
b) financial assets available for sale	*-161*	-	*-161*
c) investments held to maturity	*1*	-	*1*
d) other financial activities	*-53*	-	*-53*
140. Net income from banking activities	**15,581**	**-**	**15,581**
150. Net insurance premiums	5,660	-	5,660
160. Other net insurance income (expense)	-8,145	-	-8,145
170. Net income from banking and insurance activities	**13,096**	**-**	**13,096**
180. Administrative expenses	-9,085	-	-9,085
a) personnel expenses	*-5,570*	-	*-5,570*
b) other administrative expenses	*-3,515*	-	*-3,515*
190. Net provisions for risks and charges	-258	-	-258
200. Net adjustments to / recoveries on property and equipment	-469	88	-381
210. Net adjustments to / recoveries on intangible assets	-710	-	-710
220. Other operating expenses (income)	486	-88	398
230. Operating expenses	**-10,036**	**-**	**-10,036**
240. Profits (Losses) on investments in associates and companies subject to joint control	-123	-	-123
250. Valuation differences on property, equipment and intangible assets measured at fair value	-	-	-
260. Goodwill impairment	-	-	-
270. Profits (Losses) on disposal of investments	30	-	30
280. Income (Loss) before tax from continuing operations	**2,967**	**-**	**2,967**
290. Taxes on income from continuing operations	-1,313	-	-1,313
300. Income (Loss) after tax from continuing operations	**1,654**	**-**	**1,654**
310. Income (Loss) after tax from discontinued operations	-	-	-
320. Net income (loss)	**1,654**	**-**	**1,654**
330. Minority interests	-49	-	-49
340. Parent Company's net income (loss)	**1,605**	**-**	**1,605**

[a] Application of IAS 2 to assets originating from financial leases and loan recovery. The amount was posted to Other operating income (expenses) pending instructions from the Bank of Italy.

Reconciliation between adjusted consolidated financial statements and restated consolidated financial statements

Reconciliation between adjusted consolidated balance sheet as at 31 December 2012 and restated consolidated balance sheet as at 31 December 2012

(millions of euro)

Assets	31.12.2012 Adjusted	Discontinued operations (a)	31.12.2012 Restated
10. Cash and cash equivalents	5,301	-	5,301
20. Financial assets held for trading	63,546	-	63,546
30. Financial assets designated at fair value through profit and loss	36,887	-	36,887
40. Financial assets available for sale	97,209	-	97,209
50. Investments held to maturity	2,148	-	2,148
60. Due from banks	36,533	-	36,533
70. Loans to customers	376,625	-	376,625
80. Hedging derivatives	11,651	-	11,651
90. Fair value change of financial assets in hedged portfolios (+/-)	73	-	73
100. Investments in associates and companies subject to joint control	2,706	-73	2,633
110. Technical insurance reserves reassured with third parties	13	-	13
120. Property and equipment	5,109	-	5,109
130. Intangible assets	14,719	-	14,719
of which			
- goodwill	*8,681*	-	*8,681*
140. Tax assets	12,673	-	12,673
a) current	*2,730*	-	*2,730*
b) deferred	*9,943*	-	*9,943*
- of which convertible into tax credit (Law no. 214/2011)	*5,984*	-	*5,984*
150. Non-current assets held for sale and discontinued operations	25	73	98
160. Other assets	8,364	-	8,364
Total Assets	**673,582**	**-**	**673,582**

[a] The restatement of discontinued operations refers to the sale of the associate SIA S.p.A. to be finalised during 2014.

(millions of euro)

Liabilities and Shareholders' Equity		31.12.2012 Adjusted	Discontinued operations (a)	31.12.2012 Restated
10.	Due to banks	73,352	-	73,352
20.	Due to customers	218,051	-	218,051
30.	Securities issued	159,307	-	159,307
40.	Financial liabilities held for trading	52,195	-	52,195
50.	Financial liabilities designated at fair value through profit and loss	27,047	-	27,047
60.	Hedging derivatives	10,776	-	10,776
70.	Fair value change of financial liabilities in hedged portfolios (+/-)	1,802	-	1,802
80.	Tax liabilities	3,494	-	3,494
	a) current	*1,617*	-	*1,617*
	b) deferred	*1,877*	-	*1,877*
90.	Liabilities associated with non-current assets held for sale and discontinued operations	-	-	-
100.	Other liabilities	18,039	-	18,039
110.	Employee termination indemnities	1,354	-	1,354
120.	Allowances for risks and charges	3,599	-	3,599
	a) post employment benefits	*660*	-	*660*
	b) other allowances	*2,939*	-	*2,939*
130.	Technical reserves	54,660	-	54,660
140.	Valuation reserves	-1,692	-	-1,692
150.	Redeemable shares	-	-	-
160.	Equity instruments	-	-	-
170.	Reserves	9,941	-	9,941
180.	Share premium reserve	30,934	-	30,934
190.	Share capital	8,546	-	8,546
200.	Treasury shares (-)	-14	-	-14
210.	Minority interests (+/-)	586	-	586
220.	Net income (loss)	1,605	-	1,605
Total Liabilities and Shareholders' Equity		**673,582**	**-**	**673,582**

[a] The restatement of discontinued operations refers to the sale of the associate SIA S.p.A. to be finalised during 2014.

Reconciliation between adjusted consolidated income statement for 2012 and restated consolidated income statement for 2012

The adjusted consolidated income statement for 2012 did not require restatement.

Restated consolidated financial statements

Restated consolidated balance sheet

(millions of euro)

Assets		31.12.2013	31.12.2012 restated	Changes amount	Changes %
10.	Cash and cash equivalents	6,525	5,301	1,224	23.1
20.	Financial assets held for trading	49,013	63,546	-14,533	-22.9
30.	Financial assets designated at fair value through profit and loss	37,655	36,887	768	2.1
40.	Financial assets available for sale	115,302	97,209	18,093	18.6
50.	Investments held to maturity	2,051	2,148	-97	-4.5
60.	Due from banks	26,673	36,533	-9,860	-27.0
70.	Loans to customers	343,991	376,625	-32,634	-8.7
80.	Hedging derivatives	7,534	11,651	-4,117	-35.3
90.	Fair value change of financial assets in hedged portfolios (+/-)	69	73	-4	-5.5
100.	Investments in associates and companies subject to joint control	1,991	2,633	-642	-24.4
110.	Technical insurance reserves reassured with third parties	14	13	1	7.7
120.	Property and equipment	5,056	5,109	-53	-1.0
130.	Intangible assets	7,471	14,719	-7,248	-49.2
	of which				
	- goodwill	*3,899*	*8,681*	*-4,782*	*-55.1*
140.	Tax assets	14,921	12,673	2,248	17.7
	a) current	*3,942*	*2,730*	*1,212*	*44.4*
	b) deferred	*10,979*	*9,943*	*1,036*	*10.4*
	- of which convertible into tax credit (Law no. 214/2011)	*8,644*	*5,984*	*2,660*	*44.5*
150.	Non-current assets held for sale and discontinued operations	108	98	10	10.2
160.	Other assets	7,909	8,364	-455	-5.4
Total Assets		**626,283**	**673,582**	**-47,299**	**-7.0**

(millions of euro)

Liabilities and Shareholders' Equity		31.12.2013	31.12.2012 restated	Changes amount	Changes %
10.	Due to banks	52,244	73,352	-21,108	-28.8
20.	Due to customers	228,890	218,051	10,839	5.0
30.	Securities issued	138,051	159,307	-21,256	-13.3
40.	Financial liabilities held for trading	39,268	52,195	-12,927	-24.8
50.	Financial liabilities designated at fair value through profit and loss	30,733	27,047	3,686	13.6
60.	Hedging derivatives	7,590	10,776	-3,186	-29.6
70.	Fair value change of financial liabilities in hedged portfolios (+/-)	1,048	1,802	-754	-41.8
80.	Tax liabilities	2,236	3,494	-1,258	-36.0
	a) current	*897*	*1,617*	*-720*	*-44.5*
	b) deferred	*1,339*	*1,877*	*-538*	*-28.7*
90.	Liabilities associated with non-current assets held for sale and discontinued operations	-	-	-	
100.	Other liabilities	14,690	18,039	-3,349	-18.6
110.	Employee termination indemnities	1,341	1,354	-13	-1.0
120.	Allowances for risks and charges	2,898	3,599	-701	-19.5
	a) post employment benefits	*738*	*660*	*78*	*11.8*
	b) other allowances	*2,160*	*2,939*	*-779*	*-26.5*
130.	Technical reserves	62,236	54,660	7,576	13.9
140.	Valuation reserves	-1,074	-1,692	-618	-36.5
150.	Redeemable shares	-	-	-	
160.	Equity instruments	-	-	-	
170.	Reserves	10,721	9,941	780	7.8
180.	Share premium reserve	30,934	30,934	-	-
190.	Share capital	8,546	8,546	-	-
200.	Treasury shares (-)	-62	-14	48	
210.	Minority interests (+/-)	543	586	-43	-7.3
220.	Net income (loss)	-4,550	1,605	-6,155	
Total Liabilities and Shareholders' Equity		**626,283**	**673,582**	**-47,299**	**-7.0**

Restated consolidated income statement

The consolidated income statement for 2012 did not require restatement.

Reconciliation between restated consolidated financial statements and reclassified consolidated financial statements

Reconciliation between restated consolidated balance sheet and reclassified consolidated balance sheet

(millions of euro)

Captions of the reclassified consolidated balance sheet - Assets	Captions of the consolidated balance sheet - Assets	31.12.2013	31.12.2012 restated
Financial assets held for trading		49,013	63,546
	Caption 20 - Financial assets held for trading	*49,013*	*63,546*
Financial assets designated at fair value through profit and loss		37,655	36,887
	Caption 30 - Financial assets designated at fair value through profit and loss	*37,655*	*36,887*
Financial assets available for sale		115,302	97,209
	Caption 40 - Financial assets available for sale	*115,302*	*97,209*
Investments held to maturity		2,051	2,148
	Caption 50 - Investments held to maturity	*2,051*	*2,148*
Due from banks		26,673	36,533
	Caption 60 - Due from banks	*26,673*	*36,533*
Loans to customers		343,991	376,625
	Caption 70 - Loans to customers	*343,991*	*376,625*
Investments in associates and companies subject to joint control		1,991	2,633
	Caption 100 - Investments in associates and companies subject to joint control	*1,991*	*2,633*
Property, equipment and intangible assets		12,527	19,828
	Caption 120 - Property and equipment	*5,056*	*5,109*
	+ Caption 130 - Intangible assets	*7,471*	*14,719*
Tax assets		14,921	12,673
	Caption 140 - Tax assets	*14,921*	*12,673*
Non-current assets held for sale and discontinued operations		108	98
	Caption 150 - Non-current assets held for sale and discontinued operations	*108*	*98*
Other assets		22,051	25,402
	Caption 10 - Cash and cash equivalents	*6,525*	*5,301*
	+ Caption 160 - Other assets	*7,909*	*8,364*
	+ Caption 110 - Technical insurance reserves reassured with third parties	*14*	*13*
	+ Caption 80 - Hedging derivatives	*7,534*	*11,651*
	+ Caption 90 - Fair value change of financial assets in hedged portfolios	*69*	*73*
Total Assets	**Total Assets**	**626,283**	**673,582**

Captions of the reclassified consolidated balance sheet Liabilities and Shareholders' Equity	Captions of the consolidated balance sheet - Liabilities and Shareholders' Equity	31.12.2013	31.12.2012 restated
Due to banks		52,244	73,352
	Caption 10 - Due to banks	*52,244*	*73,352*
Due to customers and securities issued		366,941	377,358
	Caption 20 - Due to customers	*228,890*	*218,051*
	+ Caption 30 - Securities issued	*138,051*	*159,307*
Financial liabilities held for trading		39,268	52,195
	Caption 40 - Financial liabilities held for trading	*39,268*	*52,195*
Financial liabilities designated at fair value through profit and loss		30,733	27,047
	Caption 50 - Financial liabilities designated at fair value through profit and loss	*30,733*	*27,047*
Tax liabilities		2,236	3,494
	Caption 80 - Tax liabilities	*2,236*	*3,494*
Liabilities associated with non-current assets held for sale and discontinued operations		-	-
	Caption 90 - Liabilities associated with non-current assets held for sale and discontinued operations	-	-
Other liabilities		23,328	30,617
	Caption 100 - Other liabilities	*14,690*	*18,039*
	+ Caption 60 - Hedging derivatives	*7,590*	*10,776*
	+ Caption 70 - Fair value change of financial liabilities in hedged portfolios	*1,048*	*1,802*
Technical reserves		62,236	54,660
	Caption 130 - Technical reserves	*62,236*	*54,660*
Allowances for specific purpose		4,239	4,953
	Caption 110 - Employee termination indemnities	*1,341*	*1,354*
	Caption 120 - Allowances for risks and charges	*2,898*	*3,599*
Share capital		8,546	8,546
	Caption 190 - Share capital	*8,546*	*8,546*
Reserves (net of treasury shares)		41,593	40,861
	Caption 170 - Reserves	*10,721*	*9,941*
	Caption 180 - Share premium reserve	*30,934*	*30,934*
	– Caption 200 - Treasury shares	*-62*	*-14*
Valuation reserves		-1,074	-1,692
	Caption 140 - Valuation reserves	*-1,074*	*-1,692*
Minority interests		543	586
	Caption 210 - Minority interests	*543*	*586*
Net income (loss)		-4,550	1,605
	Caption 220 - Net income (loss)	*-4,550*	*1,605*
Total Liabilities and Shareholders' Equity	**Total Liabilities and Shareholders' Equity**	**626,283**	**673,582**

Reconciliation between restated consolidated income statement and reclassified consolidated income statement

(millions of euro)

Captions of the reclassified consolidated income statement	Captions of the consolidated income statement	2013	2012 Restated
Net interest income		8,132	9,430
	Caption 30 - Interest margin	*9,885*	*11,282*
	- Caption 30 (partial) - Contribution of insurance business	*-2,254*	*-2,253*
	- Caption 30 (partial) - Interest margin (Effect of purchase price allocation)	*27*	*33*
	- Caption 30 (partial) - Interest margin (Fiscal settlement)	*-*	*10*
	+ Caption 80 (partial) - Components of the profits (losses) on trading relating to net interest	*126*	*80*
	+ Caption 130 a) (partial) - Net losses/recoveries on impairment of loans (Time value loans)	*424*	*379*
	+ Caption 180 a) (partial) - Personnel expenses (Time value employee termination indemnities and other)	*-71*	*-88*
	+ Caption 190 (partial) - Net provisions for risks and charges (Time value allowances for risks and charges)	*-5*	*-13*
Dividends and profits (losses) on investments in associates and companies subject to joint control (carried at equity)		-49	39
	Caption 70 - Dividend and similar income	*250*	*507*
	- Caption 70 (partial) - Contribution of insurance business	*-99*	*-94*
	- Caption 70 (partial) - Dividend and similar income on shares available for sale and held for trading	*-121*	*-384*
	+ Caption 240 (partial) - Profits (Losses) on investments in associates and companies subject to joint control (carried at equity)	*-79*	*10*
Net fee and commission income		6,149	5,451
	Caption 60 - Net fee and commission income	*5,829*	*5,130*
	- Caption 60 (partial) - Contribution of insurance business	*420*	*336*
	+ Caption 180 b) (partial) - Other administrative expenses (Recovery of other expenses)	*-17*	*-15*
	+ Caption 80 (partial) - Components of the profits (losses) on trading relating to net fee and commission interest	*-83*	*-*
Profits (Losses) on trading		1,161	2,182
	Caption 80 - Profits (Losses) on trading	*597*	*549*
	+ Caption 90 - Fair value adjustments in hedge accounting	*-28*	*-8*
	+ Caption 100 b) - Profits (Losses) on disposal or repurchase of financial assets available for sale	*739*	*270*
	+ Caption 100 d) - Profits (Losses) on disposal or repurchase of financial liabilities	*-10*	*1,095*
	+ Caption 110 - Profits (Losses) on financial assets and liabilities designated at fair value	*492*	*1,294*
	+ Caption 70 (partial) - Dividend and similar income on shares available for sale and held for trading	*121*	*384*
	- Caption 80 (partial) - Components of the profits (losses) on trading relating to net interest	*-126*	*-80*
	- Caption 80 (partial) - Components of the profits (losses) on trading relating to net fee and commission interest	*83*	*-*
	- Caption 80 (partial) - Contribution of insurance business	*-707*	*-1,322*
Income from insurance business		796	828
	Caption 150 - Net insurance premiums	*11,921*	*5,660*
	+ Caption 160 - Other net insurance income (expense)	*-13,750*	*-8,145*
	+ Caption 30 (partial) - Contribution of insurance business	*2,254*	*2,253*
	+ Caption 60 (partial) - Contribution of insurance business	*-420*	*-336*
	+ Caption 70 (partial) - Contribution of insurance business	*99*	*94*
	+ Caption 80 (partial) - Contribution of insurance business	*707*	*1,322*
	- Caption 160 (partial) - Other net insurance income (expense) - changes in technical reserves due to impairment of securities AFS	*-15*	*-20*
Other operating income (expenses)		106	-49
	Caption 220 - Other operating income (expenses)	*643*	*398*
	- Caption 220 (partial) - Other operating income (expenses) (Recovery of expenses)	*-10*	*-10*
	- Caption 220 (partial) - Other operating income (expenses) (Recovery of indirect taxes)	*-640*	*-531*
	- Caption 220 (partial) - Other operating income (expenses) (Fiscal settlement)	*-*	*6*
	- Caption 220 (partial) - Other operating income (expenses) (Impairment losses on repurchased property and equipment)	*102*	*88*
	- Caption 220 (partial) - Other operating income (expenses) (Profits (losses) on disposal of repurchased property and equipment)	*11*	*-*
Operating income		**16,295**	**17,881**
Personnel expenses		-4,827	-5,338
	Caption 180 a) - Personnel expenses	*-4,976*	*-5,570*
	- Caption 180 a) (partial) - Personnel expenses (Charges for integration and exit incentives)	*78*	*144*
	- Caption 180 a) (partial) - Personnel expenses (Time value employee termination indemnities and other)	*71*	*88*
Other administrative expenses		-2,828	-2,921
	Caption 180 b) - Other administrative expenses	*-3,528*	*-3,515*
	- Caption 180 b) (partial) - Other administrative expenses (Charges for integration)	*33*	*38*
	- Caption 180 b) (partial) - Other administrative expenses (Recovery of expenses on mortgage documentation)	*17*	*15*
	+ Caption 220 (partial) - Other operating income (expenses) (Recovery of indirect taxes)	*640*	*531*
	+ Caption 220 (partial) - Other operating income (expenses) (Recovery of expenses)	*10*	*10*
Adjustments to property, equipment and intangible assets		-697	-654
	Caption 200 - Net adjustments to/recoveries on property and equipment	*-382*	*-381*
	+ Caption 210 - Net adjustments to/recoveries on intangible assets	*-2,838*	*-710*
	- Caption 200 (partial) - Net adjustments to/recoveries on property and equipment (Charges for integration)	*4*	*4*
	- Caption 210 (partial) - Net adjustments to/recoveries on intangible assets (Charges for integration)	*-*	*2*
	- Caption 200 (partial) - Net adjustments to/recoveries on property and equipment (Impairment)	*31*	*32*
	- Caption 210 (partial) - Net adjustments to/recoveries on intangible assets (Impairment)	*2*	*-*
	- Caption 210 (partial) - Net adjustments to/recoveries on intangible assets (Impairment - Intangible assets)	*2,083*	*-*
	- Caption 200 (partial) - Net adjustments to/recoveries on property and equipment (Effect of purchase price allocation)	*-20*	*-21*
	- Caption 210 (partial) - Net adjustments to/recoveries on intangible assets (Effect of purchase price allocation)	*423*	*420*
Operating costs		**-8,352**	**-8,913**
Operating margin		**7,943**	**8,968**

(millions of euro)

Captions of the reclassified consolidated income statement	Captions of the consolidated income statement	2013	2012 Restated
Operating margin		**7,943**	**8,968**
		-314	-245
Net provisions for risks and charges	*Caption 190 - Net provisions for risks and charges*	*-319*	*-258*
	- Caption 190 (partial) - Net provisions for risks and charges (Charges for integration)	*-*	*-*
	charges)	*5*	*13*
	+ Caption 220 (partial) - Other operating income (expenses) (Recovery of expenses)	*-*	*-*
Net adjustments to loans		-7,131	-4,714
	Caption 100 a) - Profits (Losses) on disposal or repurchase of loans	*1*	*-3*
	+ Caption 130 a) - Net losses/recoveries on impairment of loans	*-6,597*	*-4,308*
	- Caption 130 a) (partial) - Net losses/recoveries on impairment of loans (Time value loans)	*-424*	*-379*
	- Caption 130 a) (partial) - Reclassification of Greek government bonds impairment	*-*	*27*
	+ Caption 130 d) - Net losses/recoveries on impairment of other financial activities	*-112*	*-53*
	- Caption 100 a) (partial) - Profits (Losses) on disposal or repurchase of loans (Effect of purchase price allocation)	*1*	*2*
Net impairment losses on other assets		-417	-282
	+ Caption 130 a) (partial) - Reclassification of Greek government bonds impairment	*-*	*-27*
	+ Caption 130 b) - Net losses/recoveries on impairment of financial assets available for sale	*-296*	*-161*
	+ Caption 130 c) - Net losses/recoveries on impairment of investments held to maturity	*-*	*1*
	+ Caption 160 (partial) - Other net insurance income (expense) - changes in technical reserves due to impairment of securities AFS	*15*	*20*
	+ Caption 200 (partial) - Net adjustments to/recoveries on property and equipment (Impairment)	*-31*	*-32*
	- Caption 200 (partial) - Net adjustments to/recoveries on property and equipment (Impairment - Effect of purchase price allocation)	*-*	*-*
	+ Caption 210 (partial) - Net adjustments to/recoveries on intangible assets (Impairment)	*-1*	*5*
	- Caption 210 (partial) - Net adjustments to/recoveries on intangible assets (Impairment - Charges for integration)	*-2*	*-*
	+ Caption 220 (partial) Other operating expenses (income) (Impairment losses on repurchased property and equipment)	*-*	*-*
	+ Caption 250 - Valuation differences on property, equipment and intangible assets measured at fair value	*-102*	*-88*
Profits (Losses) on investments held to maturity and on other investments		2,408	-117
	Caption 100 c) - Profits (Losses) on disposal or repurchase of investments held to maturity	*-2*	*-14*
	+ Caption 220 (partial) Other operating income (expenses) (Profits (losses) on disposal of repurchased property and equipment)	*-11*	*-*
	+ Caption 240 - Profits (Losses) on investments in associates and companies subject to joint control	*2,326*	*-123*
	- Caption 240 (partial) - Profits (Losses) on investments in associates and companies subject to joint control	*79*	*-10*
	+ Caption 270 - Profits (Losses) on disposal of investments	*15*	*30*
	- Caption 270 (partial) - Profits (Losses) on disposal of investments (Effect of purchase price allocation)	*1*	*-*
Income (Loss) before tax from continuing operations		**2,489**	**3,610**
Taxes on income from continuing operations		-875	-1,523
	Caption 290 - Taxes on income from continuing operations	*259*	*-1,313*
	+ Caption 30 (partial) - Interest margin (Fiscal settlement)	*-*	*-10*
	+ Caption 220 (partial) - Other operating income/expenses (Fiscal settlement)	*-*	*-6*
	- Caption 290 (partial) - Taxes on income from continuing operations (Goodwill impairment)	*-962*	*-*
	- Caption 290 (partial) - Taxes on income from continuing operations (Charges for integration)	*-35*	*-54*
	- Caption 290 (partial) - Taxes on income from continuing operations (Effect of purchase price allocation)	*-137*	*-140*
Charges (net of tax) for integration and exit incentives		-80	-134
	+ Caption 180 a) (partial) - Personnel expenses (Charges for integration and exit incentives)	*-78*	*-144*
	+ Caption 180 b) (partial) - Other administrative expenses (Charges for integration)	*-33*	*-38*
	+ Caption 190 (partial) - Net provisions for risks and charges (Charges for integration)	*-*	*-*
	+ Caption 200 (partial) - Net adjustments to/recoveries on property and equipment (Impairment - Charges for integration)	*-4*	*-4*
	+ Caption 210 (partial) - Net adjustments to/recoveries on intangible assets (Charges for integration)	*-*	*-2*
	+ Caption 210 (partial) - Net adjustments to/recoveries on intangible assets (Impairment - Charges for integration)	*-*	*-*
	+ Caption 290 (partial) - Taxes on income from continuing operations (Charges for integration)	*35*	*54*
Effect of purchase price allocation (net of tax)		-294	-299
	+ Caption 30 (partial) - Interest margin (Effect of purchase price allocation)	*-27*	*-33*
	+ Caption 200 (partial) - Net adjustments to/recoveries on property and equipment (Effect of purchase price allocation)	*20*	*21*
	+ Caption 200 (partial) - Net adjustments to/recoveries on property and equipment (Impairment - Effect of purchase price allocation)	*1*	*-5*
	+ Caption 210 (partial) - Net adjustments to/recoveries on intangible assets (Effect of purchase price allocation)	*-423*	*-420*
	+ Caption 100 a) (partial) - Profits (Losses) on disposal or repurchase of loans (Effect of purchase price allocation)	*-1*	*-2*
	+ Caption 270 (partial) - Profits (Losses) on disposal of investments (Effect of purchase price allocation)	*-1*	*-*
	+ Caption 290 (partial) - Taxes on income from continuing operations (Effect of purchase price allocation)	*137*	*140*
Impairment (net of tax) of goodwill and other intangible assets		-5,797	-
	Caption 260 - Goodwill impairment	*-4,676*	*-*
	+ Caption 210 (partial) - Net adjustments to/recoveries on intangible assets (Impairment - Intangible assets)	*-2,083*	*-*
	+ Caption 290 (partial) - Taxes on income from continuing operations (Goodwill impairment)	*962*	*-*
Income (Loss) after tax from discontinued operations		-	-
	Caption 310 - Income (Loss) after tax from discontinued operations	*-*	*-*
Minority interests		7	-49
	Caption 330 - Minority interests	*7*	*-49*
Net income (loss)	**Caption 340 - Parent Company's net income (loss)**	**-4,550**	**1,605**

Other consolidated attachments

List of the IAS/IFRS endorsed by the European Commission as at 31 December 2013

ACCOUNTING STANDARDS		Regulation endorsement
IFRS 1	First-time Adoption of International Financial Reporting Standards	1126/2008 mod. 1260/2008 - 1274/2008 - 69/2009 - 70/2009 -254/2009 - 494/2009 - 495/2009 - 1136/2009 - 1164/2009 - 550/2010 - 574/2010 - 662/2010 - 149/2011 - 1205/2011 - 475/2012 - 1254/2012 (*) - 1255/2012 - 183/2013 - 301/2013 -1174/2013 (*)
IFRS 2	Share-based Payment	1126/2008 mod. 1261/2008 - 495/2009 - 243/2010 - 244/2010 - 1254/2012 (*) - 1255/2012
IFRS 3	Business Combinations	1126/2008 mod. 495/2009 - 149/2011 - 1254/2012 (*) - 1255/2012 - 1174/2013 (*)
IFRS 4	Insurance Contracts	1126/2008 mod. 1274/2008 - 494/2009 - 1165/2009 - 1255/2012
IFRS 5	Non-current Assets Held for Sale and Discontinued Operations	1126/2008 mod. 1274/2008 - 70/2009 - 494/2009 - 1142/2009 - 243/2010 - 475/2012 - 1254/2012(*) - 1255/2012
IFRS 6	Exploration for and Evaluation of Mineral Resources	1126/2008
IFRS 7	Financial Instruments: Disclosures	1126/2008 mod. 1274/2008 - 53/2009 - 70/2009 - 495/2009 - 824/2009 - 1165/2009 - 574/2010 - 149/2011 - 1205/2011 - 475/2012 - 1254/2012 (*) - 1255/2012 - 1256/2012 (**) - 1174/2013 (*)
IFRS 8	Operating Segments	1126/2008 mod. 1274/2008 - 243/2010 - 632/2010 - 475/2012
IFRS 10	Consolidated Financial Statements	1254/2012 (*) mod. 313/2013 (*) - 1174/2013 (*)
IFRS 11	Joint Arrangements	1254/2012 (*) mod. 313/2013 (*)
IFRS 12	Disclosure of Interests in Other Entities	1254/2012 (*) mod. 313/2013 (*) - 1174/2013 (*)
IFRS 13	Fair Value Measurement	1255/2012
IAS 1	Presentation of Financial Statements	1126/2008 mod. 1274/2008 - 53/2009 - 70/2009 - 494/2009 - 243/2010 - 149/2011 - 475/2012 - 1254/2012 (*) - 1255/2012 - 301/2013
IAS 2	Inventories	1126/2008 mod. 70/2009 - 1255/2012
IAS 7	Statement of Cash Flows	1126/2008 mod. 1260/2008 - 1274/2008 - 70/2009 - 494/2009 - 243/2010 - 1254/2012 (*) - 1174/2013 (*)
IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	1126/2008 mod. 1274/2008 - 70/2009 - 1255/2012
IAS 10	Events after the Reporting Period	1126/2008 mod. 1274/2008 - 70/2009 - 1142/2009 - 1255/2012
IAS 11	Construction Contracts	1126/2008 mod. 1260/2008 - 1274/2008
IAS 12	Income Taxes	1126/2008 mod. 1274/2008 - 495/2009 - 475/2012 - 1254/2012 (*) - 1255/2012 - 1174/2013 (*)
IAS 16	Property, Plant and Equipment	1126/2008 mod. 1260/2008 - 1274/2008 - 70/2009 - 495/2009 - 1255/2012 - 301/2013
IAS 17	Leases	1126/2008 mod. 243/2010 - 1255/2012
IAS 18	Revenue	1126/2008 mod. 69/2009 - 1254/2012 (*) - 1255/2012
IAS 19	Employee Benefits	1126/2008 mod. 1274/2008 - 70/2009 - 475/2012 - 1255/2012
IAS 20	Accounting for Government Grants and Disclosure of Government Assistance	1126/2008 mod. 1274/2008 - 70/2009 - 475/2012 - 1255/2012
IAS 21	The Effects of Changes in Foreign Exchange Rates	1126/2008 mod. 1274/2008 - 69/2009 - 494/2009 - 149/2011 - 475/2012 - 1254/2012 (*) - 1255/2012
IAS 23	Borrowing costs	1126/2008 mod. 1260/2008 - 70/2009
IAS 24	Related Party Disclosures	1126/2008 mod. 1274/2008 - 632/2010 - 475/2012 - 1254/2012 (*) - 1174/2013 (*)
IAS 26	Accounting and Reporting by Retirement Benefit Plans	1126/2008
IAS 27	Consolidated and Separate Financial Statements	1126/2008 mod. 1274/2008 - 69/2009 - 70/2009 - 494/2009 - 1254/2012 (*) - 1174/2013 (*)
IAS 28	Investments in Associates	1126/2008 mod. 1274/2008 - 70/2009 - 494/2009 - 495/2009 - 1254/2012 (*) - 1255/2012
IAS 29	Financial Reporting in Hyperinflationary Economies	1126/2008 mod. 1274/2008 - 70/2009
IAS 31	Interests in Joint Ventures (*deleted by Regulation n. 1254/2012*)	1126/2008 mod. 70/2009 - 494/2009 - 149/2011 - 1254/2012 (*) - 1255/2012
IAS 32	Financial Instruments: Presentation	1126/2008 mod. 1274/2008 - 53/2009 - 70/2009 - 494/2009 - 495/2009 - 1293/2009 - 475/2012 - 1254/2012 (*) - 1255/2012 - 1256/2012 (**) - 301/2013 - 1174/2013 (*)
IAS 33	Earnings per Share	1126/2008 mod. 1274/2008 - 494/2009 - 495/2009 - 475/2012 - 1254/2012 (*) - 1255/2012
IAS 34	Interim Financial Reporting	1126/2008 mod. 1274/2008 - 70/2009 - 495/2009 - 149/2011 - 475/2012 - 1255/2012 - 301/2013 - 1174/2013 (*)
IAS 36	Impairment of Assets	1126/2008 mod. 1274/2008 - 69/2009 - 70/2009 - 495/2009 - 243/2010 - 1254/2012 (*) - 1255/2012 - 1374/2013 (*)
IAS 37	Provisions, Contingent Liabilities and Contingent Assets	1126/2008 mod. 1274/2008 - 495/2009
IAS 38	Intangible Assets	1126/2008 mod. 1260/2008 - 1274/2008 - 70/2009 - 495/2009 - 243/2010 - 1254/2012 (*) - 1255/2012
IAS 39	Financial Instruments: Recognition and Measurement (except for certain rules on hedge accounting)	1126/2008 mod. 1274/2008 - 53/2009 - 70/2009 - 494/2009 - 495/2009 - 824/2009 - 839/2009 - 1171/2009 - 243/2010 - 149/2011 - 1254/2012 (*) - 1255/2012 - 1174/2013 (*) - 1375/2013 (*)
IAS 40	Investment Property	1126/2008 mod. 1274/2008 - 70/2009 - 1255/2012
IAS 41	Agriculture	1126/2008 mod. 1274/2008 - 70/2009 - 1255/2012

(*) Companies apply this Regulation at the latest as of the first financial year starting after 1 January 2014.

(**) Companies apply this Regulation at the latest as of the first financial year starting after 1 January 2013 (changes to IFRS 7) or after 1 January 2014 (changes to IAS 32).

INTERPRETATIONS		Regulation endorsement
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities	1126/2008 mod. 1260/2008 - 1274/2008
IFRIC 2	Members' Shares in Cooperative Entities and Similar Instruments	1126/2008 mod. 53/2009 - 1255/2012 - 301/2013
IFRIC 4	Determining whether an Arrangement contains a Lease	1126/2008 mod. 254/2009 - 1255/2012
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	1126/2008 mod. 1254/2012 (*)
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment	1126/2008
IFRIC 7	Applying the Restatement Approach under IAS 29 - Financial Reporting in Hyperinflationary Economies	1126/2008 mod. 1274/2008
IFRIC 9	Reassessment of Embedded Derivatives	1126/2008 mod. 495/2009 - 1171/2009 - 243/2010 - 1254/2012 (*)
IFRIC 10	Interim Financial Reporting and Impairment	1126/2008 mod. 1274/2008
IFRIC 12	Service Concession Arrangements	254/2009
IFRIC 13	Customer Loyalty Programmes	1262/2008 mod. 149/2011 - 1255/2012
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	1263/2008 mod. 1274/2008 - 633/2010 - 475/2012
IFRIC 15	Agreements for the Construction of Real Estate	636/2009
IFRIC 16	Hedges of a Net Investment in a Foreign Operation	460/2009 mod. 243/2010 - 1254/2012 (*)
IFRIC 17	Distributions of Non-cash Assets to Owners	1142/2009 mod. 1254/2012 (*) - 1255/2012
IFRIC 18	Transfers of Assets from Customers	1164/2009
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	662/2010 mod. 1255/2012
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine	1255/2012
SIC 7	Introduction of the Euro	1126/2008 mod. 1274/2008 - 494/2009
SIC 10	Government Assistance - No Specific Relation to Operating Activities	1126/2008 mod. 1274/2008
SIC 12	Consolidation - Special Purpose Entities *(deleted by Regulation n. 1254/2012)*	1126/2008 mod. 1254/2012 (*)
SIC 13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers *(deleted by Regulation n. 1254/2012)*	1126/2008 mod. 1274/2008 - 1254/2012 (*)
SIC 15	Operating Leases - Incentives	1126/2008 mod. 1274/2008
SIC 25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders	1126/2008 mod. 1274/2008
SIC 27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	1126/2008
SIC 29	Service Concession Arrangements: Disclosures	1126/2008 mod. 1274/2008 - 254/2009
SIC 31	Revenue - Barter Transactions Involving Advertising Services	1126/2008
SIC 32	Intangible Assets - Web Site Costs	1126/2008 mod. 1274/2008

(*) Companies apply this Regulation at the latest as of the first financial year starting after 1 January 2014.